
Regulatory Road Map

Onshore Petroleum Tenure in Nova Scotia



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1.0 Introduction

The Nova Scotia Department of Energy (DOE) regulates onshore petroleum activity and continues to improve the regulatory environment by streamlining the regulatory approvals process for the onshore petroleum industry. This is a guide on regulatory processes that governs onshore land tenure in Nova Scotia. It is not intended to be a complete description, nor does it replace any of the Legislative Acts and Regulations. As the petroleum industry develops in NS, the regulatory regime that governs it will also develop; therefore amendments may be made to the legislation from time to time, reference the legislation on the website www.novascotia.ca/energy

This reference tool does not deal with the other aspects of business development, such as employment, incorporation, taxation and so on, that are common to all businesses and industry ventures.

2.0 Purpose

Atlantic Canada has seen a recent increase in oil and gas activity, particularly onshore. Nova Scotia has improved regulatory procedures and processes to accommodate the growing industry in the region. The purpose of this roadmap documentation is to describe the regulatory procedures related to land tenure for the oil and gas activity onshore Nova Scotia. Land tenure is the process by which the Department of Energy approves the right to explore for either conventional or coal gas (coalbed methane) resources to industry, and in return the companies provide rental fees and other related payments to the province of Nova Scotia. As of 2014, there have been no commercial discoveries and no royalties have been collected in the onshore activity, but we are on the edge of this potential opportunity.

3.0 Scope

This publication contains descriptions of procedures in support of Legislative authority and the relevant documents are found within the attached Appendices. This publication is primarily written for oil and gas administrators in both the private and public sectors. This document may be referenced by the general public who may be interested in the administration of the province's onshore petroleum rights. This publication contains the overview of regulatory activities for onshore petroleum land tenure only. For information

on offshore regulatory procedures and requirements; please visit the Canada Nova Scotia Offshore Petroleum Board at www.cnsopb.ns.ca

4.0 Acts and Regulations

The Government of Nova Scotia updates its legislation and regulations as required. Relevant land tenure Acts and Regulations can be found in Appendix H of this document. Although every effort has been made to ensure the accuracy of this version, the Department of Energy assumes no responsibility for any discrepancies that may have resulted from reformatting. These documents can also be downloaded from the Department of Energy's website. For the official version of regulations, consult the original documents on file with the Registry of Regulations or refer to the Royal Gazette Part II.

For onshore petroleum land tenure in Nova Scotia, all activities fall under the provincial *Petroleum Resources Act*. The Act is administered under the supervision and management of the Minister of the Department of Energy and gives the Minister the authority to create subsequent regulations. Under the Act, there are several regulations including: the *Petroleum Resources Regulations*, *Onshore Petroleum Geophysical Exploration Regulations* and the *Onshore Petroleum Drilling Regulations*.

DOE works closely with the Department of Natural Resources (DNR) as the two departments were joined together in the past. Currently the Registrar is designated from within DNR and the department continues the land tenure registry function. DNR has the ability to issue receipts, whereas DOE does not. All cheques should be made out to the Minister of Finance. All documentation and reports should be sent to DOE (unless otherwise stated) and these are forwarded to the Registrar of Minerals and Petroleum Titles at DNR.

5.0 The Nova Scotia Onshore Area

Any company wishing to acquire petroleum rights can nominate land at any time (further information found in Section 5.1 of this document). Under the *Petroleum Resources Regulations*, the following sections deal with describing land onshore Nova Scotia and could be helpful in the initial land nomination process.

A Claim Reference Map, as seen in Figure 1, illustrates how the land is divided. The map is one quarter of a standard 1:50 000 NTS sheet, lettered A, B, C and D in a clockwise manner from the southeast quarter of the 1:50 000 sheet. This type of grid system is used for land tenure, the naming of petroleum wells and staking mineral claims.

National Topographic System (NTS) and Claim Reference Maps for Nova Scotia

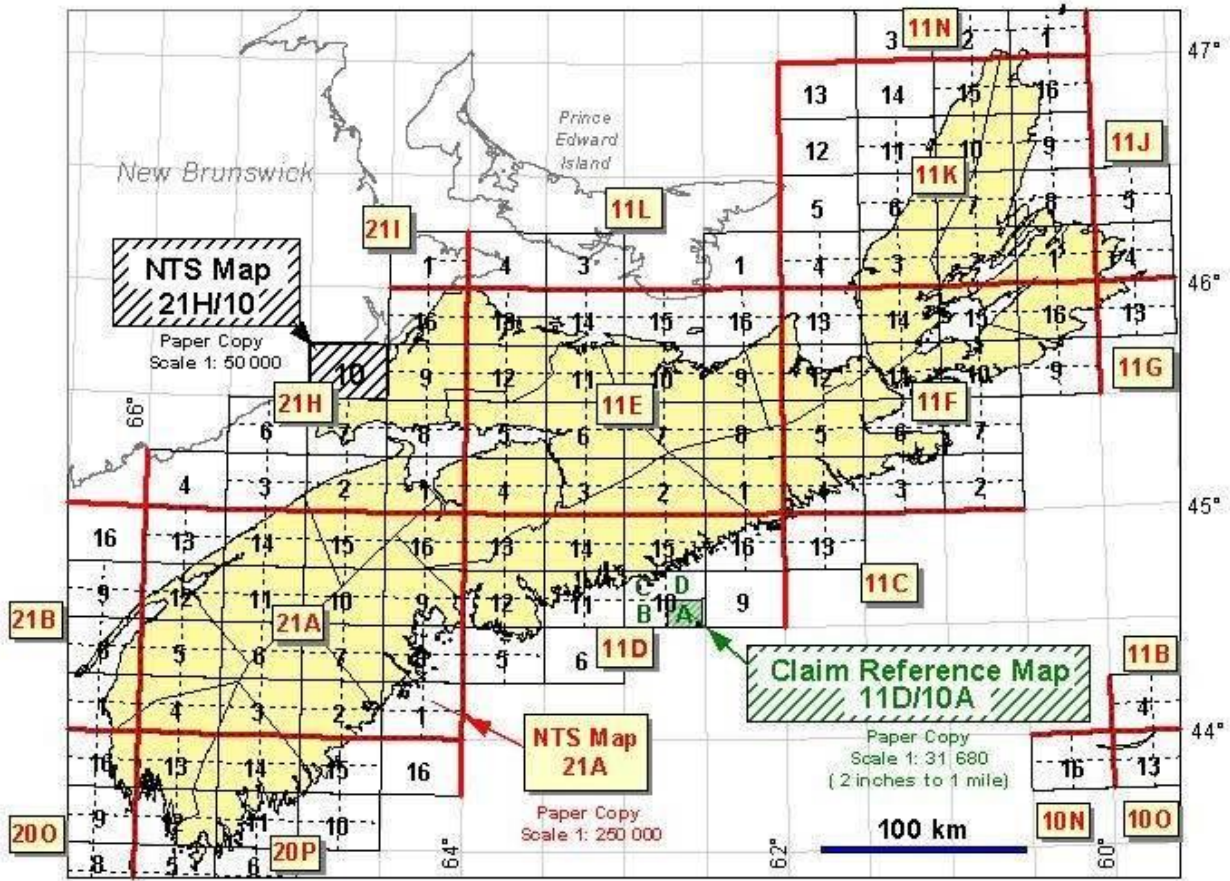


Figure 1
NTS/Claim Reference Map for NS [NAD83 (CSRS98)]

The Land division is comprised of 8 sections of the Regulations; as referenced below:

Section 4 of Regulation

- (1) Maps shall be prepared by and kept at the office of the Registrar.
- (2) Such maps shall be the only official depiction of rights.
- (3) The maps shall be drawn to the following specifications:
 - (a) east and west boundaries shall be true meridians of longitude;
 - (b) north and south boundaries shall be straight lines, parallel to the chord of one-half of the part of the parallel of latitude that represents the boundary of each map sheet;
 - (c) the angle of intersection of each chord on either side of the median meridian of longitude for each map sheet shall be ninety degrees.
- (4) Each map shall depict an area bounded by thirty minutes of longitude and fifteen minutes of latitude.

Land Division Section 5 of Regulation

Each map shall be called a “map sheet”.

Land Division Section 6 of Regulation

- (1) The lands represented by each map sheet shall be considered as subdivided into four quarters, by median lines corresponding to the median longitude and latitude lines of the map sheet.

- (2) Each of the four quarters thus produced shall be lettered as shown in Figure 2:

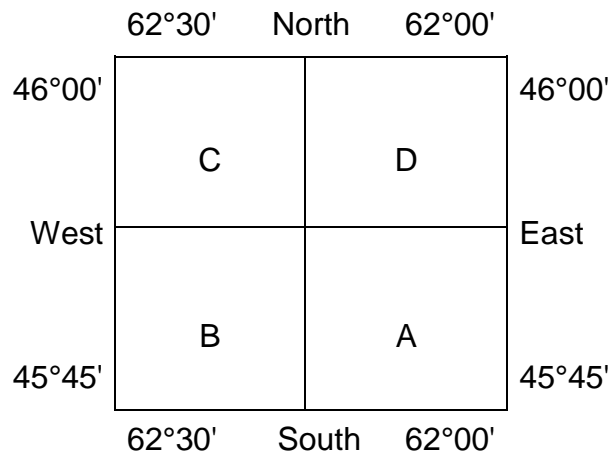


Figure 2
Standard Map Sheet Showing Reference Maps

- (3) Each quarter shall be called a “reference map”.

Land Division Section 7 of Regulation

- (1) The lands represented by each reference map shall be considered as subdivided into one hundred and eight tracts.
- (2) Each tract shall be deemed to contain two hundred and fifty-nine hectares.
- (3) The one hundred and eight tracts so determined shall be numbered as shown in Figure 3:

	62°15'		North										62°00'		
45°52'30"	108	107	106	105	104	103	102	101	100	99	98	97	45°52'30"		
	85	86	87	88	89	90	91	92	93	94	95	96			
	84	83	82	81	80	79	78	77	76	75	74	73			
West	61	62	63	64	65	66	67	68	69	70	71	72	East		
	60	59	58	57	56	55	54	53	52	51	50	49			
	37	38	39	40	41	42	43	44	45	46	47	48			
45°45'00"	36	35	34	33	32	31	30	29	28	27	26	25	45°45'00"		
	13	14	15	16	17	18	19	20	21	22	23	24			
	12	11	10	9	8	7	6	5	4	3	2	1			
	62°15'		South										62°00'		

**Figure 3
Reference Map Showing Tracts**

Land Division Section 8 of Regulation

- (1) Each reference map shall also be divided into six equal units.
- (2) Each unit shall be called a “reservation” (used for Land Tenure purposes, not UWI) which shall consist of eighteen tracts.
- (3) Each reservation shall be deemed to contain four thousand six hundred and sixty-two hectares.
- (4) Each reservation shall be designated as shown in Figure 4:

	62°15'				North				62°00'				
45°52'30"	108	107	106	105	104	103	102	101	100	99	98	97	45°52'30"
	85	86	87 W	88	89	90	91	92	93 V	94	95	96	
	84	83	82	81	80	79	78	77	76	75	74	73	
West	61	62	63	64	65	66	67	68	69	70	71	72	East
	60	59	58 T	57	56	55 A	54	53	52 U	51	50	49	
	37	38	39	40	41	42	43	44	45	46	47	48	
	36	35	34	33	32	31	30	29	28	27	26	25	
45°45'00"	13	14	15 S	16	17	18	19	20	21 R	22	23	24	45°45'00"
	12	11	10	9	8	7	6	5	4	3	2	1	
	62°15'				South				62°00'				

Figure 4
Reference Map Showing Reservations and Tracts (Units)

Land division Section 9 of Regulation

- (1) Each tract shall be subdivided into sixteen equal units.
- (2) Each unit shall be called a “section” and shall be lettered as shown in Figure 5:

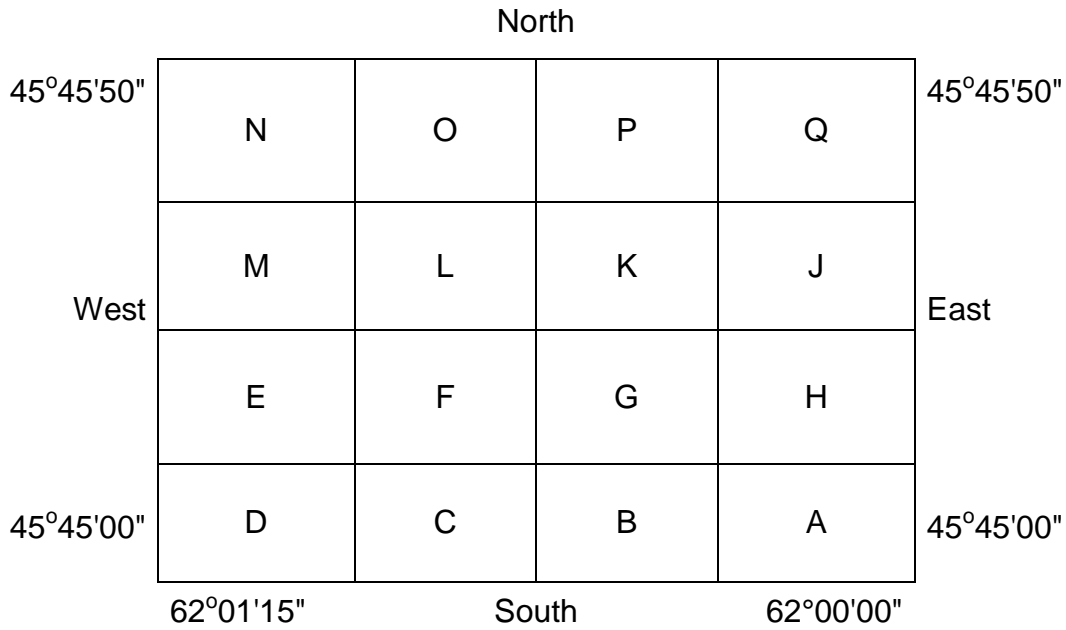


Figure 5
Tract Showing Sections

(3) Each section shall be deemed to contain sixteen point one eight seven five hectares.

Land division Section 10 of Regulation

All rights shall be defined and described in terms of the divisions of land prescribed herein.

Land Division Section 11 of Regulation

- (1) All boundaries shall extend downward vertically without limit.
- (2) All surface measurements shall be horizontal.

6.0 Onshore Rights Issuance

The Nova Scotia Department of Energy encourages onshore petroleum exploration and investment with a streamlined rights issuance system. The Petroleum Resources Division is responsible for issuing and administering onshore petroleum rights. We are committed to doing our part to ensure that onshore energy resources regulations are fair, transparent and workable. An explanation of timelines and how the system works can be seen below.

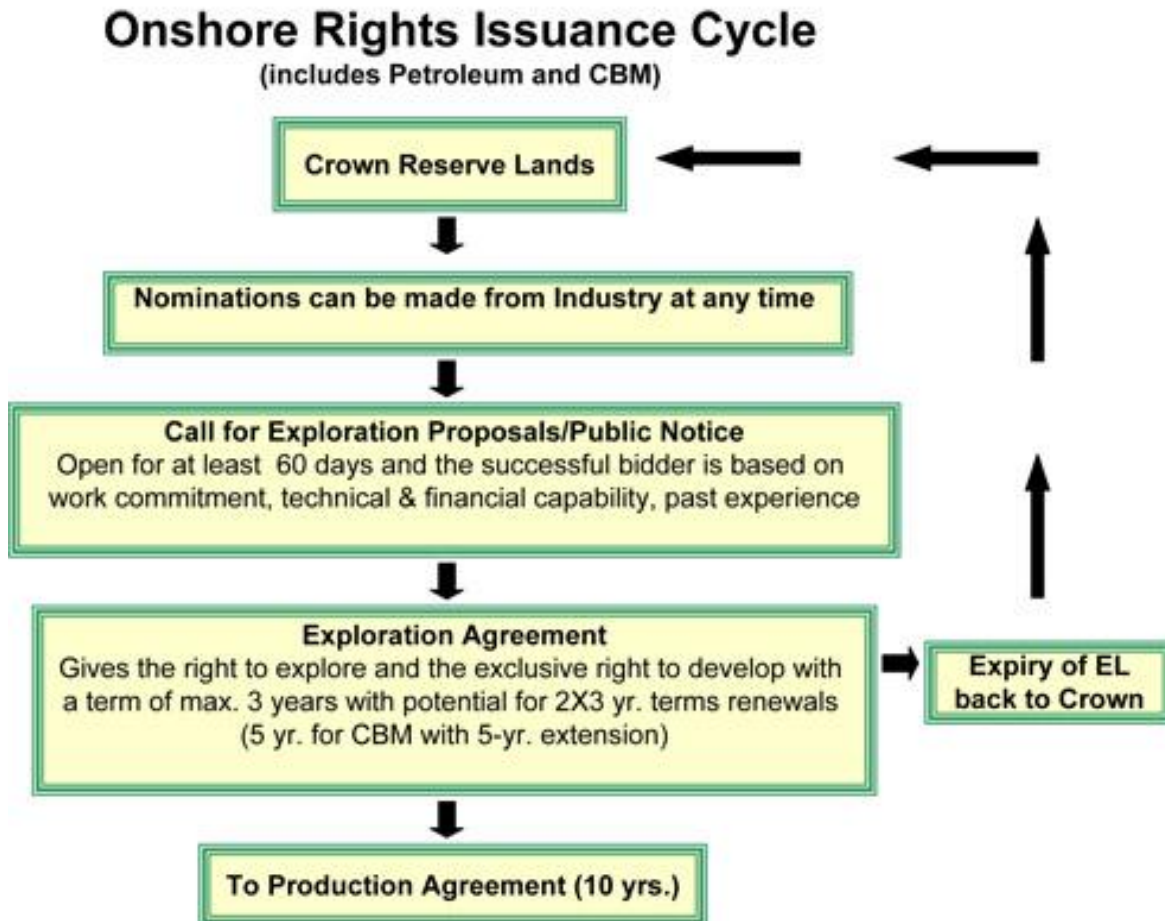


Figure 6
Onshore Rights Issuance Cycle

6.1 Nomination & Call for Bids

Lands may be nominated by industry at any time with a letter detailing nomination area, with a map and completed application for Exploration Agreement Nomination. This results in a competitive Call for Exploration Proposals. Energy has the right to nominate land as well. The Department of Energy works with the Natural Resources Department to determine whether or not the nominated lands are already under agreement or may have other restrictions. If the lands are acceptable, the Registrar reviews the land description to determine if/what areas would be excluded such as: Wildlife Areas, Provincial Parks, Protected Beaches, Federal Lands and Indian Reserves. For a complete listing, please view the Department of Natural Resources website www.novascotia.ca/natr/meb/ or contact the Department of Natural Resources at (902) 424-5935. The Department of Energy reviews the requested posting and may modify the requested size and configuration in consultation with the company who made the nomination.

The lands will be posted with appropriate conditions outlined and then goes out for a competitive bid. This is called the Call for Exploration Proposals (see Appendix B). Public notice is given for the Call in the Royal Gazette, the Department of Energy website, various industry media postings and direct mail outs. To be added to the direct mail out list, please contact the Petroleum Resources Branch at (902) 424-8114.

6.2 Terms and Conditions for Bid

Calls are open for at least 60 days, and proposals received after the Closing Date will not be accepted and are returned unopened. A selection committee is established to review the applications, and an evaluation sheet is issued to help determine the successful proponent. Please see the Evaluation Sheet in Appendix C.

Two clearly labeled envelopes (“Envelope #1” and “Envelope #2”) must be submitted. The evaluation shall be conducted in two stages. Both stages include mandatory criteria. The first stage is an evaluation of information submitted in Envelope #1. This envelope shall be judged first to assess the technical and financial capacity of the Applicant and other requirements described in Article 3.1 found in the Call. Proposals meeting the criteria for the first stage will proceed to the second stage which will consist of a review of the information submitted in

Envelope #2. This stage discloses the dollar value of the Work Program to be undertaken by the Applicant on the block described in Schedule "A".

6.3 Selection

The committee will recommend a successful bidder to the Minister based on work commitments, past experience, technical and financial capability. The final decision of the Proposals is authorized by the Minister of Energy or the Minister's designate. The Minister may select a proposal or reject all proposals within 90 days of the closing date. The Department of Energy is not required to select a successful bid if none meet all criteria stated in the Call. Once the Minister has selected a successful Applicant, the company will be notified in writing. Any unsuccessful applicants will also be notified in writing that they were not successful. The name of the successful applicant and the amount bid for the parcel will be posted on the Department's website but no information is provided on unsuccessful bids.

6.4 Requirements of Successful Applicant

Work Program

Within 45 days of the selection of their Proposal, the successful Applicant is required to submit a Work Program to the Minister.

Exploration Agreement

The successful Applicant will have 14 days after the Minister's acceptance of the Work Program to submit an executed Exploration Agreement, any required letter of credit or acceptable financial security, and any required Certificates of Insurance to the Minister (see Appendix D). Notice in writing to the successful Applicant of the acceptance of its Proposal by the Minister and the subsequent full execution of a written Exploration Agreement will constitute a contract. No person will acquire any legal or equitable rights until the occurrence of both events.

7.0 Onshore Agreements

The Agreement Holder is a company registered to carry out business in the Province of Nova Scotia. The Department of Energy gives the Agreement Holder the exclusive right to explore for petroleum (either coal gas or conventional) and the exclusive right to apply for a production

lease/agreement in respect to the area in question according to applicable regulations. This does not give the right to extract or produce except for quantities necessary for testing authorized by the Minister.

7.1 Classification of Agreement

Classification

- Conventional Oil & Gas (includes Shale)
- Coal Gas

7.2 Type of Agreement

Type

- Exploration– acquires the exclusive right to undertake exploration activity
- Production – acquires the exclusive right to undertake production activity

7.3 Agreement Terms

Conventional Agreement

- Exploration Agreement has initial term of 3 years, can be renewed twice up to a maximum of 9 years (3x3x3)
- Production Lease has an initial term of 10 years but can be renewed if production has commenced

Coal Gas Agreement

- Exploration Agreement has an initial term of 5 years, with one renewal for a maximum of 10 years (5x5)
- Production Agreement has an initial term of 10 years but can be renewed if production has commenced

Terms can be extended, surrendered, or cancelled in accordance with the *Act* and the regulations.

7.4 Renewals and Extensions

These are decision points that often follow the initial terms of an exploration agreement. These tenure documents are signed by the Minister of Energy based on staff recommendations and past performance of the companies requesting the renewal or extension.

Renewals

Renewals have a defined tenure period that matches the original tenure period of the original agreements. Renewals are only given if the company has done work in the original term of the Agreement and the Department is satisfied with the company's performance in the initial term of their agreement. The request must be received not less than 60 days before the expiration of the Agreement. This request does require a new Work Program to be negotiated and amended to Schedule II of the agreement. The Agreement will not be renewed if both the Province and the holder are not able to agree to a new Work Program.

Under Exploration Agreements:

Conventional - Original term - 3 years, and after that term, the company can apply for two additional renewal terms (each for 3 year increments) – but an exploration agreement cannot exceed a total of 9 years.

Coal Gas – Original term - 5 years and after that term, the company can apply for one additional renewal term (for 5 year term) – but an exploration agreement cannot exceed a total of 10 years.

Extensions

Extensions can be requested and are often for smaller terms than the renewal terms and are not considered renewals. Extensions are considered on a case by case basis. Extensions are often used if a company needs additional time to meet the original commitments under their agreement. Often these extensions are a result of external factors that were not taken in consideration when the agreements were originally awarded.

7.5 Reporting and Data Submission

All agreements types have annual reporting requirements. These reporting and data submission requirements vary depending on type of activity.

7.6 Financial Securities Document

Security and Bonds

The holder shall provide an irrevocable letter of credit to the Province in a fixed amount of twenty percent of the value of the Work Program for each year that the agreement is in effect. This security payment will secure the holder's performance for the full term of the Agreement and any extension or renewal. If the holder wants to modify the Work Program which increases its value, the Minister may require an additional sum to secure the performance of the holder by means of an additional irrevocable letter of credit or to increase the original letter of credit.

The bond shall be forfeited in whole if the Agreement Holder does not fulfill the obligations for which the bond is posted. An Agreement Holder may apply to the Minister for reduction of the amount of the performance bond and, upon being satisfied that the holder has, since being granted the exploration agreement, or since the date of a previous bond reduction, fulfilled a portion of his exploration program and that the portion has a certain value, the Minister may authorize the amount of bond to be reduced by such amount as the Minister considers appropriate.

The Minister may return the performance bond where in the opinion of the Minister a failure to fulfill the obligations under an exploration agreement is the result of technical difficulties beyond the Agreement Holder's control despite adherence to good oilfield practices; further performance under an exploration agreement would not be reasonable in the Minister's opinion; or the obligations for which the bond is posted have been performed to the satisfaction of the Minister.

7.7 Rentals & Filing Fees

Rental Fees

The Company must submit the rental fee annually and in advance on the agreement anniversary date. The Petroleum Resources Regulations prescribe an annual rental on exploration lands of \$0.15 per hectare as the rental fee. The first year rental, together with a \$1,210.60 exploration proposal filing fee, must be submitted with the proposal in the form of a bank draft or certified cheque payable to the Minister of Finance, Nova Scotia (Please refer to the Department of Energy for all current pricing). If the proposal is not accepted, the rental fee and filing fee will be returned to the Applicant, without interest, following the execution of an Exploration Agreement with the successful Applicant.

7.8 Insurance

All operations approved under a petroleum agreement are subject to the insurance clause as defined by the agreement. The Agreement Holder will have coverage as described in Schedule V, please see example in Appendix D. Insurance must be maintained during the entire term of the Agreement and copies of the insurance need to be submitted to the Department of Energy to ensure coverage.

7.9 Information Notices

The Department of Energy sends Information Notices to current holders concerning updates and/or changes to onshore activities. These include fee increases, regulation amendments and logistical changes from the Department etc.

8.0 Local Benefits

Every twelve months the Agreement Holder shall report to the Minister of Energy with regards to the goods and services within Nova Scotia relating to their activities. The company must demonstrate and specify how they rely on local goods and services when possible. Regulations require the utilization of services provided from within Nova Scotia and the utilization of goods manufactured in the Province or where not so manufactured, provided from within Nova Scotia.

The Agreement Holder must also confirm the use of qualified employees and independent contactors residing in Nova Scotia when possible; also that contract workers are in accordance with the Regulations. For more information, please review Section 20 of the Petroleum Resources Regulations.

9.0 Service Standards and Approvals

The Province of Nova Scotia is committed to the Better Regulation Initiative (BRI) which reduces paperwork burden and ensures turnaround time for most licenses and permits issued by the province. Service standards longer than 10 days are recognized as appropriate for more complex applications. Many of the Petroleum applications are not appropriate for a 10 day service standard because of the need for complex analysis, review, and critical steps are included in the consideration of the applications. These are continuously streamlined, making it easier to do business in Nova Scotia. When approval timelines are predictable, the onshore companies have the opportunity to align activities; such as gathering personal or equipment. Review Appendix F for a full listing of service turnaround times and Appendix G for a breakdown of relevant land tenure Ministerial approvals.

10.0 First Nations Consulting

The Province has a duty to consult with First Nations respecting activities in Nova Scotia. The Department of Energy consults with aboriginals on all major energy projects. Together, the Department of Energy and the Mi'kmaq have developed "The Energy Consultation Table". It's a consultation process to assist in working collaboratively and positively on the development of Nova Scotia's offshore and onshore energy sector. We do this to ensure the aboriginal community receives firsthand information about energy resource development; to help communities broaden their understanding of the energy industry; and to address Mi'kmaq issues and concerns.

If the Province deems there is a duty to consult, the Agreement Holder shall agree, with the help and assistance of the Province, meet with First Nations to review and discuss economic opportunities and other activities to be performed under the Agreement. The Department of Energy sends letters to the First Nations Representatives to inform the Aboriginal Community in

question of any work in the area. The Department asks the rep to call or meet to discuss any concerns of possible sensitive areas the Province may not be aware of. This is done before the blocks are finalized for agreements and before the company has been selected. An information session is an opportunity for the Province and the Mi'kmaq community to open dialogue regarding opportunities with onshore exploration. There is ongoing consultation throughout the life of the Agreement, especially as we move towards development opportunities.

11.0 Royalties Structure

How are royalties calculated?

All petroleum, except for coal gas, produced under the authority of a lease is subject to a royalty of ten percent (10%) of the petroleum that is produced in each month. Royalty shall be based on the fair market value of petroleum at the wellhead. In determining the royalty to be paid on any petroleum other than oil, there shall be deducted an allowance for the cost of processing or separation as determined in any particular case by the Minister. No royalty shall be calculated or paid with respect to any oil or gas that is produced from the first lease that is granted with respect to lands subject to an exploration agreement for a period of two years from the date of commencement date of the lease.

All coal gas produced under the authority of a coal gas production agreement is subject to a royalty of five percent (5%) of the coal gas produced in each month. Royalty shall be based on the fair market value of coal gas at the surface outlet.

What are royalties paid on?

All petroleum produced under every lease is subject to royalties payable to the Province. No royalty is payable for petroleum that is consumed for drilling, producing, extracting, testing or treating purposes within the lands under the production lease. No royalty is payable for petroleum that is injected into a formation for conservation purposes in accordance with good oilfield practice. Unless the Minister otherwise orders, no royalty is payable for petroleum that is consumed for the operation or maintenance of production facilities, or that is flared, vented or otherwise destroyed.

When are royalties paid?

The amount of royalty required to be paid shall be paid on or before the 25th day of the month next following the month of production. Where a royalty has not been paid when due, the interest holder is liable for interest on the amount outstanding at an annual rate of eighteen percent (18%).

New Onshore Royalty Administration Regulations are being drafted to add clarity around onshore royalty requirements.

12.0 Contact Information**Land Tenure**

Sarah Thurbide
Petroleum Land Tenure Administrator
(902) 424-8114
Sara.Thurbide@novascotia.ca

Drilling

Scott Weldon
Petroleum Geologist
(902) 424-3234
Scott.Weldon@novascotia.ca

Seismic

Adam MacDonald
Senior Petroleum Geophysicist
(902) 424-3840
Adam.MacDonald@novascotia.ca

DNR Registrar

John MacNeil
Registrar of Mineral and Petroleum Titles
(902) 424-8155
John.MacNeil@novascotia.ca

Appendix A - Terminology

Act – refers to Petroleum Resources Act

Agreement Holder - the interest holder(s) in an exploration agreement, the company registered to carry on business in the Province of Nova Scotia.

Anniversary Date – the date in which the agreement was finalized between the Minister and the company.

Applicant – refers to the company nominating lands or bidding on a parcel of land.

Call – Call for Exploration Proposals; the competitive bid process of the nominated lands with appropriate conditions outlined

Coal Gas – Natural gas from coal, also known as Coalbed Methane (CBM)

Conventional Oil & Gas – also includes Shale Gas in Nova Scotia

Designated Representative – means a person designated pursuant to Section 3 of the Petroleum Resources Regulations. They shall have sole responsibility on behalf of the right holder for corresponding with the Minister and the Department of Natural Resources, the payment of any monies payable on behalf of the right holder to the Province, the distribution of any monies refunded by the Province to the right holder, renegotiation of an exploration agreement, for surrender of lands, and any other obligation under an agreement on behalf of the agreement holder and such other duties as may be specified in the right.

Exploration Agreement (EA)– the exclusive right to explore for petroleum (either coal gas or conventional) and the exclusive right to apply for a production lease/agreement

Information Letter – publications issued periodically by the Department of Energy to advise industry of changes in policy, pricing or any other business related information.

Minister – refers to the Minister of Energy, unless otherwise stated

NTS – National Topographic Series, the local survey system used in Nova Scotia. This system is based on latitude and longitude, and land is divided on Map Sheets.

Petroleum – any mineral oil or relative hydrocarbon and any natural gas, including coal gas, existing in its natural condition in strata, but does not include coal or bituminous shales or other stratified deposits from which oil can be extracted by destructive distillation.

Production Agreement (PA) – the exclusive right to undertake production activity for coal gas

Production Lease (PL) – the exclusive right to undertake production activity for conventional gas

Province – Nova Scotia; Her Majesty in right of the Province

Rental Fee – annual rental the Agreement Holder pays on exploration lands

Right Holder - means, collectively, the interest holders in a right

Tenure – term used to describe the system whereby petroleum rights are managed by the Nova Scotia Department of Energy and awarded to companies as agreements.

The Department – refers to the Nova Scotia Department of Energy (DOE)

Work Program – a plan for the exploration and evaluation of the petroleum potential of the lands subject to an exploration agreement

Appendix B – Application Fees and Rentals

	New Price * Effective April 1, 2013
1. <u>The following fees shall be payable at the time of filing:</u>	
- exploration license application	\$121.00
- exploration agreement proposal (this filing fee shall be refunded by the Minister if the proposal is not accepted)	\$1,210.60
- exploration agreement renewal	\$121.00
- lease application	\$121.00
- lease renewals	\$121.00
- transfers	\$121.00
- lease application	\$121.00
- development program submission	no fee required
- surrender	no fee required
- termination	no fee required
- acquiring a geophysical program	\$121.00
- drill a well	\$121.00
- drilling renewal permit	\$121.00
- alter condition of a well	\$121.00
- abandonment of well	\$121.00
2. <u>The following rentals shall be payable in advance annually:</u>	
- exploration agreements	\$0.15 per hectare
- lease	\$0.15 per hectare
Section 2 amended: O.I.C. 93-330, N.S. Reg. 61/93.	
3. <u>The following inspection fees shall be payable in advance:</u>	
- exploration license	\$6.05
- exploration agreement	\$6.05
- lease	\$6.05
- notice of transfer	\$6.05

Payments for any of these fees can be submitted to:

N.S. Department of Energy, 12th Floor 1690 Hollis St, Halifax NS, B3J 3J9

Please make cheque payable to the N.S. Minister of Finance.

Questions related to land tenure or any of these fees, please contact:

Sarah Thurbide at Sarah.Thurbide@novascotia.ca or (902) 424-8114.

Appendix C - Call Document for Exploration Proposals**CALL FOR EXPLORATION PROPOSALS****No. 0X-X**Request for Proposal Issue Date: **XXXX**

Responses to this Request for Proposal must be Received in the Office of:

*Registrar of Mineral and Petroleum Titles
1701 Hollis Street, 3rd Floor, PO Box 698,
Halifax, NS B3J 2T9*

Closing Date and Time: **XXXX 4:00 p.m. (Halifax Time)**,**FACSIMILE OR E-MAIL BIDS WILL NOT BE ACCEPTED****1.0 Department/Situation Overview****1.1 Department Responsibility**

This Call for Exploration Proposals (“Proposals”) is made pursuant to the *Petroleum Resources Act* and the *Petroleum Resources Regulations* (the “Regulations”) as amended with rights registered and maintained by the Registrar of Mineral and Petroleum Titles.

2.0 Call for Exploration Proposal Process and Procedures for Evaluation**2.1 Lands**

This Call for Exploration Proposals is issued in respect of the block of land identified in Schedule “A”.

2.2 Mandatory Requirements

- (a) This Call for Exploration Proposals contains mandatory requirements.
- (b) Proposals not meeting all mandatory requirements will be rejected without further consideration.

2.3 Evaluation

- (a) Evaluation of Proposals will be conducted by the Minister of the Energy Department or the Minister's designate.
- (b) The Minister or the Minister's designate may select a Proposal or reject all Proposals on the basis of the criteria established in this Call for Exploration Proposals.
- (c) The evaluation of exploration proposals shall be conducted in two stages. Both stages include mandatory criteria (see Articles 3.0, 3.1, and 3.2).
- (d) The first stage will be an evaluation of information submitted in the Envelope #1. Proposals meeting the mandatory criteria for the first stage will proceed to the second stage which will consist of a review of the information submitted in Envelope #2 respecting the dollar value of the Work Program to be undertaken by the Applicant.

2.4 Exploration Agreement

- (a) An Exploration Agreement will be required to be signed by the successful applicant.
- (b) A copy of the draft Exploration Agreement to be executed on selection. Copies are available from:

John MacNeil
Registrar of Mineral and Petroleum Titles
1701 Hollis Street, 3rd floor
PO Box 698
Halifax, NS B3J 2T9
Telephone: 902-424-8155; Fax: 902-424-5568
e-mail: John.MacNeil@novascotia.ca

3.0 Proposal Preparation

- (a) This section defines preparation and submission procedures which must be followed by all persons who submit proposals ("Applicant").
- (b) Applicants are cautioned to carefully read and follow the procedures required by this Call for Exploration Proposals and the *Petroleum Resources Regulations* as any deviation from these requirements may be cause for rejection.

- (c) The Proposal must be signed by a person(s) duly authorized to sign on behalf of the Applicant and to bind the Applicant to statements made in response to this Call for Exploration Proposals.

3.1 Proposal Format

- (a) The first part includes information to be placed in an envelope (Envelope #1) clearly marked as Envelope #1 and be clearly labelled as provided in Article 3.5 (c).

Envelope #1

Requirement #1

Envelope #1 shall contain an Application for Petroleum Exploration Agreement attached as Schedule "B" to this Call for Exploration Proposals. (Do not fill the portion relative to Estimate of Cost which will be addressed in Envelope #2).

Requirement #2

A statement shall also be provided in Envelope #1 which covers the following:

- i) information sufficient to enable the Minister to judge the technical capability of the submitted and the Applicant's experience in the exploration, production and transportation of petroleum, including the Applicant's past experience in Nova Scotia or in other areas;
- ii) information sufficient to enable the Minister to judge the financial capability of the Applicant to complete all of the proposed Work Program (eg: audited financial statement);
- iii) a commitment to meet or exceed minimum acceptable exploration expenditures set out in Schedule "C" without specifying the actual dollar value of the Work Program (which will be addressed in Envelope #2). NOTE: minimum expenditures are \$4.00 per hectare for the three (3) year term of the agreement. Proposed expenditures are to be provided for each of the three (3) years, for each block for which proposals are submitted.
- iv) information respecting past experience. Preference shall be given an Applicant who has exploration and production experience.
- v) a description of the exploration plans including type(s) of equipment to be employed, sampling techniques, details of testing techniques, methods and equipment and justification of the chosen methods. This will address the Applicant's:
 - (a) knowledge of the area;

- (b) ability or efforts made to minimize impacts such as noise, water disposal, environmental concerns, etc. that have presented problems in the past;
- vi) knowledge of “current technology” and its application, eg. testing, exploration, drilling, and completion techniques;
- vii) a statement that there has been no collusion with any other person or persons submitting proposals and the application is, in all respects, fair and made without collusion or fraud;
- viii) information respecting the corporation, partnership or person submitting the proposal (including directors and officers) and registration status with the Registry of Joint Stock Companies, Nova Scotia;
- ix) verification that the person submitting the proposal is duly authorized and can bind the Applicant;
- x) information which shall demonstrate the ability of the Applicant to:
 - (a) provide a letter of credit or the acceptable financial security in the amount of 20% of the first year’s work proposal specified in the Exploration Agreement;
 - (b) provide insurance as specified in the Exploration Agreement; and
 - (c) execute an Exploration Agreement.

Requirement #3

Envelope #1 shall also include a bank draft or certified cheque specified in Article 3.2 (b) regarding rental fees and the filing fees.

Envelope #2**Requirement #1**

The second part requires a second envelope, clearly marked Envelope #2, and be labelled as provided for in Article 3.5 (c).

Requirement #2

- i) A statement shall be made containing a dollar value of the Work Program to be undertaken by the Applicant in each year of the three year term and allocated to the block as described in Schedule "A".
- ii) The Applicant shall also indicate the total dollar value assigned to the Work Program.

3.2 Rentals & Filing Fees

- (a) The minimum acceptable exploration expenditures are set out in Schedule "C". Proposals which, in the Minister's opinion, do not meet or exceed the minimum acceptable exploration expenditures will not be considered.
- (b) The regulations prescribe an annual rental on exploration lands of 15¢ per hectare ("rental fee"). The first year rental, together with the \$1,210.60 exploration proposal filing fee, must be submitted with the proposal in the form of a bank draft or certified cheque payable to the Minister of Finance, Nova Scotia.
- (c) If the Proposal is not accepted, the rental fee and filing fee will be returned to the Applicant, without interest, following the execution of an Exploration Agreement with the successful Applicant.

3.3 Information and Inquiries

- (a) Any geological, geophysical and well information which is available for public disclosure may be reviewed at the offices of the Department of Energy, 12th Floor, 1690 Hollis St, Halifax, Nova Scotia. A data package for this call is available through the Department of Energy. Please contact Sarah Thurbide at (902) 424-8114 / Sarah.Thurbide@novascotia.ca to make the necessary appointment.
- (b) While the Province has made considerable efforts to ensure an accurate representation of information, the information contained in this Call for Exploration Proposals is supplied solely as a guideline for Applicants. The information is not guaranteed or warranted to be accurate by the Province, nor is it necessarily comprehensive or exhaustive. Nothing in this Call for Exploration Proposals is intended to relieve Applicants from forming their own opinions and conclusions with respect to the matters addressed in this document.

- (c) All enquiries related to this Call for Exploration Proposals are to be directed to the following person(s) or his/her designate(s). Information obtained from any other source is not official and may be inaccurate. Inquiries and responses may be recorded and may be distributed to all Applicants at the Province's option.

Registrar Contact: John MacNeil
Registrar of Mineral and Petroleum Titles
1701 Hollis Street, 3rd floor
PO Box 698
Halifax, NS B3J 2T9
Telephone: 902-424-8155; Fax: 902-424-5568
e-mail: John.MacNeil@novascotia.ca

3.4 Proposal Changes and Amendments

- a) Persons interested in or responding to the publication of the Call for Exploration Proposals are advised to contact the Registrar as soon as possible and leave the name of a contact person, together with a telephone number, fax and e-mail (if available) so they may receive timely notification of changes.
- b) All Applicants receiving a copy of the Call for Exploration Proposals and who comply with clause (a) will be notified in writing by the Registrar regarding any changes made to the Call for Exploration Proposals or any appendices or any change in the closing date or time.
- c) It is the responsibility of the Applicant to ensure they have received all amendments or other instructions. Prior to submission, the Applicant should contact the Registrar to verify they have received all information.
- d) When changes occur within five business days of the close of the Call for Exploration Proposals, the closing date may be extended to allow for a suitable number of bid preparation days between the closing date and the issuance of the change.

3.5 Closing Date

- a) Each response to the Call for Exploration Proposals must be received no later than 4:00 pm (Halifax time), on the Closing Date, sent or delivered to:

John MacNeil
Registrar of Mineral and Petroleum Titles
1701 Hollis Street, 3rd floor
PO Box 698
Halifax, NS B3J 2T9

- b) Proposals **may not** be sent by facsimile or e-mail.

- c) Proposals and their envelopes should be clearly marked with their respective envelope number, the name and address of the Applicant, the Call for Exploration Proposals number and the block number described in Schedule “A” for which the application is made.

3.6 Late Proposals

Proposals received after the Closing Date will not be accepted and will be returned unopened to the Applicant.

3.7 Changes to Proposal Wording

- a) After the Closing Date and until such time as the Minister selects or rejects the proposals, all Calls for Exploration Proposals are irrevocable.
- b) The Applicant will not change the wording of its Proposal after closing of date and no words or comments will be added unless requested by the Province for purposes of clarification.
- c) The Applicant may change a previously submitted Proposal by withdrawal, amendment or submission of a replacement if done prior to the Closing Date. This information or request should be submitted in writing.

3.8 Applicant’s Expenses

Applicants are solely responsible for their own expenses in preparing, delivering or presenting a Call for Exploration Proposal and for subsequent negotiations with the Province.

3.9 Currency and Taxes

Prices quoted are to be:

- a) in Canadian dollars;
- b) inclusive of duty, where applicable;
- c) FOB destination, delivery charges included where applicable; and
- d) exclusive of Federal/Provincial Sales Taxes.

4.0 Selection Requirements

4.1 Selection

- a) Pursuant to the Regulations, the Minister shall select a proposal or reject all proposals within 90 days of the Closing Date.
- b) Envelope #1 shall be judged first to assess the technical and financial capacity of the Applicant and other requirements described in Article 3.1(b).

- c) Proposals meeting the mandatory criteria for Part 1 (Envelope #1) shall be assessed on the basis of the dollar value of the Work Program to be undertaken by the Applicant on the block described in Schedule "A" determined by opening Envelope #2.
- d) The Minister shall not be bound to select any Proposal.
- e) In the event of two or more identical dollar allocations to any block of land as described in Schedule "A", those "tied" Applicants shall be notified and asked to submit additional information in accordance with the Minister's instructions.
- f) Where the Minister has selected a successful Applicant, that person shall be notified in writing. Any unsuccessful applicants will also be notified in writing that they were not successful.

4.2 Work Program

- a) Within 45 days of the selection of their Proposal, the successful Applicant(s) shall submit a Work Program acceptable to the Minister.
- b) Failure to provide an acceptable work plan under clause (a) may be grounds for the Minister to immediately terminate any further work with the successful Applicant without any costs or damages.

4.3 Exploration Agreement

- a) The successful Applicant(s) shall execute an Exploration Agreement in substantially the form available from:

John MacNeil
Registrar of Mineral and Petroleum Titles
1701 Hollis Street, 3rd floor
PO Box 698
Halifax, NS B3J 2T9
Telephone: 902-424-8155; Fax: 902-424-5568
e-mail: John.MacNeil@novascotia.ca

- b) The successful Applicant shall have 14 calendar days after the Minister's acceptance of the Work Program (Article 4.2) to submit an executed Exploration Agreement, any required Letter of Credit, or acceptable financial security, and, any required Certificates of Insurance to the Minister.

- c) If the successful Applicant fails to submit a Work Program acceptable to the Minister, an executed Exploration Agreement, any required Letter of Credit, and any required Certificates of Insurance in accordance with the mandated time frames, the Minister may reject their proposal without any cost or damages and may select another proposal meeting the mandatory criteria with the next highest dollar amount.

4.4 Acceptance

- a) Notice in writing to the successful Applicant of the acceptance of its Proposal by the Minister and the subsequent full execution of a written Exploration Agreement will constitute a contract.
- b) No person will acquire any legal or equitable rights until the occurrence of both events.

4.5 Ownership of Proposals and Freedom of Information

- a) After the Closing Date, all Proposals submitted shall be the sole property of the Province and are subject to the provisions and disclosure requirements of the *Freedom of Information and Protection of Privacy Act* and any other disclosure requirements imposed by law.
- b) The Minister or the Minister's designate reserves the right to make copies of any Exploration Proposals which it receives for its internal review process and to provide such copies to its staff, legal and financial advisors and representatives.

5.0 Consultation

5.1 First Nations Consultation

The Province may have a duty to consult with First Nations respecting activities on the Agreement Lands covered by this Call. If the Province deems there is a duty to consult, the Agreement Holder shall agree, with the help and assistance of the Province, to meet with First Nations to review and discuss work programs and other activities to be performed under the Agreement.

SCHEDULE "A"

CALL FOR EXPLORATION PROPOSALS

0X-X

XXXXX AGREEMENT

XXXXX COUNTIES

Reference Map

Reservation

Total Hectares
(less excluded and coastal areas)

XXX,XXX (more or less)

SCHEDULE "B"
 APPLICATION FOR AN EXPLORATION AGREEMENT
 CALL FOR EXPLORATION PROPOSALS NO. 0X-X

Application is hereby made by _____ of _____ for a Petroleum Exploration Agreement under the *Petroleum Resources Act* in respect of lands situated at _____ in the County of _____ as described as follows:

Reservation	Reference Map	Hectares

Summary of Work to be carried out on lands:

Equipment to be utilized:

Proposed starting date and duration of work:

Signed at _____ Date _____ Tel No. _____

 Signature of Applicant

 Address

Note: If the Applicant is not a resident of Nova Scotia, state the name and address of a resident of Nova Scotia upon whom service may be made.

Service may be made upon _____, at the following address

TelephoneNumber _____

Petroleum Resources Act - Subsection 11(1) - No holder of a petroleum right may enter upon any Nova Scotia lands, including lands owned by the province, to explore for or develop petroleum, without the consent of the owner of lawful occupier of the surface of such lands.

Petroleum Resources Act - Section 19 - No person shall transfer, assign or otherwise dispose of a petroleum right except in the prescribed manner.

SCHEDULE "C"
MINIMUM ACCEPTABLE WORK PROGRAM
CALL FOR EXPLORATION PROPOSALS No. 0X-X

1. During the first year of the term of the Agreement, the Agreement holder shall conduct a program of analysis and reinterpretation of available data to delineate areas of greatest potential or interest. The Agreement holder shall surrender the Agreement at the end of the first Year of the Term of the Agreement unless it has expended a minimum of \$1.00 per hectare of the Agreement lands with respect to the following types of exploration. In computing this amount, no more than twenty percent (20%) of the total shall be attributable to overhead and other expenses not incurred directly for work actually conducted on the Agreement Lands. Within sixty (60) days following the first anniversary date of the Agreement, the Agreement holder shall submit to the Minister a comprehensive technical report including:
 - (a) a description of the methods used for analysis and reinterpretation of the geotechnical data;
 - (b) a discussion of the integration of the remote and specific data;
 - (c) maps and cross-sections which will illustrate the most recent interpretation of the structural and stratigraphic relationship in the study area;
 - (d) any other relevant data; and
 - (e) a recommendation for the further evaluation and exploration of the Agreement Lands.

2. The Agreement holder shall surrender the Agreement at the end of the second Year of the Term of the Agreement unless, in addition to the work described in paragraph 1 of this Work

Program, it has expended a minimum of \$1.00 per hectare of the Agreement Lands with respect to exploration conducted on the Agreement Lands of any of the following types:

- (a) reconnaissance seismic, gravity or magnetic survey;
- (b) detailed seismic to delineate specific areas of interest;
- (c) the drilling of test holes or core holes for stratigraphic information;
- (d) interpretation and analysis of data generated by the work described in (a);
- (e) the drilling of an exploration well; or
- (f) any other program approved by the Minister.

In computing this amount, no more than twenty percent (20%) of the total shall be attributable to overhead and other expenses not incurred directly for work actually conducted on the Agreement Lands.

3. The Agreement holder shall not have the right to negotiate a renewal of the Agreement as provided in the Agreement unless:
- (a) prior to the expiry of the term of the Agreement, the Agreement holder commences an exploration well on the Agreement Lands at a location approved by the Minister and diligently and continuously drills it to a depth sufficient to evaluate a geological objective selected by the Agreement holder and approved by the Minister, and
 - (b) the total exploration expenditures of the Agreement holder, including the drilling of the well described in subparagraph (a), are not less than \$4.00 per hectare of the Agreement Lands. In computing this amount, no more than (20%) of the total shall be attributable to overhead and other expenses not incurred directly for work actually conducted on the Agreement Lands.

Appendix D - Call Evaluation Sheet

**Call for Exploration Proposals No. XX-XX
Call Closing Date: MONTH X, 20XX
Evaluation Sheet**

Applicant _____ **Parcel** _____

Date and Time Received _____

Envelope #1 and Envelope #2 _____

Envelope #1

Requirement #1 Application for Petroleum Exploration Agreement (Schedule C)
Submitted: Yes ____ No ____ Signed: Yes ____ No ____

Requirement #2

i) Information to judge technical capability; (what was filed)

ii) Information to judge financial capability; (what was filed)

iii) Commitment to meet or exceed minimum acceptable exploration expenditures

iv) Information to judge past experience capability; (what was filed)

v) Description of exploration plans (equipment, techniques)

vi) Knowledge of current technology & its application

vii) Statement about "No Collusion"

viii) Information respecting the corporation, partnerships or person submitting proposal

xi) Verification that the person submitting is authorized & can bind the Applicant

x) Information which demonstrates the ability to:

a) provide letter of credit in the amount specified in Exploration Agreement

b) provide proof of insurance as specified

c) execute an agreement

Requirement # 3

Bank draft or certified cheque to cover rental fees & filing fees

ACCEPT ENVELOPE # 1 Yes No

Upon acceptance of Envelope #1 - proceed to evaluating Envelope #2

#####

Envelope # 2

a) Properly Labelled Envelope Yes ____ No ____

Requirement # 4

b) Statement of the dollar value of the Work Program;

Year #1 _____ Year #2 _____ Year #3 _____

Total Amount _____ specified not specified

Additional Comments /Observations:

Individuals present during the opening of the bids:

(1) _____ (print name) _____ (signature)
(2) _____ (print name) _____ (signature)
(3) _____ (print name) _____ (signature)

Recorded by:

Dated: _____

Appendix E - Generic Exploration Agreement

EXPLORATION AGREEMENT NO. XX-XX-XX-XX

THIS EXPLORATION AGREEMENT made in duplicate dated the X day of XXX XXXX.

BETWEEN:

HER MAJESTY THE QUEEN, in right of the Province of Nova Scotia, represented by the Minister of the Department of Energy, hereinafter called the "Province".

- OF THE FIRST PART

- and -

COMPANY NAME, a body corporate, registered to carry on business in the Province of Nova Scotia, being the sole interest holder in this Agreement and hereinafter referred to as the "Agreement Holders".

- OF THE SECOND PART

WHEREAS the Minister published a call for exploration agreement proposals in accordance with the *Petroleum Resources Regulations* ("the Regulations");

AND WHEREAS the Agreement Holders submitted a proposal respecting the Agreement Lands;

AND WHEREAS pursuant to Section 44 of the Regulations, the Minister selected the proposal submitted by the Agreement Holders respecting the Agreement Lands;

AND WHEREAS the Agreement Holders have made application for an exploration agreement and has paid the necessary fees;

NOW THEREFORE, in consideration of the rentals and the covenants and agreements herein contained, the Minister, on behalf of the Province, and the Agreement Holders agree as follows:

INTERPRETATION

1. (1) (a) In this Agreement, a reference to the *Petroleum Resources Act* (“the Act”) or to any enactment of the Legislature of Nova Scotia shall be construed as a reference to:

(i) that Act, as amended from time to time,

(ii) any replacement of all or part of that Act from time to time enacted by the Legislature, as amended from time to time, and

(iii) any regulations, orders, directives, by-laws, or other subordinate legislation from time to time made under any enactment referred to in clause (i) or (ii), as amended from time to time.

(b) A reference to the Minister includes the Deputy Minister and any other person authorized by the Minister or Deputy Minister to act on behalf of the Minister.

(2) Except as provided in this subsection and unless the context otherwise requires, words used in this Agreement have the same meaning as in the Act and the regulations and,

(a) “Agreement” means this exploration agreement entered into in accordance with and subject to the Act.

(b) “Agreement Holders” means all of the interest holders in this Agreement including the original signatories to this Agreement and any subsequent assignees of this Agreement.

(c) “Agreement Lands” means the lands described in Schedule I and includes all geological formations within those lands or such portion of those lands as may from time to time be subject to this Agreement.

(d) “Anniversary Date” means the anniversary date of the date of this Lease for each year of the term.

(e) “Designation of Representative” means the designation of a representative made by the Agreement Holders pursuant to Section 3 of the Regulations and filed with the Registrar in accordance with this Agreement. (f) “Representative” means the representative of the Agreement Holders appointed pursuant to a Designation of Representative.

(g) “Work Program” means the program of work described in Schedule II.

(h) “Year” means the 365 day period beginning at 12:01 a.m. on the effective date of the Agreement specified on page 1 or anniversary of that date (“Anniversary Date”), as the case may be.

- (3) Any question of interpretation of anything contained in this Agreement or to any matter or thing to which it pertains shall be decided by the Minister and the Minister's determination shall be final and binding.
- (4) This Agreement shall be interpreted with all changes in number or gender as required by the context.
- (5) Whenever the plural is used in this Agreement the same shall be construed as meaning the singular and vice versa as required by the context.

RIGHTS

2. (1) Subject to the provisions of this Agreement and the rights of any holder of an exploration license or coal gas agreement, this Agreement confers upon the Agreement Holders the exclusive right to explore for petroleum, other than coal gas, on the Agreement Lands and the exclusive right to apply for a production lease in respect of the Agreement Lands. This Agreement does not convey any title or interest, or any right to extract or produce petroleum except such quantities thereof as are reasonably necessary for test purposes or for the conduct of operations on the Agreement Lands.
- (2) This Agreement and the Agreement Lands shall be held by the Agreement Holders in the percentages of interest set out in Schedule III which shall be deemed to be amended from time to time as a consequence of any sale, transfer, assignment or other disposition made in accordance with the Regulations.

TERM

3. (1) This Agreement shall continue for a term of three (3) years unless it is extended, surrendered, or cancelled in accordance with the Act and the Regulations.
- (2) Upon the expiry of the term of this Agreement, the Agreement Holders shall cease to have any interest hereunder and all rights shall revert to the Province.

RENEWAL

4. Subject to Section 57 of the Regulations and compliance with the terms of this Agreement, the Agreement Holders may, not less than sixty (60) days prior to the expiration of this Agreement, apply to renew the Agreement in accordance with Section 50 of the Regulations by notifying the Minister that the Agreement Holders wish to negotiate a new Work Program. If the Province and the Agreement Holders are unable to agree to a new Work Program prior to the expiration of this Agreement, the Agreement shall not be renewed.

WORK PROGRAM

5. (1) The Agreement Holders shall carry out the Work Program during the term of the Agreement. Nothing in this Agreement shall prevent the Agreement Holders from carrying out the Work Program within the first year of the term or at any time prior to the expiry of the term.

(2) Subject to Section 32 of the Regulations, the Agreement Holders acknowledge and agree that, notwithstanding anything else in this Agreement, failure by the Agreement Holders to comply with any provision of the Work Program shall constitute grounds for cancellation of this Agreement pursuant to Section 36 of the Regulations.

(3) If this Agreement is surrendered by the Agreement Holders in accordance with the Act and the Regulations or cancelled by the Province, the Agreement Holders' entire interest in this Agreement and the Agreement Lands shall revert to the Province and the Agreement Holders shall have no further obligations to fulfil the remainder of the Work Program requirements, saving and excepting the proper abandonment, site restoration, and other remedial or mitigatory measures required by the Regulations, this Agreement, previously issued work authorizations, or good oil field practice.

(4) All operations undertaken pursuant to this Agreement by the Agreement Holders shall be performed in a manner as is usual and customary in skilful and proper operations of similar nature and in accordance with the *Onshore Petroleum Geophysical Exploration Regulations* and the *Onshore Petroleum Drilling Regulations*.

MINERAL RIGHTS

6. The Agreement Holders agree to conduct their operations upon the Agreement Lands in such a manner as not to interfere with or disrupt the reasonably necessary activities of the holder of any rights that are now or may hereafter be issued or entered into pursuant to the *Mineral Resources Act* or the *Underground Hydrocarbons Storage Act* respecting all or any portion of the Agreement Lands.

RENTALS

7. The Agreement Holders shall pay the prescribed rental to the Province annually in advance on each Anniversary Date.

GOODS AND SERVICES

8. Every twelve (12) months the Agreement Holders shall report to the Minister, in such form as the Minister may determine, as to:

- (a) utilization of services provided from within Nova Scotia and utilization of goods manufactured in Nova Scotia or where not so manufactured, provided from within Nova Scotia;
- (b) the number of qualified employees and independent contractors normally resident in Nova Scotia providing services to the Agreement Holders; and
- (c) evidence that the Agreement Holders' contractors and subcontractors are acquiring goods and services in accordance with Section 20 of the Regulations.

WAIVER

9. No waiver by the Minister of any breach of any of the terms or conditions contained in this Agreement shall take effect or be binding upon the Province unless the waiver is expressed in writing by the Minister, and any waiver so expressed shall not limit or affect the Province's rights with respect to any other or future breach.

INDEMNITY

10. (1) Each Agreement Holder shall, in respect of that portion of the Agreement Lands to which each such Agreement Holder's interest relates, at all times, jointly and severally, indemnify and save harmless the Province from and against all claims, demands, loss, costs, damages, actions, suits or other proceedings by whomsoever made, sustained, brought or prosecuted, in any manner based upon, occasioned by, or attributable to, anything done or omitted to be done by the Agreement Holders, their Representative, contractors, servants or agents, in the fulfilment of agreements made herein or in the exercise of the rights or obligations contained herein.

(2) For greater certainty, an Agreement Holder who does not hold an interest with respect to that portion of the Agreement Lands in relation to which a claim, demand, loss, cost, damage, action, suit or other processing arises is not liable to indemnify the Province under subsection (1).

REPRESENTATIVE

11. (1) The Agreement Holders shall file with the Registrar, prior to the execution of this Agreement, a Designation of Representative in the form set out in Schedule IV.
- (2) The Representative shall continue as the Representative of the Agreement Holders unless the Agreement Holders substitute another representative as provided in this Section.
- (3) In compliance with Section 24 of the Regulations, the Representative shall create, where necessary, and maintain an establishment in Nova Scotia where the Representative
- (a) can be reached during normal business hours;
 - (b) shall keep at least one copy of all information and samples of all material obtained or recovered from the Agreement Lands, including well cuttings, core material, fluid samples and production records, as required from time to time by the Minister;
 - (c) shall keep at least one copy of all reports and records directly related to the exercises of the Agreement Holders' right;
 - (d) shall ensure that during normal business hours there shall be at least one individual qualified to assist the Minister; and
 - (e) shall be in continuous contact with the activities under the right and with all participating persons responsible for the obligations contained in the right.
- (4) The Province may rely, without detriment, on any representations or actions made or taken by the Representative respecting an interest under this Agreement.
- (5) The Agreement Holders covenants and agrees that they are responsible to advise the Representative from time to time of the obligations under this Agreement and at law, and the Agreement Holders shall be fully responsible and liable for any actions or omissions of such Representative under this Agreement.
- (6) Correspondence from the Minister, the Registrar and the Department of Energy directed through the Representative shall be deemed to be notice to the Agreement Holders.
- (7) Payment of monies pursuant to the Act, the Regulations or this Agreement by the Province to the Representative shall be good and sufficient discharge of any obligation of the Province to pay the Agreement Holders, or interest holder, or any of them.
- (8) The Agreement Holders may, upon giving the Minister sixty (60) days notice in writing, designate another representative by filing a new Designation of Representative with the Registrar.

SECURITY

12. (1) In accordance with Sections 46 and 47 of the Regulations, the Agreement Holders shall provide an irrevocable letter of credit to the Province, issued by a Canadian Chartered Bank, in form satisfactory to the Province, acting reasonably, in a fixed amount representing twenty percent (20%) of the value of the Work Program undertaken in each year that this Agreement is in effect, which shall secure performance of the Agreement Holders' obligation under the Act, the Regulations and this Agreement for the term of the Agreement and any extension or renewal.

(2) The irrevocable letter of credit shall

(a) for the first year of the Work Program, be provided prior to the execution of this Agreement; and

(b) in respect of the second and subsequent years of the Agreement, on the earlier of

(i) the Anniversary Date of the Agreement; or

(ii) ten (10) days prior to the commencement of a subsequent phase of the Work Program.

(3) Subject to subsection (4), the Province shall return the irrevocable letter of credit securing performance of the Agreement Holders' obligations in any previous year or for a previous phase of the Work Program upon receipt of any subsequent irrevocable letter of credit required in accordance with this Section.

(4) An irrevocable letter of credit or the uncalled balance thereof shall be cancelled, and the original letter of credit shall be returned by the Province to the Agreement Holders within a reasonable period of time where,

(a) in the opinion of the Minister a failure to fulfill the obligations under this Agreement is the result of technical difficulties beyond the Agreement Holders' control despite adherence to good oilfield practices;

(b) further performance under this Agreement would not be reasonable in the Minister's opinion; or

(c) the obligations for which the letter of credit was issued have been performed to the satisfaction of the Minister.

(5) Where the Agreement Holders propose a modification to the Work Program which increases its value, the Minister may require an additional sum to secure the performance of the Agreement Holders' obligation pursuant to that Work Program which modification may require provision of an additional irrevocable letter of credit or, in the alternative, an increase in the amount of the irrevocable letter of credit referenced in subsection (1).

(6) With the approval of the Province, the Agreement Holders may provide a form of security under this Section other than a letter of credit. All provisions of this Section will apply to the approved security.

INSURANCE

13. (1) The Agreement Holders shall procure the insurance coverage as described in Schedule V or shall cause the insurance coverage to be procured and such insurance shall be maintained in full force during the term of this Agreement to protect all insureds for the purposes and risks outlined therein.

(2) Insurance under subsection (1) shall provide coverage for the Province, the Agreement Holders, their Representative, subcontractors, consultants, their successors and assigns, and their respective directors, officers, and employees, and protect all insureds from all claims arising out of liability for property damage, bodily injury including death and personal injury. The claimant holder shall procure or shall cause to be procured the insurance coverage as described in Schedule V, and shall ensure that the insurance is maintained in full force during the term of this Agreement, on the terms and conditions set out herein to protect all insureds for the purposes and risks identified.

(3) All policies shall be insured by financially sound insurers licensed to carry on business in Canada. The policies described in Schedule V shall be written on an occurrence basis.

(4) Certified copies of all insurance policies required, or certificates of insurance with endorsements acceptable in form and substance to the Province, shall be delivered to the Province on execution of this Agreement.

(5) The Agreement Holders, the Province, the Representative, all subcontractors, consultants, subconsultants, and other parties listed in subsection (2) shall be added as named insureds, on the policy.

(6) If any policy can only be written on a "claims made" basis, the policy must provide the Province and the Agreement Holders with the right, upon cancellation or termination by refusal to renew the policy, to purchase an extended reporting period of not less than two (2) years.

(7) Each of the policies of insurance maintained pursuant to this Agreement shall contain a waiver of the insurer's right of subrogation against any insured under this Agreement.

SITE MAINTENANCE AND RESTORATION

14. (1) The Agreement Holders must maintain work sites established on the Agreement Lands in a clean and orderly manner at all times and shall not cause or permit any nuisance or damage to Agreement Lands.

(2) The Agreement Holders shall prepare and submit six (6) months prior to the end of the term of this Agreement, a detailed program (the "Restoration Program") acceptable to the

Minister, acting reasonably, which shall address, but shall not be limited to the following activities:

- (i) removal of cut or felled trees;
- (ii) removal of garbage or other debris;
- (iii) restoration of disturbed areas, such as mud pits, which restoration may include backfilling, grading, levelling or seeding and/or planting; and
- (iv) restoration of areas disturbed by excessive water as a result of the Work Program.

(3) Site restoration in accordance with the Restoration Program shall be completed within twelve (12) months of the end of the term of this Agreement or any renewal or such additional time as may be agreed by the Minister.

(4) Cessation of operations or termination of this Agreement for any reason shall not relieve the Agreement Holders from the obligations of this Section.

NOTICE

15. (1) Where in this Agreement or under the Regulations, it is required that a notice, communication or statement (hereinafter called "notices") be given, such notices may be served on the Province at the following addresses:

Department of Natural Resources
1701 Hollis Street
P.O. Box 698
Halifax, Nova Scotia B3J 2X1

Attn: Registrar of Mineral and Petroleum Titles
Telephone: (902) 424-8156
Fax: (902)424-5568
E-mail: John.MacNeil@novascotia.ca

Department of Energy
12th Floor
1690 Hollis Street
Halifax, Nova Scotia B3J 3J9

Attn: Petroleum Land Tenure Administrator
Telephone: (902) 424-8114
Fax: (902)424-1102
E-mail: Sarah.Thurbide@novascotia.ca

and on the Representative at the address specified in the Designation of Representative filed with the Registrar.

(2) Upon giving the other party thirty (30) days notice in writing, the Province or the Agreement Holders may amend the address for service from time to time.

(3) Notices may be served:

(a) personally by delivering them to the party on whom they are to be served provided such delivery shall be during normal business hours. Personally served notices shall be deemed received by the addresses when actually delivered as aforesaid; or

(b) by registered prepaid post. Notices so served shall be deemed to be received on the fourth day after the day of posting, excluding Saturdays, Sundays, and statutory holidays; or

(c) by fax directed to the party on whom they are to be served at that party's address for service. Notices so served shall be deemed received by the respective addresses thereof:

i) when actually received by them if received within the normal working hours of a business day; or

ii) at the commencement of the next ensuing business day following transmission thereof, whichever is the earlier.

GENERAL

16. (1) The Agreement Holders shall comply with the provisions of

(a) the Act and the Regulations

(b) this Agreement; and

(c) any other Acts of the Legislature of Nova Scotia that prescribe, apply to or affect the rights and obligations of holders of petroleum rights that are the property of the Province, or that relate to or affect the Agreement Holders in the conduct of their operations or activities under this Agreement.

(2) In the event of conflict between a provision of this Agreement and a provision referred to in subparagraph (1)(c) of this Section, the latter provision prevails.

(3) The Agreement Holders agrees to waive and hereby waives all rights, prerogatives, privileges and immunities that would otherwise exempt the Agreement Holders from compliance with any of the provisions of the *Petroleum Resources Act* or of any enactment of the Legislature.

17. Nothing in this Agreement shall derogate from any enactment that imposes duties, obligations, and responsibilities on the Agreement Holders or the Representative or, their respective employees, administrators, agents, successors, heirs, contractors, subcontractors, and assigns, including but not limited to, the *Environment Act*, and the *Occupational Health and Safety Act*.
18. All schedules, maps and attachments affixed hereto constitute and form part of this Agreement.
19. The Agreement Holders acknowledge that the laws of Nova Scotia govern all matters relating to this Agreement and the Agreement Holders acknowledge and submit to the jurisdiction of the Province.
20. All references to monetary amounts in this Agreement or any Appendix shall be to Canadian dollars.
21. Time shall be of the essence of this Agreement.
22. Those provisions of the Agreement which, by their terms, are intended to survive or which must survive in order to give effect to the continuing obligations if the Province and the Agreement Holders shall survive the termination of the Agreement.
23. The headings used in this Agreement are inserted for convenience of reference only and shall not affect the meaning or construction of any provision.
24. This Agreement may be executed in several counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute one and the same instrument and it shall not be necessary in proving the same to produce more than one set of such counterparts.
25. No assignment of all or any part of this Agreement shall receive the consent of the Minister until the obligation in section 33 of the *Petroleum Resources Regulations* have been complied with and the assignee has executed a counterpart of this Agreement.

IN WITNESS WHEREOF, these presents are duly executed on the part of the Province in the name of the Minister and under the Minister's seal of office and by the Agreement Holders under their corporate seals by their officers duly authorized in that regard.

HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF NOVA SCOTIA

Witness

Minister of the Department of Energy

COMPANY NAME

(Seal)

PER: _____

Witness

**SCHEDULE I
AGREEMENT LANDS
EXPLORATION AGREEMENT NO. XX-XX-XX-XX
(XXXX County)**

Reference Map Reservations

Total Hectares XXX,XXX ha (more or less)
(less excluded and submarine areas)

The following sections are excluded from forming a part of the Agreement Lands contained with this Schedule I:

Section Tract Reservation Reference Map

**SCHEDULE II
MINIMUM ACCEPTABLE EXPLORATION
EXPLORATION AGREEMENT NO. XX-XX-XX-XX**

Attached to and forming part of the COMPANY Exploration Agreement

Year Work Program Value

Total value of expected expenditures for the 3 year term \$XXXXX

**SCHEDULE III
EXPLORATION AGREEMENT NO. XX-XX-XX-XX**

PROVINCE OF NOVA SCOTIA

Interest Holders

The following persons are interest holders in the right granted and their percentage interest in the right under the *Petroleum Resources Act*.

(1)

(2)

(3)

(4)

DATED AT _____ this ____ day of _____, 20XX.

Signature: _____
Right Holder(s)

**SCHEDULE IV
EXPLORATION AGREEMENT NO. XX-XX-XX-XX**

PROVINCE OF NOVA SCOTIA

Designation of Representative

In accordance with Section 3 of the *Petroleum Resources Regulations*, we, the right holder of Petroleum Exploration Agreement No. XX-XX-XX-XX (the said Agreement), hereby designate(s):

Name

Address

Phone _____ Fax

E-mail

as our Representatives and, until this Designation of Representative is revoked in accordance with the *Petroleum Resources Regulations* and the said Agreement, the right holder vest in the said Representative all powers, authority, and responsibility specified in the Act, the Regulations, and the said Agreement.

DATED AT _____, this ____ day of _____, 20XX.

(to be executed under seal by right holder)

Right Holder(s)

**SCHEDULE V
EXPLORATION AGREEMENT NO. XX-XX-XX-XX
INSURANCE**

1. COMMERCIAL GENERAL LIABILITY INSURANCE

This insurance will include the following provisions:

- (a) policy limit of liability of Five Million Dollars (\$10,000,000.00) per occurrence (can be structured as primary plus supplemental layers of primary plus umbrella and/or excess);
- (b) products hazards and completed operations coverage subject to separate annual aggregate limits equal to the policy limit of liability;
- (c) personal injury liability;
- (d) blanket written and oral contractual liability;
- (e) contingent employer's liability;
- (f) broad form occurrence property damage;
- (g) non-owed automobile liability;
- (h) tenants legal liability (broad form);
- (i) cross-liability and separation of interest with respect to each insured;
- (j) insurer must give ninety (90) days prior written notice of cancellation of or material change to the policy to the Province and the Agreement Holders;
- (k) primary insurance without right of contribution of any other insurance carried by the Province.

2. AUTOMOBILE LIABILITY INSURANCE

Automobile Liability Insurance shall insure all licensed vehicles, owned, leased or operated by the Agreement Holders. This insurance will include the following provisions:

- (a) policy limit of liability of Two Million Dollars (\$2,000,000.00) per occurrence (can be structured as primary plus supplemental layers or primary plus umbrella and/or excess);
- (b) insurer must give ninety (90) days prior written notice of cancellation of or material change to the policy to the Agreement Holders and the Province;

(c) the Agreement Holders shall ensure that all subcontractors have Automobile Liability Insurance in the amount of Two Million Dollars (\$2,000,000.00) per occurrence with a maximum deductible of Fifty Thousand (\$50,000.00) per occurrence.

3. WORKERS' COMPENSATION INSURANCE

(a) Workers' Compensation Insurance shall be maintained for the Agreement Holders' employees in accordance with the requirements of the laws of the Province of Nova Scotia. The Agreement Holders must ensure that evidence of coverage required by law is provided by all subcontractors.

Appendix F – Land Tenure Forms



Department of Energy

Application for a Conventional Exploration Agreement
FORM C
Petroleum Resources Division

Application is hereby made by _____ of _____
for a Conventional Exploration Agreement under the *Petroleum Resources Act* in respect of lands situated
_____ in the County of _____ and described as follows:

Reservation	Reference Map	Hectares
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

State the extent and character of the examination to be made and an estimate of its cost:

First Year

Second Year

Third Year

Details attached.

Signed at: _____ Date: _____ Tel: _____

Signature: _____ Address: _____

Note:

If the applicant is not a resident of Nova Scotia, state the name and address of a resident of Nova Scotia upon whom service may be made.

Service may be made upon: _____, at the following address

Tel: _____

Petroleum Resources Act - Subsection 12(1) - No holder of a petroleum right may enter upon any Nova Scotia lands, including lands owned by the Province, to explore for or develop petroleum, without the consent of the owner or lawful occupier of the surface of such lands.

Petroleum Resources Act - Section 20 - No person shall transfer, assign, or otherwise dispose of a petroleum right except in the prescribed manner.

Return the form to

Attention: Sarah Thurbide
Nova Scotia Department of Energy
Bank of Montreal Building, Suite 400
5151 George Street
Halifax, Nova Scotia
B3J 3P7

Questions?

Call 902-424-8114
Email thurbisa@gov.ns.ca
Fax 902-424-5126
Form last modified: March 30, 2010

For Staff Use Only			
Department of Energy & Department of Natural Resources			
Received by: _____	20 ____	Application no. _____	
at _____	AM/PM	License no. _____	
Amount of app. fees \$ _____	Received <input type="checkbox"/>	Plotted <input type="checkbox"/>	Recorded <input type="checkbox"/>
Receipt no. _____			
Name & Address _____ _____			
REGISTRAR	Accepted <input type="checkbox"/>	Rejected <input type="checkbox"/>	

_____	20 ____		



Application for a Coal Gas Exploration Agreement
FORM E
 Petroleum Resources Division

Application is hereby made by _____ of _____
 for a Coal Gas Exploration Agreement under the *Petroleum Resources Act* in respect of lands situated
 _____ in the County of _____ and described as follows:

Reservation	Reference Map	Hectares
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Summary of work to be carried out on lands (a detailed work program must be attached):

Equipment to be utilized:

Proposed starting date and duration of work:

Signed at: _____ Date: _____ Tel: _____
 Signature: _____ Address: _____

Note:

If the applicant is not a resident of Nova Scotia, state the name and address of a resident of Nova Scotia upon whom service may be made.

Service may be made upon: _____, at the following address

Tel: _____

Petroleum Resources Act - Subsection 12(1) - No holder of a petroleum right may enter upon any Nova Scotia lands, including lands owned by the Province, to explore for or develop petroleum, without the consent of the owner or lawful occupier of the surface of such lands.

Petroleum Resources Act - Section 20 - No person shall transfer, assign, or otherwise dispose of a petroleum right except in the prescribed manner.

Form E added: O.I.C. 87-1435, N.S. Reg. 246/87.

Return the form to

Attention: Sarah Thurbide
Nova Scotia Department of Energy
Bank of Montreal Building, Suite 400
5151 George Street
Halifax, Nova Scotia
B3J 3P7

Questions?

Call 902-424-8114
Email thurbisa@gov.ns.ca
Fax 902-424-5126
Form last modified: March 31, 2010

<p>For Staff Use Only</p> <p>Received by: _____</p> <p>Date: _____</p>



Department of Energy

Application for a Coal Gas Production Agreement
FORM F
Petroleum Resources Division

Application is hereby made by : _____ of _____

for a Coal Gas Production Agreement under the *Petroleum Resources Act* in respect of lands situated _____

in the County of _____ and described as follows:

Reservation	Reference Map	Hectares
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

If lands described above are subject to a Coal Gas Exploration Agreement, state particulars of the Agreement:

A development program prepared in accordance with Section 85(2) of the *Petroleum Resource Regulations* must accompany this application.

Signed at: _____ Date: _____ Tel: _____

Signature: _____ Address: _____

Note:

If the applicant is not a resident of Nova Scotia, state the name and address of a resident of Nova Scotia upon whom service may be made.

Service may be made upon: _____, at the following address
Tel: _____

Petroleum Resources Act - Subsection 12(1) - No holder of a petroleum right may enter upon any Nova Scotia lands, including lands owned by the Province, to explore for or develop petroleum, without the consent of the owner or lawful occupier of the surface of such lands.

Petroleum Resources Act - Section 20 - No person shall transfer, assign, or otherwise dispose of a petroleum right except in the prescribed manner.

Form F added: O.I.C. 87-1435, N.S. Reg. 246/87.

9 Return the form and attachments to:

Attention: Sarah Thurbide
Nova Scotia Department of Energy
Bank of Montreal Building, Suite 400
5151 George Street
Halifax, Nova Scotia
B3J 3P7

Questions? Call
902-424-8114

From last modified: March 31, 2010

For Staff Use Only			
Department of Energy & Department of Natural Resources			
Received by: _____	20 ____	Application no. _____	
at _____	AM/PM	License no. _____	
Amount of app. fees \$ _____	<input type="checkbox"/>	Received <input type="checkbox"/>	Plotted <input type="checkbox"/>
Receipt no. _____	<input type="checkbox"/>	Recorded <input type="checkbox"/>	
Name & Address _____ _____			
REGISTRAR	<input type="checkbox"/>	Accepted <input type="checkbox"/>	Rejected <input type="checkbox"/>

_____	20 ____		



Notice of Transfer
FORM D
Petroleum Resources Division

Agreement # _____

Part 1

Notice is hereby given that _____ of, _____
 a body corporate duly incorporated under the laws of _____ with head office
 at _____) (hereinafter called the Transferor) has,
 subject to compliance with Regulation 33 of the Petroleum Resources Regulations, sold, transferred,
 assigned or disposed of the right, or interest in a right, described below to _____
 of _____, a body corporate duly incorporated under the laws
 of _____ with head office at _____)
 (hereinafter called the Transferee):

SIGNED by the Transferor this _____ day _____
 of _____, 20 ____ .

Witness _____

Witness _____

Part 2

The Transferee hereby acknowledges the transaction referred to in Part 1.

SIGNED by the Transferee this _____ day of _____, 20 ____ .

Witness _____

Witness _____

Part 3

I, _____, Minister responsible for the Department of Energy,
hereby consent to the transaction referred to in Part 1.

SIGNED by the Minister responsible for the Department of Energy this _____ day
of _____ 20 ____ .

Witness Minister

Part 4

Recorded at the Office of the Registrar this _____ day of _____, 20 ____
at _____ a.m./p.m. as instrument _____, page number _____.

Registrar

Number _____

Subject _____

FROM _____

TO _____

DATED _____

Fee \$ _____

Receipt no. _____

<p>For Staff Use Only</p> <p>Approved by Administrator: _____</p> <p>Date: _____</p>

REGISTERED

THIS _____
DAY OF _____ 20 ____
AT _____ AM/PM
PAGE _____

Minister for the Department of Energy

Registrar of Mineral and Petroleum Titles

From last modified: March 31, 2010

Appendix G – Service Standards

Application/Permit	Turnaround Time (days)
Amendments to license/lease	45 **
Application for a Coal Gas Exploration Agreement	70
Application for a license/lease	70
Application for a Petroleum Exploration Agreement	70
Application for a Production Agreement (CBM)	130
Application for a Production Agreement (Conventional)	150
Application for Petroleum Exploration Agreement - Bonding	45
Authority to Abandon a Well	10
Authority to Alter the Condition of a Well	45
Authority to Drill a Well	45
Authority to Explore	45
Authority to Terminate a Well	10
Call for Exploration Proposals	165
Exploration Agreement Renewal	35 **
Linked to Onshore Geophysical Reg's - Authority to Explore (Seismic)	45
Linked to Onshore Petroleum Drilling Reg's - Authority to Drill a Well	45
Right of Entry (Energy Management)	55 **
Vesting Order (Petroleum Resources)	60 **
Vesting Order (Energy Management)	60 **

Note:

** = Complexity may extend timeline

Appendix H – Land Tenure Ministerial Approvals

Call for Exploration Proposals – Total of 165 days

1. Request from Industry
2. Preparation & paperwork (14 days) Prepare Call Package, data package, land description, maps, put on website, put on the Royal Gazette (this is only published on Wednesday), send notice to Aboriginal community before awarding
3. Out for competition (60 days in Legislation)
4. Once the Call closes, the Minister has 90 days to select/reject and make a decision on the submissions.
1. Once the successful candidate is notified, they have 45 days to submit Work Program and bonds.

Application for a Petroleum Exploration Agreement – Total of 70 days

1. 45 days for the company to provide a bond, copy of insurance, work schedule which forms part of their agreement.
2. Once DOE receives the above, there is a draft agreement that incorporates info from the company (2 days)
3. Lawyer review (DOE no longer has in-house lawyer; therefore this process may take longer then before) (4 days)
4. Preparation of letter on signing agreement by Deputy Minister & Minister (7days)
5. DOE sends out agreement with letter attached to company for their signature (3 days)
6. Company returns agreement for final agreement signature by Minister (7 days)
7. DOE receives agreement back, sends the company their official signed originals by courier (2 days)

Application for a Coal Gas Exploration Agreement – Total of 70 days

1. 45 days for the company to provide a bond, copy of insurance, work schedule which forms part of their agreement.
2. Once DOE receives the above, there is a draft agreement that incorporates info from the company (2 days)
3. Lawyer review (DOE no longer has in-house lawyer; therefore this process may take longer then before) (4 days)
4. Preparation of letter on signing agreement by DM & Minister (7days)
5. DOE sends out agreement with letter attached to company for their signature (3 days)
6. Company returns agreement for final agreement signature by Minister (7 days)
7. DOE receives agreement back, sends the company their official signed originals by courier (2 days)

NOTE: Appendix G does not contain all Ministerial approvals; just a few relevant land tenure examples.

APPENDIX I - Full Acts and Legislation**Petroleum Resources Act**

CHAPTER 342

OF THE

REVISED STATUTES, 1989

amended 2000, c. 12, ss. 10, 11

NOTE - This electronic version of this statute is provided by the Office of the Legislative Counsel for your convenience and personal use only and may not be copied for the purpose of resale in this or any other form. Formatting of this electronic version may differ from the official, printed version. Where accuracy is critical, please consult official sources.

**An Act Respecting
Petroleum Resources****Short title**

1 This Act may be cited as the *Petroleum Resources Act*. R.S., c. 342, s. 1.

Interpretation

2 In this Act, unless the context otherwise requires,

- (a) "coal gas" means methane occurring naturally in coal seams and associated strata and includes methane obtainable by methane extraction;
- (b) "Directorate" means the Nova Scotia Petroleum Directorate;
- (c) "methane extraction" means any process approved by the Minister by which methane gas is extracted or manufactured from coal;
- (d) "Minister" means the member of the Executive Council designated as the Minister for the purpose of this Act;
- (e) "petroleum" means, in addition to its ordinary meaning, any mineral oil or relative hydrocarbon and any natural gas, including coal gas, existing in its natural condition in strata, but does not include coal or bituminous shales or other stratified deposits from which oil can be extracted by destructive distillation;
- (f) "prescribed" means prescribed by the regulations;

(g) "Province" means Her Majesty in right of the Province;

(h) "right" or "petroleum right" means an exploration licence, an exploration agreement, a production lease or a coal gas agreement granted pursuant to this Act or the regulations and includes any right arising from an exploration licence, exploration agreement, production lease or coal gas agreement. R.S., c. 342, s. 2; 2000, c. 12, s. 10.

Supervision of Act

3 (1) The Minister has the general management and supervision of this Act and the regulations.

(2) Where any duty, power or authority is imposed or conferred on the Minister by this Act or the regulations, the Minister may delegate such duty, power or authority to whatever person he considers advisable. R.S., c. 342, s. 3.

Registrar

4 (1) The Governor in Council may appoint a person to be Registrar and may determine his remuneration.

(2) The Registrar shall perform such duties as are assigned to him by the Governor in Council, the Minister and this Act and the regulations.

(3) The Registrar shall have an office at such place as may be determined by the Governor in Council, where he shall keep such books, official maps and plans for the recording therein of petroleum rights and other documents as may be prescribed and such books, official maps and plans and such other documents as are not prescribed to be confidential shall be open for inspection by an interested person during office hours on payment of the prescribed fee. R.S., c. 342, s. 4.

Personnel

5 (1) Such officers, employees, agents and inspectors as are required for the purpose of this Act and the regulations shall be appointed in accordance with the *Civil Service Act*.

(2) Notwithstanding subsection (1), the Minister, with the approval of the Governor in Council, may engage the services of such professional or technical persons and experts to advise him as he deems necessary for the efficient carrying out of this Act.

(3) The compensation paid to persons engaged pursuant to subsection (2) shall be determined by the Governor in Council. R.S., c. 342, s. 5.

Public Service Superannuation Act

6 The Registrar and all officers, employees, agents and inspectors are employees within the meaning of the *Public Service Superannuation Act* and are entitled to all the benefits therein set forth. R.S., c. 342, s. 6.

Application of Act

7 This Act applies to all Nova Scotia lands, which means the land mass of Nova Scotia including Sable Island, and includes the seabed and subsoil off the shore of the land mass of Nova Scotia, the seabed and subsoil of the Continental shelf and slope and the seabed and subsoil seaward from the Continental shelf and slope to the limit of exploitability. R.S., c. 342, s. 7.

Withdrawal of lands

8 The Governor in Council may, by order, for any purposes and under any conditions set out in the order withdraw from the application of this Act or the regulations, or any part thereof,

(a) such area of Nova Scotia lands;

(b) any petroleum or coal gas in specified Nova Scotia lands,

as specified in the order. R.S., c. 342, s. 8.

Division of Nova Scotia lands

9 Nova Scotia lands shall be divided into units as prescribed. R.S., c. 342, s. 9.

Vesting of petroleum

10 (1) All petroleum located in or under Nova Scotia lands is and is deemed always to have been vested in the Province and every grant made by the Crown shall be construed and held to reserve all the petroleum in the lands so granted.

(2) Petroleum rights may be granted pursuant to this Act, and upon their expiry are re-vested in the Province. R.S., c. 342, s. 10.

Authorization required

11 No person shall explore for, develop or produce petroleum unless authorized by this Act or the regulations. R.S., c. 342, s. 11.

Consent to enter upon lands

12 (1) No holder of a petroleum right may enter upon any Nova Scotia lands, including lands owned by the Province, to explore for or develop petroleum, without the consent of the owner or lawful occupier of the surface of such lands.

(2) Where such consent cannot be obtained, the holder may apply to the Minister and the Minister may grant an order for entry upon such terms, including the payment of compensation, as the Minister considers appropriate.

(3) Such order shall be made in accordance with the provisions of Section 21. R.S., c. 342, s. 12.

Exploration licence

13 (1) The Minister may grant an exploration licence upon such terms and conditions as may be prescribed to any person who applies in the prescribed manner.

(2) The holder of an exploration licence has a non-exclusive right to explore for petroleum in the manner prescribed and specified in the licence.

(3) Every exploration licence shall be for the term of one year and may be renewed for further periods of one year each at the discretion of the Minister and upon such terms and conditions as may be prescribed. R.S., c. 342, s. 13.

Exploration agreement

14 (1) The Minister may, from time to time and in such manner as is prescribed, enter into exploration agreements for the exploration for petroleum in specified areas of Nova Scotia lands.

(2) In an exploration agreement the Minister may specify provisions for the use of Nova Scotia labour, goods and services and commitments to encourage Nova Scotia education and training, research and development.

(3) Every exploration agreement shall be for a term of three years and, subject to the regulations and the terms and conditions of the agreement, shall be renewed for such further periods as are prescribed.

(4) Annual rentals, reporting requirements and all other terms and conditions of exploration agreements shall be as prescribed or determined by the Minister.

(5) The holder of an exploration agreement has, subject only to the rights of any holder of an exploration licence or coal gas agreement, the exclusive right to explore for petroleum in the agreed area in the manner prescribed and specified in the agreement.

(6) Where no proposal is submitted or accepted in accordance with the regulations, the Minister may, in the manner prescribed, enter into an exploration agreement with any person on such terms and conditions as the Minister may determine. R.S., c. 342, s. 14.

Production lease

15 (1) A holder of an exploration agreement may apply to the Minister for a production lease of all or part of the area held pursuant to his exploration agreement.

(2) The Minister shall, subject to the regulations, grant a production lease if the holder

(a) satisfies the Minister that petroleum can be commercially produced from the land he proposes to lease; and

(b) in the manner prescribed, prepares and receives approval for a development program relating to the proposed commercial production.

(3) Every production lease shall commence on the date on which commercial production begins and shall be for a term of ten years.

(4) A production lease shall be renewed at the option of the holder for one further term of ten years provided that the holder has complied with the terms and conditions of this Act, the regulations and his lease.

(5) Further renewals may be granted by the Minister upon such terms and conditions as may be prescribed.

(6) Every production lease shall give the lessee the right to produce petroleum from the leased area and to market that petroleum in the manner prescribed. R.S., c. 342, s. 15.

Exploration licence or coal gas agreement required

16 (1) Notwithstanding the provisions of this or any other Act, no holder of an exploration agreement or production lease, or any other person, may explore for, develop or produce coal gas unless he is the holder of an exploration licence or a coal gas agreement.

(2) The Minister may, from time to time and in such manner as is prescribed, receive applications for and enter into coal gas agreements to explore for, develop or produce coal gas on specified Nova Scotia lands, even if any other petroleum right authorized by this Act or any right authorized by any other Act has been granted in respect of those specified lands.

(3) The manner of application, the terms and conditions of any coal gas agreement, coal gas royalties, fees and rentals and all other matters respecting the exploration for, development of and production of coal gas shall be prescribed in the regulations. R.S., c. 342, s. 16.

Notice respecting coal gas agreement

17 (1) Before entering into a coal gas agreement in respect of specified lands, the Minister shall notify all holders of rights granted pursuant to this Act, the *Mineral Resources Act* and the *Gas Storage Exploration Act*, which are held in respect of those specified lands or lands adjacent to those specified lands.

(2) The Minister shall give all such holders of petroleum, mineral and gas storage rights the opportunity to make representations concerning the proposed coal gas agreement.

(3) Upon entering into a coal gas agreement, the Minister may add to, vary or remove any terms or conditions of any such petroleum, mineral or gas storage right in order to co-ordinate and maximize public benefit from petroleum and mineral resource development.

(4) Every decision to add to, vary or remove any terms or conditions of any such petroleum, mineral or gas storage right shall be made in accordance with the provisions of Section 21. R.S., c. 342, s. 17.

Consent to dispose of coal gas

18 No operator of a coal mine shall dispose of any coal gas without the written approval of the Minister and the Minister may attach such terms and conditions to his approval, including terms and conditions for the conservation and utilization of coal gas, as are prescribed. R.S., c. 342, s. 18.

Determination of presence of coal gas

19 (1) Any person may apply to the Minister, or the Minister may, on his own initiative, give notice for a hearing to determine whether or not any particular natural gas in, on or under specified lands is coal gas, and such determination shall be made in accordance with the provisions of Section 21.

(2) Such hearing may be held at the same time as any hearing respecting a proposed coal gas agreement. R.S., c. 342, s. 19.

Disposal of petroleum right

20 No person shall transfer, assign or otherwise dispose of a petroleum right except in the prescribed manner. R.S., c. 342, s. 20.

Order

21 (1) Except as otherwise provided in this Act, every order made pursuant to this Act or the regulations is final and conclusive.

(2) Before making any order that any provision of this Act or the regulations requires or authorizes to be made in accordance with the provisions of this Section, the Minister shall give notice in writing to the persons affected thereby of not less than fourteen days, or such other period as he considers appropriate in the circumstances, specifying the nature of the order proposed to be made.

(3) Where the Minister cannot in writing conveniently notify every person affected, or cannot identify with certainty the persons affected, he shall give notice in such manner as he considers appropriate in the circumstances.

(4) Within the period specified in the notice given under subsection (2) or (3), any person receiving the notice may, in writing, request a hearing and, on receipt of such request, the Minister shall appoint a time and place for a hearing and give notice thereof of not less than seven days, or such other period as he considers appropriate in the circumstances, to the person who requested the hearing.

(5) If a hearing is not requested within the period specified in the notice, the order is final and conclusive.

(6) Any person to whom notice is required to be given under subsection (2) or (3) may make representations and introduce documents and witnesses at any hearing held under this Section, and in making any order in respect of which the hearing has been held, the Minister

(a) shall consider any representations made and evidence introduced at the hearing;

(b) may adjourn the hearing from time to time as he considers appropriate and may direct such inquiries and reports to be made by such persons as he considers appropriate, and witnesses may be called and examined upon oath;

(c) shall make his order on the merits of the matter as he considers them, and shall not be bound to follow any previous decisions; and

(d) shall, on request by any such person, publish or make available to that person the reasons for the order. R.S., c. 342, s. 21.

Deemed term of petroleum right

22 It shall be and shall be deemed to be a term of every petroleum right that the right is subject to this Act and the regulations as they may be amended from time to time. R.S., c. 342, s. 22.

Further deemed term of petroleum right

23 It shall be and shall be deemed to be a term of every petroleum right that the holder of the right acknowledges that the laws of the Province govern all matters relating to the right, and the holder acknowledges and submits to the jurisdiction of the Province. R.S., c. 342, s. 23.

Consent to enter upon lands

24 (1) No holder of a production lease or a coal gas agreement may enter upon or occupy any Nova Scotia lands to produce petroleum without the written consent of the owner or lawful occupier of such lands.

(2) Where consent cannot be obtained, the holder may request the Minister to order that the land necessary for the production of petroleum according to the terms of the lease or agreement be vested in the holder.

(3) If the Minister is satisfied that the land should be vested in the holder, he shall issue an order vesting it in that person.

(4) A vesting order issued by the Minister shall be filed at the appropriate registry of deeds and the filing thereof shall be deemed to be a deposit of expropriation documents pursuant to the *Expropriation Act*.

(5) Upon the filing of a vesting order by the Minister, the holder named in the order is and is deemed to be an expropriating authority within the meaning of the *Expropriation Act*. R.S., c. 342, s. 24.

Expropriation Act

25 (1) The *Expropriation Act* applies *mutatis mutandis* to any such expropriation.

(2) Notwithstanding Section 4 of the *Expropriation Act*, wherever the provisions of that Act conflict with the expropriation provisions of this Act, the expropriation provisions of this Act prevail.

(3) The holder of the production lease or coal gas agreement is deemed to be the statutory authority for the purposes of the *Expropriation Act*.

(4) The Minister is deemed to be the approving authority for the purposes of the *Expropriation Act*.

(5) In determining the value of the expropriated land, no value shall be given to any petroleum or mineral, or any right therein, in, upon or under the land. R.S., c. 342, s. 25.

Regulations respecting expropriation

26 The Governor in Council may make regulations respecting

(a) a request by a holder of a production lease for expropriation;

(b) the matters and things necessary to satisfy the Minister that lands required by a holder of a production lease should be vested in the holder of that lease;

(c) the contents of a vesting order;

(d) generally, any matter relating to any proposed expropriation of land pursuant to this Act. R.S., c. 342, s. 26.

Regulations

27 (1) The Governor in Council may make regulations

(a) respecting the division of Nova Scotia lands into units and official maps showing such division;

(b) respecting the procedure for applying for exploration licences and renewals and the terms and conditions applicable to exploration licences and renewals;

(c) respecting the procedures for entering into exploration agreements, the contents of exploration agreements and all other matters in relation to the negotiation and acceptance of exploration agreements;

- (d) respecting the procedures for the preparation, evaluation, acceptance, revision or rejection of development programs including provisions for public hearings and the matters to be considered in development programs;
- (e) respecting the terms and conditions of petroleum rights;
- (f) respecting the nature and extent of employment of Nova Scotians by holders of petroleum rights and others performing work authorized by a petroleum right;
- (g) respecting the nature and extent of the supply of goods and services by Nova Scotians to holders of petroleum rights and others requiring goods and services pursuant to work or operations authorized by a petroleum right;
- (h) respecting the nature, scope and extent of education, training, research and development projects and programs, and the nature and extent of the financial and other obligations of holders of petroleum rights with respect thereto;
- (i) respecting, from time to time, the nature and amount of royalties payable in respect of produced petroleum;
- (j) respecting the nature and extent of participation by the Province in the production of petroleum;
- (k) respecting the procedure for applications for transfers, assignments or other dispositions of petroleum rights and the terms and conditions upon which the Minister may allow transfers, assignments or other dispositions;
- (l) respecting bonds to be given to the Province, conditioned upon the due performance by any person of any term or condition of any petroleum right or the due carrying out of any undertaking entered into in relation thereto;
- (m) respecting the procedure for application by holders of licences and leases granted pursuant to the former *Petroleum and Natural Gas Act* for exploration agreements and the criteria upon which the applications will be assessed;
- (n) respecting the exploration for, development of and production of coal gas, including the manner of application for and the terms and conditions of coal gas agreements, royalties, fees, rentals and all other matters relating thereto;
- (o) respecting the forms to be used under this Act and the regulations;
- (p) respecting the recording of documents and the terms and conditions under which documents may be inspected by any interested person;
- (q) respecting the delivery to the Minister of information and samples with respect to petroleum and petroleum rights and providing for the confidentiality of such information and samples;

(r) respecting the assignment of functions, rights and duties under this Act to officers and employees in the Directorate or in any department of the public service;

(s) respecting the delegation of any duty, power or authority imposed or conferred by this Act or the regulations to the Energy and Mineral Resources Conservation Board established by the *Energy and Mineral Resources Conservation Act*;

(t) respecting the causes for which petroleum rights may be suspended or cancelled and the procedure relating thereto;

(u) respecting from time to time the fees, rentals and other amounts payable to the Province with respect to exploration licences, exploration agreements, development programs, exploration renewals, holding renewals, appraisal renewals, production leases, the recording of documents or any services provided under this Act and the regulations, and the rate of interest to be paid for or on account of any unpaid fees, rentals or other amounts;

(v) respecting the nature and constitution of liens upon the property of the holders of petroleum rights as security for the payment of all fees, rentals, royalties and other amounts payable to the Province pursuant to the Act, to the regulations, to any order made thereunder or to the terms of any petroleum right;

(w) respecting the rate of production of petroleum generally or different rates of production of petroleum for different fields, different leased areas or different types of petroleum;

(x) respecting the marketing of petroleum;

(y) respecting the encouragement of the development of petroleum resources by decreasing the amount otherwise provided for of any rental, royalty or other obligation of a holder of a petroleum right;

(z) respecting contributions by holders of petroleum rights to a compensation fund from which persons who suffer loss as a result of activities undertaken pursuant to petroleum rights may be reimbursed;

(za) respecting fees and financial security for permits, licences, agreements and leases and other approvals issued pursuant to this Act;

(zb) respecting cost recovery for services provided by the Minister, the Directorate or persons to whom are delegated any duty, power or authority pursuant to subsection 3(2);

(zc) respecting the appointment of inspectors and cost recovery for services provided by inspectors and the inspection of geophysical operations, wells and petroleum facilities;

(zd) respecting geophysical operations;

(ze) respecting the economic, orderly and efficient development of energy resources, including the construction, location and establishment of equipment, buildings, structures, wharves, docks and support facilities related to energy;

(zf) respecting the prohibition against drilling wells to explore for, develop or produce petroleum without a permit, licence or approval;

(zg) respecting permits, licences or approvals to drill wells and the terms and conditions of permits, licences and approvals, including the designation, identification, location, design, equipment, construction, operation, maintenance and abandonment of wells and associated structures;

(zh) respecting the most efficient methods for the production of energy resources, including enhanced recoveries;

(zi) respecting the adoption, incorporation or constituting as regulations, in whole or in part, of any relevant codes, rules or standards, as amended from time to time, prepared and published by the Canadian Standards Association or any similar association, with or without any modification or amendment;

(aa) defining any word or expression used but not defined in this Act;

(ab) generally for carrying into effect the provisions of this Act.

(2) The Governor in Council may exercise the authority in this Section and in Section 26 either generally or specifically, by location or territory, by class or kind, by reference to an individual or particular petroleum right.

(3) In the absence of regulations, the Governor in Council may authorize the Minister to enter into exploration agreements and production agreements and determine that the particular agreement is a regulation for the purpose of this Act.

(4) *repealed 2000, c. 12, s. 11.*

(5) The exercise by the Governor in Council of the authority in this Section and in Sections 8 and 26 shall be regulations within the meaning of the *Regulations Act*. R.S., c. 342, s. 27; 2000, c. 12, s. 11.

Offence and penalty

28 (1) Every person who contravenes or fails to comply with

(a) any provision of this Act or the regulations; or

(b) any final order applicable to him under this Act,

is guilty of an offence and liable on summary conviction to a penalty not exceeding one hundred thousand dollars or imprisonment for a term not exceeding two years.

(2) Where an offence is committed by a person under subsection (1) on more than one day or is continued by him for more than one day, it shall be deemed to be a separate offence for each day on which the offence is committed or continued. R.S., c. 342, s. 28.

Liability for offence by employee or agent

29 In any prosecution for an offence under this Act it is sufficient proof of the offence to establish that it was committed by an employee or agent of the accused, whether or not the employee or agent is identified or has been prosecuted for the offence, unless the accused establishes that the offence was committed without his knowledge or consent and that he exercised all due diligence to prevent its commission. R.S., c. 342, s. 29.

Offence by officer or agent of corporation

30 Where a corporation has committed an offence under this Act, any officer, director or agent of the corporation who directed, authorized, assented to, acquiesced in or participated in the commission of the offence is a party to and guilty of the offence and is liable on summary conviction to the punishment provided for the offence whether or not the corporation has been prosecuted. R.S., c. 342, s. 30.

Existing permit or licence or lease

31 (1) Notwithstanding the *Interpretation Act*, every permit, licence and lease issued pursuant to the former *Petroleum and Natural Gas Act* or the regulations made pursuant thereto and any and all rights arising therefrom or thereunder are revoked without compensation payable to the holder thereof.

(2) The holder of a licence or lease referred to in subsection (1) has the exclusive right to enter into one or more exploration or coal gas agreements concerning the area held by the holder of that licence or lease.

(3) The exclusive right referred to in subsection (2) expires if not exercised within six months, or such greater period as may be prescribed, immediately following the date regulations pursuant to this Act concerning exploration agreements or coal gas agreements are made or the holder of the licence or lease enters into an agreement pursuant to the authority of the Governor in Council in the absence of regulations. R.S., c. 342, s. 31.

This consolidation is unofficial and is for reference only. For the official version of the regulations, consult the original documents on file with the Registry of Regulations, or refer to the Royal Gazette Part II.

Regulations are amended frequently. Please check the list of Regulations by Act to see if there are any recent amendments to these regulations filed with the Registry that are not yet included in this consolidation.

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Petroleum Resources Regulations

made under Section 27 of the

Petroleum Resources Act

R.S.N.S. 1989, c. 342

O.I.C. 85-1180 (October 29, 1985), N.S. Reg. 178/85

as amended up to O.I.C. 2008-176 (March 31, 2008, effective April 1, 2008), N.S. Reg. 205/2008

1 These regulations may be cited as the Petroleum Resources Regulations.

Definitions

2 (1) In these regulations

- (a) “Act” means the Petroleum Resources Act;
- (b) “agreement holder” means, collectively, the interest holders in an exploration agreement;
- (c) “delineation well” means a well that, in the opinion of the Minister, is located in such a manner that there is a reasonable expectation that it will intersect another portion of a petroleum accumulation penetrated by a prior well drilled in the geologic structure;
- (d) “development well” means a well that, in the opinion of Minister, is located in relation to another well or wells for the purpose of production, or observation, or for the injection or disposal of fluid into or from an accumulation of petroleum;
- (e) “emergency conditions” means circumstances which may constitute a hazard to life or property, or which may result in personal injury or damage to the environment;
- (f) “exploration agreement” means an agreement entered into pursuant to Section 14 of the Act to explore for petroleum and includes an agreement entered into pursuant to Section 16 of the Act to explore for coal gas;
- (g) “exploration well” means a well that is drilled to a depth greater than ninety meters for the purpose of petroleum exploration;

- (h) “interest holder” means any person or partnership, as defined in the Partnerships and Business Names Registration Act, having an interest pursuant to any right;
- (i) “lands” means Nova Scotia lands to which the Act applies;
- (j) “lease” means a production lease granted pursuant to the Act and includes a coal gas production agreement;
- (k) “lessee” means a holder of a lease whether or not production has commenced;
- (l) “licensee” means a holder of an exploration license;
- (m) “production facilities” means production equipment at a field site and includes separating, treating, processing and support facilities;
- (n) “representative” means a person designated pursuant to Section 3;
- (o) “right holder” means, collectively, the interest holders in a right.

Subsection 2(1) replaced: O.I.C. 93-330, N.S. Reg. 61/93.

- (2) The definitions contained in the Act apply to these regulations except where the context otherwise requires.

Part I

General

- 3 (1)** Every right holder shall designate a representative acceptable to the Minister.
- (2)** A designated representative shall have sole responsibility on behalf of the right holder for
- (a) corresponding with the Minister and the Department of Natural Resources;
 - (b) the payment of any monies payable on behalf of the right holder to the Province;
 - (c) the distribution of any monies refunded by the Province to the right holder;
 - (d) renegotiation of an exploration agreement, for surrender of lands, and any other obligation under an agreement on behalf of the agreement holder; and
 - (e) such other duties as may be specified in the right.

- (3) In the event that a right holder fails to appoint a representative, the Minister may designate one of the interest holders as the representative.
- (4) A right holder and any interest holder shall be jointly and severally liable for the acts or omissions of the appointed or designated representative with respect to any matter to which the authority of the representative extends.

Land division

- 4 (1) Maps shall be prepared by and kept at the office of the Registrar.
 - (2) Such maps shall be the only official depiction of rights.
 - (3) The maps shall be drawn to the following specifications:
 - (a) east and west boundaries shall be true meridians of longitude;
 - (b) north and south boundaries shall be straight lines, parallel to the chord of one-half of the part of the parallel of latitude that represents the boundary of each map sheet;
 - (c) the angle of intersection of each chord on either side of the median meridian of longitude for each map sheet shall be ninety degrees.
 - (4) Each map shall depict an area bounded by thirty minutes of longitude and fifteen minutes of latitude.
- 5 Each map shall be called a “map sheet”.
- 6 (1) The lands represented by each map sheet shall be considered as subdivided into four quarters, by median lines corresponding to the median longitude and latitude lines of the map sheet.
 - (2) Each of the four quarters thus produced shall be lettered as shown in the following Figure 1:

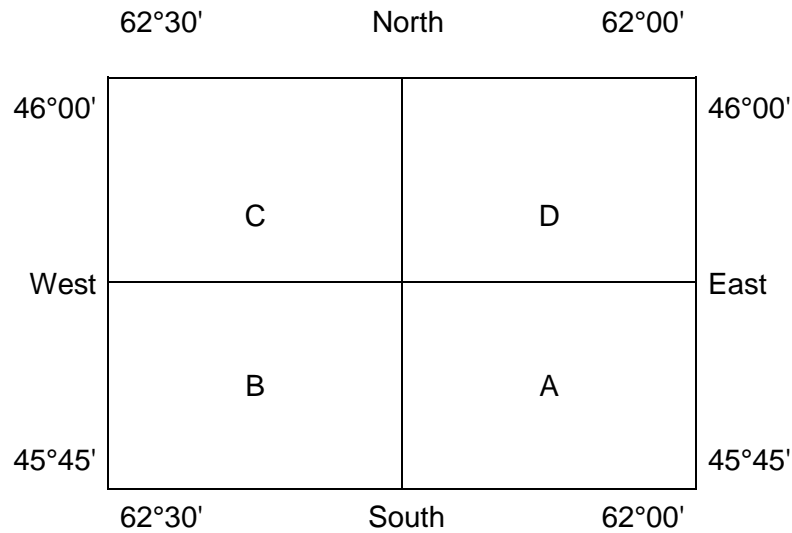


Figure 1

Standard Map Sheet

Showing Reference Maps

- (3) Each quarter shall be called a “reference map”.
- 7 (1) The lands represented by each reference map shall be considered as subdivided into one hundred and eight tracts.
- (2) Each tract shall be deemed to contain two hundred and fifty-nine hectares.
- (3) The one hundred and eight tracts so determined shall be numbered as shown in the following Figure 2:

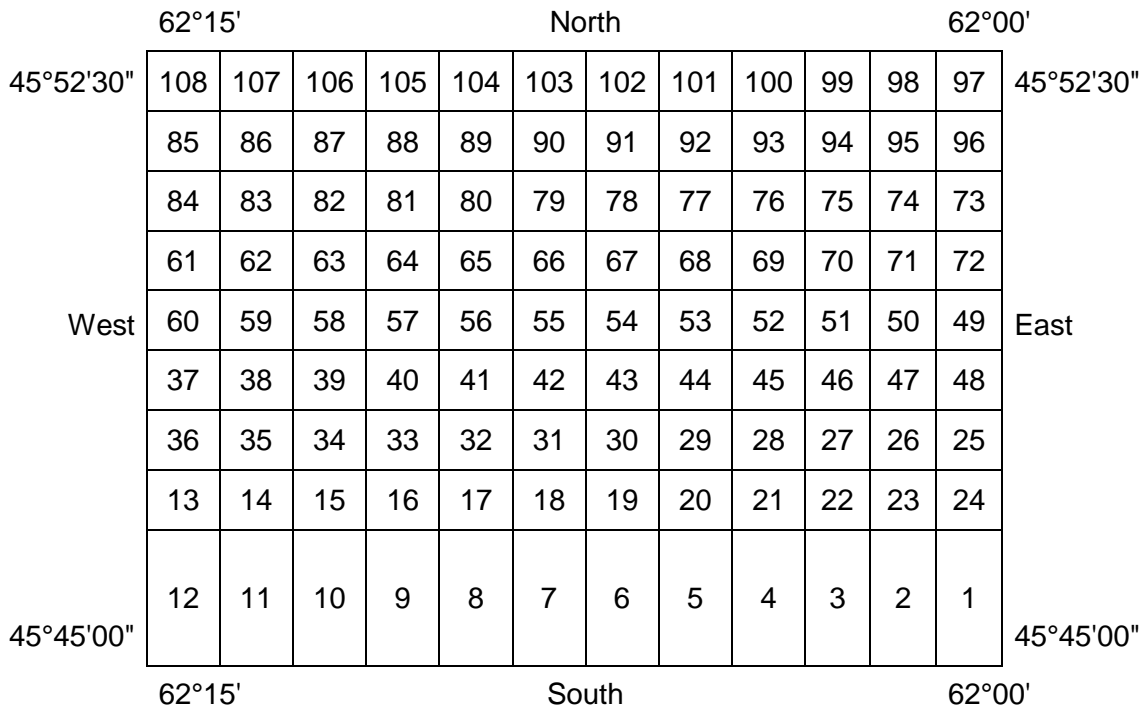


Figure 2

Reference Map Showing Tracts

- 8 (1)** Each reference map shall also be divided into six equal units.
- (2)** Each unit shall be called a “reservation” which shall consist of eighteen tracts.
- (3)** Each reservation shall be deemed to contain four thousand six hundred and sixty-two hectares.
- (4)** Each reservation shall be designated as shown in the following Figure 3:

	62°15'				North				62°00'				
45°52'30"	108	107	106	105	104	103	102	101	100	99	98	97	45°52'30"
	85	86	87 W	88	89	90	91	92	93 V	94	95	96	
	84	83	82	81	80	79	78	77	76	75	74	73	
	61	62	63	64	65	66	67	68	69	70	71	72	
West	60	59	58 T	57	56	55 A	54	53	52 U	51	50	49	East
	37	38	39	40	41	42	43	44	45	46	47	48	
	36	35	34	33	32	31	30	29	28	27	26	25	
	13	14	15 S	16	17	18	19	20	21 R	22	23	24	
45°45'00"	12	11	10	9	8	7	6	5	4	3	2	1	45°45'00"
	62°15'				South				62°00'				

Figure 3

Reference Map Showing Reservations

- 9 (1) Each tract shall be subdivided into sixteen equal units.
- (2) Each unit shall be called a “section” and shall be lettered as shown in the following Figure 4:

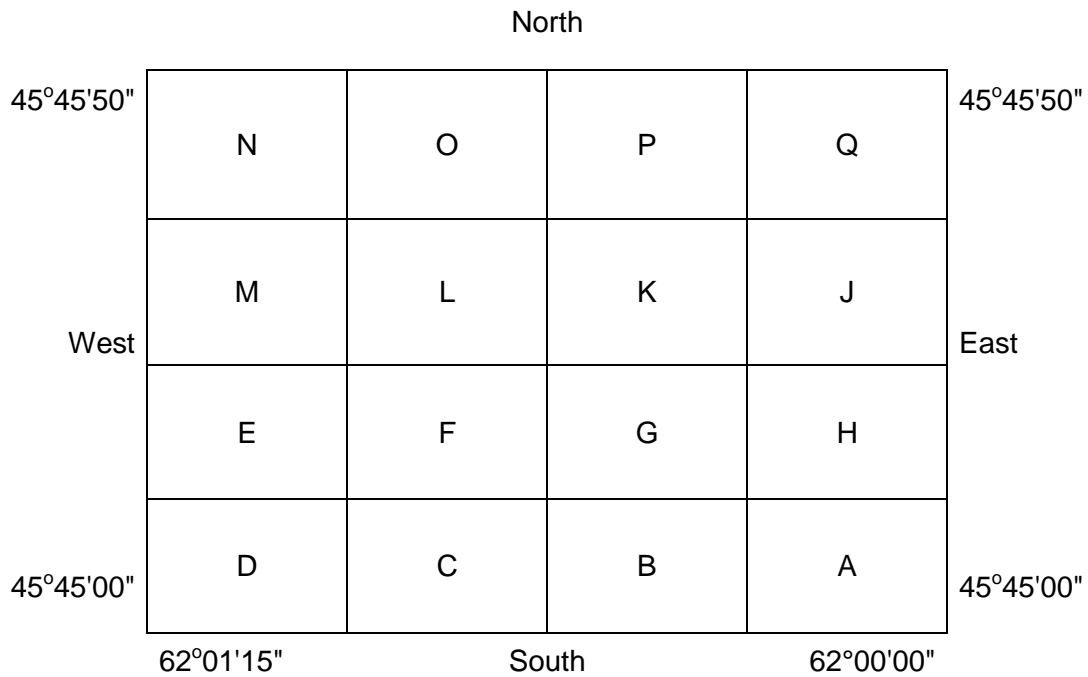


Figure 4

Tract Showing Sections

- (3) Each section shall be deemed to contain sixteen point one eight seven five hectares.
- 10 All rights shall be defined and described in terms of the divisions of land prescribed herein.
- 11 (1) All boundaries shall extend downward vertically without limit.
- (2) All surface measurements shall be horizontal.

Exploration licenses

- 12 (1) Any person may apply for an exploration license by submitting an application in Form A to the Minister.
- (2) Every application shall include a statement setting out the extent and character of the exploration to be carried out, including
- (a) the location of the proposed exploration;

- (b) the type of exploration;
 - (c) the equipment to be used to carry out the exploration; and
 - (d) the dates during which it is anticipated that the exploration will be carried out.
- (3) The applicant shall notify the Minister forthwith of any changes in the information included in the statement.
- 13** (1) Every exploration license shall contain a description of the lands to which it applies.
- (2) The exploration license may be in the form set out as Form B.
- 14** (1) No licensee shall disrupt or interfere with any activities performed pursuant to any other right.
- (2) Where the Minister is of the opinion that a licensee is in breach of the requirements of subsection (1), the Minister may, at any time, order the licensee to terminate or modify his exploration program in such manner or to such extent as the Minister may deem necessary.
- (3) Every licensee shall report to the Minister the location of the exploration, the equipment used, and personnel to be employed in the exploration, at such intervals and upon such terms as specified in the license.
- (4) Subject to subsection (5), every licensee shall deliver to the Minister, within sixty days of the end of the term of his exploration license or such greater period as the Minister may allow, copies of all data obtained pursuant to the program of exploration.
- (5) Every licensee shall deliver to the Minister, within six months of the end of the term of his license or such greater period as the Minister may allow, copies of all seismic data and interpretations thereof obtained pursuant to the program of exploration.
- (6) No licensee shall drill a well to a depth greater than ninety metres.
- (7) Every licensee shall notify the Minister of the completion of the exploration program undertaken pursuant to his license.
- 15** Every licensee shall notify the Minister prior to the commencement of a seismic exploration to be undertaken pursuant to his exploration license.
- 16** The Minister may amend an exploration license at the request of the licensee.

Royalties

- 17** It shall be, and shall be deemed to be, a term of every lease that all petroleum produced under the authority of the lease is subject to such royalties payable to the Province in the nature and amount as may be prescribed from time to time.
- 18 (1)** Where a lessee consists of two or more interest holders
- (a) each holder is liable for the royalty in respect of the petroleum production imputable to his share;
 - (b) the royalty shall be collected and remitted on behalf of the holders by the representative;
 - (c) the representative shall file such consolidated returns as the Minister directs in respect of each holder liable for royalty; and
 - (d) all the holders shall provide that representative with the information necessary to file the returns.
- (2)** Notwithstanding subsection (1), the Minister may audit an interest holder or may require him to file such reports as may be specified from time to time.
- (3)** The Minister may, in any particular case, make an order determining the fair market value of petroleum for the purposes of the calculation of a royalty.
- (4)** No royalty is payable for petroleum that
- (a) is consumed for drilling, producing, extracting, testing or treating purposes within the lands under the production lease; or
 - (b) is injected into a formation for conservation purposes in accordance with good oilfield practice.
- (5)** Unless the Minister otherwise orders, no royalty is payable for petroleum that is consumed for the operation or maintenance of production facilities, or that is flared, vented or otherwise destroyed.
- (6)** The Governor in Council may suspend or reduce any royalty payable for such periods, by such amounts, and subject to such conditions as may be specified in any case where the Governor in Council is of the opinion that such suspension or reduction would enable production of petroleum to be commenced or continued for a longer period or would facilitate the implementation of conservation measures.
- (7)** The Minister may order that all or part of any royalty be paid in kind or in money in a form acceptable to the Minister.
- (8)** The amount of any royalty required to be paid in money shall be paid as follows:

- (a) for coal gas extracted from the Donkin coal block, as defined in the *Donkin Coal Block Development Opportunity Act (Canada)*, at the same time intervals prescribed in the *Mineral Resources Act* for payment of royalties on coal;
- (b) for all other petroleum, on or before the twenty-fifth day of the month next following the month of production.

Subsection 18(8) replaced: O.I.C. 2008-143, N.S. Reg. 120/2008.

- (9) The amount of any royalty required to be paid in kind shall be delivered in kind at the time and place specified by the Minister and in condition and quality acceptable to the Minister.
 - (10) Where a royalty has not been paid when due, the interest holder is liable for interest on the amount outstanding at an annual rate of eighteen percent.
 - (11) The Minister may require a lessee to furnish bonds in a form satisfactory to the Minister in such amounts as the Minister considers appropriate to ensure performance of obligations with respect to royalty.
 - (12) The provisions of Sections 46 and 47 shall apply mutatis mutandis to a bond given under subsection (11).
- 19 All fees, rentals, royalties, accrued interest and other amounts due and owing to the Crown under the Act and these regulations may be recovered by the Crown as a debt in any court of competent jurisdiction.

Goods and services

- 20 (1) Every reference to goods in these regulations includes significant structures and construction, plant, equipment, and all other facilities required by a right holder in the exploration, development, production, transportation, processing, and marketing of petroleum.
- (2) In acquiring goods and services for work relating to the exercise of his right, every right holder shall make all reasonable attempts to utilize
- (a) services provided from within Nova Scotia; and
 - (b) goods manufactured in Nova Scotia or where not so manufactured, provided from within Nova Scotia
- but only if such goods and services are competitive in terms of fair market price, quality and delivery.
- 21 In hiring employees and independent contractors, every right holder shall make all reasonable attempts to hire qualified persons normally resident in Nova Scotia.

- 22** Every right holder shall require and ensure that his contractors and main subcontractors similarly comply with the provisions and requirements specified in Sections 20 and 21.
- 23** Nothing in these regulations relieves the right holder, his contractors, and main subcontractors of responsibility for the selection of employees, independent contractors, goods, services and suppliers.

Information reporting

- 24** Every lessee and, upon commencement of drilling operations, every agreement holder shall create and maintain an establishment in Nova Scotia where the representative
- (a) can be reached during normal business hours;
 - (b) shall keep at least one copy of all information and samples of all material obtained or recovered from the lands held under exploration agreement or production lease, including well cuttings, core material, fluid samples and production records, as required from time to time by the Minister;
 - (c) shall keep at least one copy of all reports and records directly related to the exercise of his right;
 - (d) shall ensure that during normal business hours there shall be at least one individual qualified to assist the Minister; and
 - (e) is in continuing contact with the activities under the right and with all participating persons responsible for the obligations contained in the right.
- 25** Any person having reason to believe that an emergency condition exists, or is likely to occur, shall inform the Minister forthwith.
- 26** Every right holder shall forthwith inform the Minister of any discovery of petroleum, coal, minerals or other valuable substance.
- 27** Every right holder shall submit to the Minister any information obtained as a result of the exercise of his right which is of importance to the understanding or safety of the environment, renewable resources, geology or history.
- 28** Volumes of petroleum shall be reported at surface conditions [of] 15° Centigrade and 1 atmosphere pressure.
- 29** Every right holder shall use due diligence and care to ensure that the information submitted to the Minister is not misleading, false or incomplete.

Inspection

- 30** Every right holder shall allow the Minister to inspect anything done in relation to the exercise of his right and shall assist the Minister in so doing.
- 31** The Minister may intervene directly in the exercise of the rights of a right holder and may take all necessary measures, including ordering a permanent or temporary halt to any activities, where in the opinion of the Minister the exercise of the right
- (a) could cause serious injury or death to any person;
 - (b) is causing or may cause serious damage to the environment, natural resources or property;
 - (c) is not managed in accordance to good oilfield practice; or
 - (d) is in contravention of any enactment, the terms and conditions of his right, or any order or direction of the Minister.

Force majeure

- 32 (1)** Where, in the opinion of the Minister, there exists
- (a) an environmental or social problem of a serious nature;
 - (b) dangerous or extreme weather conditions affecting the health or safety of people or the safety of equipment; or
 - (c) any other special circumstance
- which necessitates the prohibition or restriction of work or activity on any lands, the Minister may extend the term of a right or the period provided for performing an obligation in relation to a right, or diminish, moderate or cancel any obligation or requirement in relation to a right.
- (2)** For the purpose of subsection (1), special circumstances shall not include any prohibition or restriction of work due to the right holders' financial difficulties or lack of funds.

Recording and transfer

- 33 (1)** Every right and interest in a right shall be recorded in the office of the Registrar.
- (2)** Where an interest holder sells, transfers, assigns or otherwise disposes of a right or interest in a right, the interest holder shall give notice forthwith to the Minister in Form D of the sale, transfer, assignment or other disposition.
- (3)** Information submitted pursuant to subsection (2) shall be held in confidence by the Minister.

- (4) The Minister may consent to a sale, transfer, assignment, or other disposition of a right or interest in a right.
- (5) No sale, transfer, assignment, or other disposition of any right or interest in a right shall be of any effect unless
 - (a) duly consented to by the Minister;
 - (b) three copies of Form D, completed by the parties to the sale, transfer, assignment or other disposition, are submitted to the Registrar together with the required fee; and
 - (c) the Registrar has duly recorded a copy of the document specified in clause (b).
- (6) The Registrar shall not record any sale, transfer, assignment, or disposition of a right or interest in a right covering land comprising less than one section.
- (7) No right or interest in a right shall, as against any person claiming for valuable consideration and without notice under any subsequent sale, transfer, assignment or disposition affecting that right or interest, be valid or effective unless notice of the sale, transfer, assignment or disposition or approved summary thereof is recorded in the manner prescribed in this Section before the recording of such subsequent sale, transfer, assignment or disposition of the right or interest.
- (8) The recorded documents or photographic copies thereof shall be open for inspection by the public on payment of the prescribed fee between the hours of ten o'clock in the forenoon and four o'clock in the afternoon every day excepting Saturday, Sunday and statutory holidays.

Surrender, termination and cancellation

- 34 (1) A licensee may surrender his license or any portion thereof provided he has paid full compensation for all damage to persons, property or the environment resulting from, or that may result from, the exercise of the rights under his exploration license.
 - (2) An agreement holder or lessee may apply to the Minister to surrender his right or any portion of the lands thereunder provided he has paid all penalties, royalties, taxes and other levies and has paid full compensation for all damage to persons, property or the environment resulting from, or that may result from, the exercise of his right.
 - (3) The Minister may accept the surrender of a right where he is satisfied that the applicable conditions of subsections (1) and (2) have been met.
- 35 Where the Minister proposes to cancel a right, he shall give the right holder at least thirty days written notice stating in full the reason for the proposed cancellation and

the right holder shall, within thirty days from the receipt of such notice, correct or commence to correct to the satisfaction of the Minister the cause of the proposed cancellation.

- 36** The Minister may, with the approval of the Governor in Council, cancel a right
- (a) if in the opinion of the Minister the right holder repeatedly or seriously fails to comply with an obligation under the Act, the regulations, the Energy Resources Conservation Act, regulations made thereunder, or his right and has not complied with a notice given pursuant to Section 35; or
 - (b) if the right holder becomes insolvent, or is declared bankrupt or commits an act of bankruptcy.
- 37** Where a lease is cancelled, the Minister may require the lessee to transfer to the Province or its nominee at no cost and in good working order any such production and transportation facility which in the opinion of the Minister is used or useful for the production of petroleum under the lease.

Part II

Application

- 38** This Part does not apply to the exploration for, or the development and production of coal gas.

Exploration agreements

- 39** The Minister may give notice in the Royal Gazette and in such other manner as he considers appropriate that he will receive suggestions for specific lands to be included in future calls for exploration proposals.
- 40** (1) The Minister may publish a call for exploration proposals for such lands as are specified in the call.
- (2) The call shall be published in the Royal Gazette, and in such other publications as the Minister considers will best advertise the call, not less than sixty days prior to the last date for submission of proposals.
- 41** (1) The call shall include
- (a) a description of the lands to be explored;
 - (b) the manner of submitting the proposals;
 - (c) the last date for submission of proposals; and
 - (d) the criteria by which the Minister will evaluate the proposals.

- 42** An applicant for an exploration agreement shall submit to the Minister a proposal in Form C and a statement setting out
- (a) information sufficient to enable the Minister to judge the technical capability of the applicant and the applicant's experience in the exploration, production and transportation of petroleum, including the applicant's past experience in Nova Scotia or in other areas that pose similar technical problems;
 - (b) information sufficient to enable the Minister to judge the financial capability of the applicant; and
 - (c) the address of the applicant.
- 43** The Minister may at any time require an applicant for an exploration agreement to submit such further technical or financial information as is necessary to enable the Minister to judge the proposal submitted by the applicant, but no applicant shall otherwise revise the contents of his proposal without leave of the Minister.
- 44** (1) The Minister shall, within ninety days of the date by which the proposals were required to be submitted, select a proposal or reject all proposals on the basis of the criteria established in the call for proposals.
- (2) Where the Minister has selected a proposal, he shall, subject to subsection (1) of Section 46, enter into an exploration agreement with the applicant who submitted that proposal upon such terms and conditions as the Minister may deem appropriate.
- 45** Where
- (a) no proposal has been submitted;
 - (b) no proposal has been selected; or
 - (c) where the Minister considers that a call is not advisable,
- the Minister may enter into an exploration agreement with any person upon such terms and conditions as the Minister may deem appropriate.
- 46** (1) The Minister may require any person with whom he intends to enter into an exploration agreement to furnish bonds in a form satisfactory to the Minister in such amounts as the Minister may deem appropriate to ensure performance of obligations under the Act, these regulations and the exploration agreement.
- (2) The bond shall be forfeited in whole if the agreement holder does not fulfil the obligations for which the bond is posted.
- (3) The forfeiture of the bond shall not impair or otherwise affect the rights of the Province under the Act, these regulations and exploration agreement.

- (4) An agreement holder may apply to the Minister for reduction of the amount of the performance bond and, upon being satisfied that the holder has, since being granted the exploration agreement, or since the date of a previous bond reduction, fulfilled a portion of his exploration program and that the portion has a certain value, the Minister may authorize the amount of bond to be reduced by such amount as the Minister considers appropriate.

47 The Minister may return the performance bond where

- (a) in the opinion of the Minister a failure to fulfil the obligations under an exploration agreement is the result of technical difficulties beyond the agreement holder's control despite adherence to good oilfield practices;
- (b) further performance under an exploration agreement would not be reasonable in the Minister's opinion; or
- (c) the obligations for which the bond is posted have been performed to the satisfaction of the Minister.

48 Subject to the Act and regulations, an exploration agreement may be amended by the mutual consent of the Minister and the agreement holder.

49 An agreement holder shall deliver to the Minister annually within sixty days after the anniversary date of the exploration agreement

- (a) a progress report including interpretations based on work conducted;
- (b) two copies of all information and data obtained pursuant to the program of exploration; and
- (c) a statement of expenditures, verified by statutory declaration, setting forth the items of expenditures and the specific purpose for which each item of expenditure was made.

Exploration agreement renewal

50 (1) Subject to subsections (2) and (3), where an agreement holder has complied with all statutory and contractual provisions and conditions of his exploration agreement, the Minister shall, subject to those provisions and conditions of such exploration agreement, renew the agreement for a succeeding three year term or such shorter term as the holder may request.

(2) The Minister shall not renew an exploration agreement for more than two successive terms.

(3) In no instance shall the aggregate of the terms, including renewals thereof, of an exploration agreement exceed nine years.

Drilling renewal

51 Notwithstanding Section 50, an exploration agreement shall be renewed for such period as the Minister deems is required to complete and appraise a well which is drilling at the time of expiry of a term of the exploration agreement, and any such renewal shall be deemed to extend the term of the exploration agreement which, but for this Section, would have expired.

Development programs

- 52 (1)** An applicant for a lease shall submit a development program to the Minister which shall include
- (a) the tracts of lands to which the development program applies;
 - (b) general descriptions of lands sufficient to identify any surface rights the applicant proposes to acquire in order to carry out commercial production;
 - (c) the name and address of the occupiers and owners, so far as they can be ascertained, of
 - (i) lands referred to in clause (b),
 - (ii) lands adjacent to those lands;
 - (d) the address of the applicant;
 - (e) where the applicant is a company
 - (i) the names of the directors of the company, and
 - (ii) the names of the senior managers of the company;
 - (f) an estimate of the proven, probable, and possible reserves of the lands;
 - (g) a description of the reservoir characteristics and other geological data regarding the lands;
 - (h) a description of the techniques and equipment by which it is proposed the petroleum will be produced and the predicted recovery factor;
 - (i) a projection of the production levels over the period of commercial production of the lands;
 - (j) a description of techniques and equipment by which petroleum will be marketed;

- (k) an impact statement describing the possible environmental, economic and social effects of the proposed program including a description of the existing biological and renewable resource systems;
 - (l) a description of the technical and economic feasibility of alternate methods of development and production;
 - (m) a description of the applicant's plan to minimize any environmental or other damage; and
 - (n) any other information the Minister may require.
- (2)** No person other than an agreement holder shall submit a development program pursuant to this Section.
- 53** The Minister shall, within thirty days of his receipt of a development program, give notice in the Royal Gazette and at least two newspapers of major circulation in the Province that a development program has been presented to him for his approval.
- 54 (1)** The Minister shall approve the development program unless the Minister is of the opinion that
- (a) the technology of petroleum production that the applicant proposes to use is not safe;
 - (b) the development program does not comply with an enactment of the Province;
 - (c) the applicant's costs of development and production are significantly higher than the costs normally incurred by lessees using good oil field practices in similar operating environments;
 - (d) the development program will not result in the optimum recovery of the resource;
 - (e) the development program is not adequately detailed to enable the Minister to either reject or accept the development program; or
 - (f) the development program is not in the best interests of the people of Nova Scotia.
- (2)** Subject to subsection (1), the Minister may approve the development program in principle subject to compliance with such conditions as he deems appropriate.
- (3)** The Minister may only reject a development program on the basis of the criteria set out in subsection (1) and such rejection shall not affect the right of the applicant to submit another development program.

- 55** Where the Minister makes no decision to approve, or to approve in principle, or to reject a development program within one hundred and eighty days of receipt of the proposal, or last revision thereof, the proposal shall be deemed to be approved.
- 56 (1)** Where the Minister rejects a development program, he shall, within thirty days of the rejection, provide the applicant with written reasons for the rejection.
- (2)** With leave of the Minister, the applicant may submit a revised development program for reconsideration on the basis of the criteria set out in subsection (1) of Section 54.
- 57 (1)** Notwithstanding Section 50, where a development program is under consideration by the Minister and the term of the exploration agreement in respect of the lands to which the development program applies is about to expire, the term shall be renewed for the period during which the development program is under consideration by the Minister and, if the development program is approved or approved in principle, until a lease is issued to the applicant.
- (2)** Notwithstanding Section 50, where
- (a)** the Minister has given leave pursuant to subsection (2) of Section 56;
and
- (b)** the term of the exploration agreement is about to expire,
- the term shall be renewed for a maximum of one hundred and eighty days or until a revised development program is presented by the applicant for approval, whichever occurs first.

Lease

- 58** The Minister shall not grant a lease to any person other than an applicant under subsection (1) of Section 15 of the Act.
- 59** The lessee shall diligently perform his approved development program.
- 60** The Minister may, upon application by a lessee, approve changes in the development program.
- 61** The lessee shall, upon request by the Minister, surrender the lease, whether production has commenced or not if, in the opinion of the Minister, he has failed to diligently perform the approved development program.
- 62** Any part of lands held under an exploration agreement and not leased shall continue under the exploration agreement according to the terms of the exploration agreement.

- 63 (1)** All petroleum produced under the authority of a lease is subject to, and each lessee is liable for and shall pay to the Province, a royalty of ten percent of the petroleum that is produced in each month.
- (2)** Royalty shall be based on the fair market value of petroleum at the wellhead.
- (3)** In determining the royalty to be paid on any petroleum other than oil, there shall be deducted an allowance for the cost of processing or separation as determined in any particular case by the Minister.

Regulation of production and marketing

- 64** Notwithstanding Section 63, no royalty shall be calculated or paid under these regulations with respect to any oil or gas that is produced from the first lease that is granted with respect to lands subject to an exploration agreement, for a period of two years from the date of commencement of the lease.
- 65** During the term of the lease or any renewal thereof, the lessee shall submit to the Minister, upon request, forecasts of production from the leased lands in the form and manner specified.
- 66** Unless the Minister otherwise directs, a lessee may use any petroleum produced from his leased lands in his operations in the leased lands or may reinject such petroleum into the reservoir.
- 67** Except in emergency conditions, a lessee shall not flare or destroy any petroleum produced without the prior written approval of the Minister and upon such terms and conditions as the Minister may consider appropriate.
- 68** The Minister may from time to time designate the type of instruments and methods used in the determination of the volumes of petroleum produced by the lessee and may test such instruments and methods from time to time.
- 69** The transportation of petroleum by the lessee shall be subject to all applicable laws of the Parliament of Canada and laws of Nova Scotia.
- 70** It shall be deemed a term of every lease that the Minister may, upon six months written notice, prohibit the removal of petroleum from Nova Scotia where an equivalent market for such petroleum for Nova Scotian consumption, refining, further processing or storage exists or is projected to exist, unless a contract for the removal of such petroleum has been approved by the Minister in writing prior to such notice.

Information

- 71 (1)** Unless otherwise specified herein or in the right, every right holder shall submit to the Minister in a form acceptable to the Minister the following data and information at the following intervals:

- (a) within sixty days after the anniversary date of such right
 - (i) annual progress reports,
 - (ii) geological and geophysical data and interpretations as requested,
 - (iii) reports of all surveys not referred to in subclauses (i) and (ii) that were conducted in the lands subject to the right, and
 - (iv) a statement of expenditures; and
 - (b) upon the abandonment, suspension or completion of a well, a complete well history report, including rock cutting samples and description thereof, gas and fluid samples, core and any other data as is specified in his right.
- (2)** The geological data referred to in subclause (ii) of clause (a) of subsection (1) shall include
- (a) copies of all aerial photographs taken by the right holder; and
 - (b) a geological report of any area investigated, including geological maps, cross-sections, stratigraphic, and structural data.
- (3)** The geophysical data referred to in subclause (ii) of clause (a) of subsection (1) shall include
- (a) where a gravity survey has been conducted, maps showing
 - (i) the location and ground elevation of every station,
 - (ii) the final corrected gravity value at each station,
 - (iii) the gravity contours drawn on the gravity values, and
 - (iv) the boundaries of the land subject to the right;
 - (b) where a seismic survey has been conducted, maps on a scale of not less than 1:50 000 showing
 - (i) the location and ground elevation of each shot hole,
 - (ii) the corrected time value at each shot for all horizons determined during the course of the survey,
 - (iii) contours and isochrons drawn on the corrected values with a contour value of not more than thirty metres of the equivalent in time, and

- (iv) the boundaries of the lands subject to the right;
- (c) where a magnetic survey is conducted, maps showing
 - (i) the location of the flight lines,
 - (ii) the magnetic contour lines at intervals of 10 gamma, and
 - (iii) the boundaries of the land subject to the right.

Confidentiality

- 72 (1)** All data and information submitted pursuant to these regulations and pertaining to the exploration, development or production of petroleum shall be kept confidential by the Minister
- (a) in respect of factual and interpretive geological, geochemical and photogeological data and information, for a period of three years following its filing with the Minister;
 - (b) in respect of factual and interpretive geophysical data and information, for a period of five years following the field acquisition of such data;
 - (c) in respect of information and data relating to the prognosis, drilling and completion of an exploration well, for a period of two years following the completion or abandonment of the well;

Clause 72(1)(c) amended: O.I.C. 93-330, N.S. Reg. 61/93.

- (d) in respect of information and data relating to a development or production well, for a period of one year following completion or abandonment of the well.
- (2)** Subsection (1) does not apply to
- (a) information and data relating to environmental or social matters, which shall not be kept confidential for any period of time;
 - (b) information and data that has a period of confidentiality which is provided for elsewhere in these regulations or by any other enactment; and
 - (c) information, access to which is provided for pursuant to these regulations or the Act.
- (3)** Notwithstanding subsection (1), the Minister may at any time
- (a) publish reports and summaries in general form based on geological, economic or technical information and data submitted by a right holder;

- (b) publish detailed reports of any blowout, accident or other occurrence resulting in personal injury or damage to the environment and need not keep confidential any information and data used in preparing such report;
- (c) divulge to any right holder any information or data which he considers may help prevent a blowout, accident or other occurrence resulting in personal injury or damage to the environment;
- (d) release general topographic information, legal surveys and elevations of well locations, the current depths of wells, and the current status of wells; or
- (e) release any other information with the consent of the right holder.

Part III

73 This Part applies to coal gas only.

Section 73 added: O.I.C. 87-1435, N.S. Reg. 246/87.

74 In this Part

- (a) “coal gas exploration agreement” means an agreement entered into pursuant to subsection (2) of Section 16 of the Act to explore for and develop coal gas on specified lands;
- (b) “coal gas production agreement” means an agreement entered into pursuant to subsection (2) of Section 16 of the Act to produce coal gas on specified lands;
- (c) “coal rights” means any right to explore, work, mine or produce coal existing in its natural condition in strata;
- (d) “development program” means a plan for development and production of coal gas from the lands subject to a coal gas production agreement;
- (e) “drainage hole” means a boring or other opening made from a coal mine into an underground formation for the purpose of draining or venting coal gas;
- (f) “surface outlet” means the point where coal gas is brought to the surface and includes a wellhead;
- (g) “well” means a boring or other opening made from a surface location into an underground formation;
- (h) “work program” means a plan for the exploration and evaluation of the coal gas potential of the lands subject to a coal gas exploration

agreement and without restricting the generality of the foregoing may include

- (i) geophysical activity and exploratory drilling to be conducted on the lands subject to the coal gas exploration a agreement,
- (ii) experimental recovery schemes and pilot projects carried out on the lands subject to the coal gas exploration agreement, and
- (iii) research and development work performed in the Province in relation to coal gas.

Section 74 added: O.I.C. 87-1435, N.S. Reg. 246/87.

Work approval

75 A right holder shall obtain the approval of the Minister prior to commencing drilling, stimulation or fracturing of a well on the lands subject to his right.

Section 75 added: O.I.C. 87-1435, N.S. Reg. 246/87.

Coal gas exploration agreement

- 76 (1)** Any person may apply for a coal gas exploration agreement by submitting an application in Form E to the Minister.
- (2)** Every application for a coal gas exploration agreement shall include
- (a) a work program;
 - (b) a description of the lands for which application is made;
 - (c) a description of the anticipated geological and technical effects of the work program on right holders or coal rights holders;
 - (d) a description of the work which will be carried out on the lands;
 - (e) a description of the equipment to be used to carry out the work program;
 - (f) the proposed starting date and duration of the work program;
 - (g) any other information requested by the Minister.
- (3)** The applicant shall notify the Minister forthwith of any changes in the information included in his application.

Section 76 added: O.I.C. 87-1435, N.S. Reg. 246/87.

- 77 (1)** Within sixty days of receiving an application for a coal gas exploration agreement, the Minister shall, if he has not already done so, publish a notice in the Royal Gazette and any other publications he considers appropriate calling for the submission of competing applications in respect of the lands applied for pursuant to Section 76.
- (2)** The Minister shall consider all applications he receives in respect of the lands described in the notice required by subsection (1) and, not less than sixty days following publication of the notice, may enter into a coal gas exploration agreement with the applicant who, in the Minister's opinion, submitted the application which will maximize both the general public benefit and the exploration and evaluation of the coal gas potential of the lands subject to the agreement.

Section 77 added: O.I.C. 87-1435, N.S. Reg. 246/87.

- 78** Every coal gas exploration agreement shall include
- (a) a description of the lands to which it applies;
 - (b) the work program that the agreement holder shall carry out during the term of the agreement;
 - (c) such other terms and conditions the Minister deems appropriate.

Section 78 added: O.I.C. 87-1435, N.S. Reg. 246/87.

- 79** A coal gas exploration agreement confers upon the agreement holder the right to explore for coal gas on the specified lands and the exclusive right to apply for a coal gas production agreement for those lands.

Section 79 added: O.I.C. 87-1435, N.S. Reg. 246/87.

- 80** The Minister may authorize an agreement holder to produce coal gas for experimental or developmental purposes and the Minister may attach terms and conditions to his authorization including terms and conditions for the conservation and utilization of the coal gas which is produced.

Section 80 added: O.I.C. 87-1435, N.S. Reg. 246/87.

- 81** The term of a coal gas exploration agreement shall be for such period, not exceeding five years, as is specified in the agreement.

Section 81 added: O.I.C. 87-1435, N.S. Reg. 246/87.

- 82** Notwithstanding Section 81, where, prior to the expiration of the term of a coal gas exploration agreement, the drilling of any well has been commenced on any lands subject to the agreement, the term of the agreement shall be extended for so long as the drilling of that well is being pursued diligently and for so long thereafter as

may reasonably be required to test and evaluate the well, but in no case shall the term be extended more than ninety days beyond its expiry.

Section 82 added: O.I.C. 87-1435, N.S. Reg. 246/87.

83 Notwithstanding Section 81, where an agreement holder has complied with all statutory and contractual provisions and conditions of his coal gas exploration agreement, the Minister may renew the agreement for a succeeding term of not more than five years.

Section 83 added: O.I.C. 87-1435, N.S. Reg. 246/87.

- 84 (1)** It shall be and shall be deemed to be a term of every coal gas exploration agreement that the Minister may, in the interests of resource conservation or mine safety, amend or suspend the coal gas exploration agreement without compensation to any person where activities pursuant to that coal gas exploration agreement may adversely affect the activities of a coal rights holder and, without limiting the generality of the foregoing, the Minister may by order
- (a) revise the work program so as to prevent interference with the activities of the coal rights holder;
 - (b) require that the coal gas exploration agreement holder obtain the written approval of the Minister prior to undertaking or continuing any work or activity specified in the order;
 - (c) declare that certain lands specified in the order are no longer subject to the coal gas exploration agreement and that those lands are deemed to have been surrendered by the agreement holder.
- (2)** Every order pursuant to subsection (1) shall be made in accordance with Section 21 of the Act.

Section 84 added: O.I.C. 87-1435, N.S. Reg. 246/87.

Coal gas production agreement

- 85 (1)** Subject to the rights of the holder of a coal gas exploration agreement, any person may apply for a coal gas production agreement by submitting an application in Form F to the Minister.
- (2)** Every application for a coal gas production agreement shall include a development program to be carried out on the lands described in the application including
- (a) the tracts of lands to which the development program applies;

- (b) general land descriptions sufficient to identify any surface rights the applicant proposes to acquire in order to carry out commercial production;
- (c) the name and address of the occupiers and owners, so far as they can be ascertained, of
 - (i) lands referred to in clause (b),
 - (ii) lands adjacent to those lands;
- (d) the address of the applicant;
- (e) where the applicant is a company
 - (i) the names of the directors of the company, and
 - (ii) the names of the senior managers of the company;
- (f) an estimate of the proven, probable, and potential coal gas reserves of the lands;
- (g) a description of the coal deposit characteristics and other geological data regarding the lands;
- (h) a description of the techniques and equipment by which it is proposed the coal gas will be produced and the estimated recovery factor;
- (i) a projection of the production levels over the period of commercial production of the lands;
- (j) a description of techniques and equipment by which coal gas will be marketed;
- (k) an impact statement describing the possible environmental, economic and social effects of the proposed development program including a description of the existing biological and renewable resource systems;
- (l) a description of the technical and economic feasibility of alternate methods of development and production;
- (m) a description of the applicant's plan to minimize any deleterious environmental effects including a contingency plan for environmental emergencies;
- (n) an impact statement describing the possible effects the proposed development program will have on coal mines and coal deposits; and
- (o) any other information the Minister may require.

- (3) The applicant shall notify the Minister forthwith of any changes in the information included in his application.

Section 85 added: O.I.C. 87-1435, N.S. Reg. 246/87.

- 86** Where the Minister receives an application for a coal gas production agreement in respect of lands which are not subject to a coal gas exploration agreement, he shall, if he has not already done so, within sixty days of receiving the application publish a notice in the Royal Gazette and any other publications he considers appropriate calling for the submission of competing applications in respect of the lands described in the application.

Section 86 added: O.I.C. 87-1435, N.S. Reg. 246/87.

- 87** The Minister shall consider all applications he receives in respect of the lands described in the notice required by Section 86 and, not less than ninety days following the publication of the notice, may enter into a coal gas production agreement with the applicant who, in the Minister's opinion, submitted the application which will result in the optimum development, production and conservation of the resources of the Province and all other applications shall be rejected.

Section 87 added: O.I.C. 87-1435, N.S. Reg. 246/87.

- 88** (1) Where the Minister fails to enter into a coal gas production agreement within one hundred and eighty days following publication of the notice referred to in Section 86, all applications shall be rejected.
- (2) Where the Minister rejects an application for a coal gas production agreement, he shall, within thirty days of the rejection, provide the applicant with written reasons for his decision.

Section 88 added: O.I.C. 87-1435, N.S. Reg. 246/87.

- 89** (1) Where all applications have been rejected, an applicant whose application has been rejected may submit a revised application within sixty days of receipt of the Minister's reasons for his decision.
- (2) The Minister shall either enter into a coal gas production agreement or reject a revised application for a coal gas production agreement within ninety days of receipt of a revised application.
- (3) Where the Minister rejects a revised application for a coal gas production agreement, he shall, within thirty days of the rejection, provide the applicant with written reasons for his decision.

Section 89 added: O.I.C. 87-1435, N.S. Reg. 246/87.

90 Notwithstanding any other provision of these regulations, the Minister shall not issue a coal gas production agreement if the Minister is of the opinion that

- (a) the technology of coal gas production that the applicant proposes to use is not safe;
- (b) the applicant's proposed development program does not comply with an enactment of the Province;
- (c) the applicant's proposed development program will not result in the optimum public benefit from petroleum and mineral resource development;
- (d) the applicant's proposed development program is not adequately detailed;
- (e) the proposed development program is not in the best interest of the people of Nova Scotia.

Section 90 added: O.I.C. 87-1435, N.S. Reg. 246/87.

91 Notwithstanding Section 81, where an applicant for a coal gas production agreement is the holder of a coal gas exploration agreement and his application relates to all or a portion of the lands subject to his coal gas exploration agreement, the Minister may extend the term of the coal gas exploration agreement for the period during which the application for a coal gas production agreement or a revised application for a coal gas production agreement is under consideration.

Section 91 added: O.I.C. 87-1435, N.S. Reg. 246/87.

92 A coal gas production agreement confers upon the lessee the exclusive right to develop the lands subject to the agreement for the production of coal gas and the exclusive right to produce coal gas from those lands for commercial purposes.

Section 92 added: O.I.C. 87-1435, N.S. Reg. 246/87.

93 Every coal gas production agreement shall include

- (a) a description of the lands to which it applies;
- (b) a statement of the development program that the lessee shall carry out during the term of the agreement;
- (c) such other terms and conditions as the Minister deems appropriate.

Section 93 added: O.I.C. 87-1435, N.S. Reg. 246/87.

94 (1) The term of a coal gas production agreement shall be for such period, not exceeding ten (10) years, as is specified in the agreement.

- (2) Notwithstanding subsection (1), where, on the expiration of the term of a coal gas production agreement, coal gas is being produced commercially from lands subject to the agreement, the agreement shall be renewed in respect of those portions of the lands subject to the agreement from which commercial production is being obtained for such period thereafter during which commercial production of coal gas continues.
- (3) Notwithstanding subsection (1), where, on the expiration of the term of a coal gas production agreement, coal gas is not being produced commercially from lands subject to the agreement but, in the Minister's opinion, the lands or a portion thereof are capable of commercial production, the Minister may renew the agreement in respect of those portions of the lands subject to the agreement which are capable of commercial production for such a period or periods as the Minister deems advisable.

Section 94 added: O.I.C. 87-1435, N.S. Reg. 246/87.

- 95** Sections 65, 66, 67, 68, 69 and 70 of these regulations shall apply mutatis mutandis to coal gas production agreements.

Section 95 added: O.I.C. 87-1435, N.S. Reg. 246/87.

- 96 (1)** It shall be and shall be deemed to be a term of every coal gas production agreement that the Minister may, in the interests of resource conservation or mine safety, amend or suspend the coal gas production agreement without compensation to any person where activities pursuant to that coal gas production agreement may adversely affect the activities of a coal rights holder and, without limiting the generality of the foregoing, the Minister may by order
- (a) revise the development program so as to prevent interference with the activities of the coal rights holder;
 - (b) require that the coal gas production agreement holder obtain the written approval of the Minister prior to undertaking or continuing any work or activity specified in the order on the lands;
 - (c) declare that certain lands specified in the order are no longer subject to the coal gas production agreement and that those lands are deemed to have been surrendered by the lessee;
 - (d) require the lessee to cease production for a period specified in the order.
- (2)** Every order pursuant to subsection (1) shall be made in accordance with the provisions of Section 21 of the Act.

Section 96 added: O.I.C. 87-1435, N.S. Reg. 246/87.

- 97 (1)** All coal gas produced under the authority of a coal gas production agreement is subject to, and each lessee is liable for and shall pay to the Province, a royalty of five percent of the coal gas that is produced in each month.
- (2)** Royalty shall be based on the fair market value of coal gas at the surface outlet.

Section 97 added: O.I.C. 87-1435, N.S. Reg. 246/87.

- 98** Sections 46, 47, 48 and 49 of these regulations shall apply mutatis mutandis to this Part and shall be read as if a reference to “exploration agreement” includes a coal gas production agreement and “agreement holder” includes the holder of a coal gas production agreement.

Section 98 added: O.I.C. 87-1435, N.S. Reg. 246/87.

Information reporting requirements

- 99** Unless otherwise specified herein or in the right, every right holder shall submit to the Minister in a form acceptable to the Minister the following data and information at the following intervals:
- (a) within sixty days after the anniversary date of such right,
 - (i) annual progress reports, including a summary of operations, activities and findings related to the right, and a prognosis for the subsequent reporting period,
 - (ii) any geological and geophysical data and interpretations related to the right, other than those supplied in the well history reports required by clause (b),
 - (iii) a statement of expenditures;
 - (b) upon the abandonment, suspension or completion of a well, a well history report, including rock cutting samples and descriptions, core samples, core analysis and core gas content data, gas detection unit and other mud logging data, and electric and mechanical wireline log data;
 - (c) where coal gas is produced from a well, at a reporting period not to exceed three months and a collection period to be specified in the right,
 - (i) gas and liquid production volumes,
 - (ii) gas composition,
 - (iii) well pressures,
 - (iv) wireline and other downhole production survey results, and

- (v) operating time;
- (d) where coal gas is produced from a production facility other than a well, at reporting and collection periods to be specified in the right,
 - (i) total gas, and where applicable, total gas and air production volumes,
 - (ii) average produced gas composition,
 - (iii) operating pressures of the gas collection system,
 - (iv) operating time, and
 - (v) if coal gas is produced from a coal mine, the status and location of each gas drainage hole and gas collection point.

Section 99 added: O.I.C. 87-1435, N.S. Reg. 246/87.

Confidentiality

- 100 (1)** All data and information submitted to the Minister pursuant to this Part and pertaining to the exploration and development of coal gas shall be kept confidential by the Minister for a period of five years from the date following its filing with the Minister.
- (2)** Subsection (1) does not apply to
- (a) information and data relating to environmental or social matters, which shall not be kept confidential for any period of time;
 - (b) information and data that has a period of confidentiality which is provided for elsewhere in these regulations or by any other enactment;
 - (c) information and data, other than financial information and data, relating to the production of coal gas for commercial purposes; and
 - (d) information, access to which is provided for pursuant to these regulations or the Act.
- (3)** Notwithstanding subsection (1), the Minister may at any time
- (a) publish reports and summaries in general form based on geological, economic or technical information and data submitted by a right holder;

- (b) publish detailed reports of any accident or other occurrence resulting in personal injury or damage to the environment and need not keep confidential any information and data used in preparing such report;
- (c) divulge to any right holder or the holder of any coal rights any information or data which he considers may help prevent an accident or other occurrence which may result in personal injury or damage to the environment;
- (d) release general topographic information, legal surveys and elevations of well locations, the current depths of wells, and the current status of wells;
- (e) release any other information with the consent of the right holder;
- (f) release information relating to volumes of coal gas produced for sale or otherwise.

Section 100 added: O.I.C. 87-1435, N.S. Reg. 246/87.

Schedule I - Fees and Rentals (UPDATED April 2013)

Petroleum Resources Regulations

1 The following fees shall be payable at the time of filing:

(a)	exploration license application	\$121.00
(b)	exploration agreement proposal (this filing fee shall be refunded by the Minister if the proposal is not accepted)	\$1210.60
(c)	exploration agreement renewal.....	\$121.00
(d)	drilling renewal permit.....	\$121.00
(e)	development program submission	no fee required
(f)	lease application.....	\$121.00
(g)	lease renewals.....	\$121.00
(h)	transfers	\$121.00
(i)	surrender	no fee required
(j)	termination.....	no fee required

2 The following rentals shall be payable in advance annually:

(a)	exploration agreements	\$0.15 per hectare
(b)	lease.....	\$0.15 per hectare

3 The following inspection fees shall be payable in advance:

(a)	exploration license	\$6.05
(b)	exploration agreement	\$6.05
(c)	lease.....	\$6.05
(d)	notice of transfer.....	\$6.05