

Y EARS





Annual Report 2005 - 2006 The Canada-Newfoundland and Labrador Offshore Petroleum Board manages the petroleum resources in the Newfoundland and Labrador Offshore Area on behalf of the Government of Canada and the Government of Newfoundland and Labrador. The Board's authority is derived from legislation implementing the 1985 Atlantic Accord between the two governments.

The Board has a duty to require that:

- management of offshore land rights takes place in an orderly way;
- assessments of the resource potential of the offshore area are completed on a timely basis;
- offshore exploration and production activities are conducted in a safe and environmentally responsible manner;
- exploitation of the resource is conducted in accordance with good oilfield practice to optimize recovery and avoid wastes; and
- operators' contracting, procurement and employment decisions are consistent with their statutory obligations and agreements with governments to provide economic and social benefits to Canada, and in particular to Newfoundland and Labrador.

The Board provides guidance to industry regarding regulatory requirements and encourages continuous improvement in practices that provide for worker safety and environmental protection.

ANNUAL REPORT 2005-2006



June 12, 2006

The Honourable Gary Lunn Minister of Natural Resources Canada Government of Canada

The Honourable Ed Byrne Minister of Natural Resources Government of Newfoundland and Labrador

Dear Ministers:

Pursuant to Section 29 of the legislation implementing the Atlantic Accord, attached is the annual report, together with the financial statements, of the Canada-Newfoundland and Labrador Offshore Petroleum Board for the fiscal year ending March 31, 2006.

Respectfully submitted:

Fred Way

Acting Chairman and Chief Executive Officer

BOARD MEMBERS

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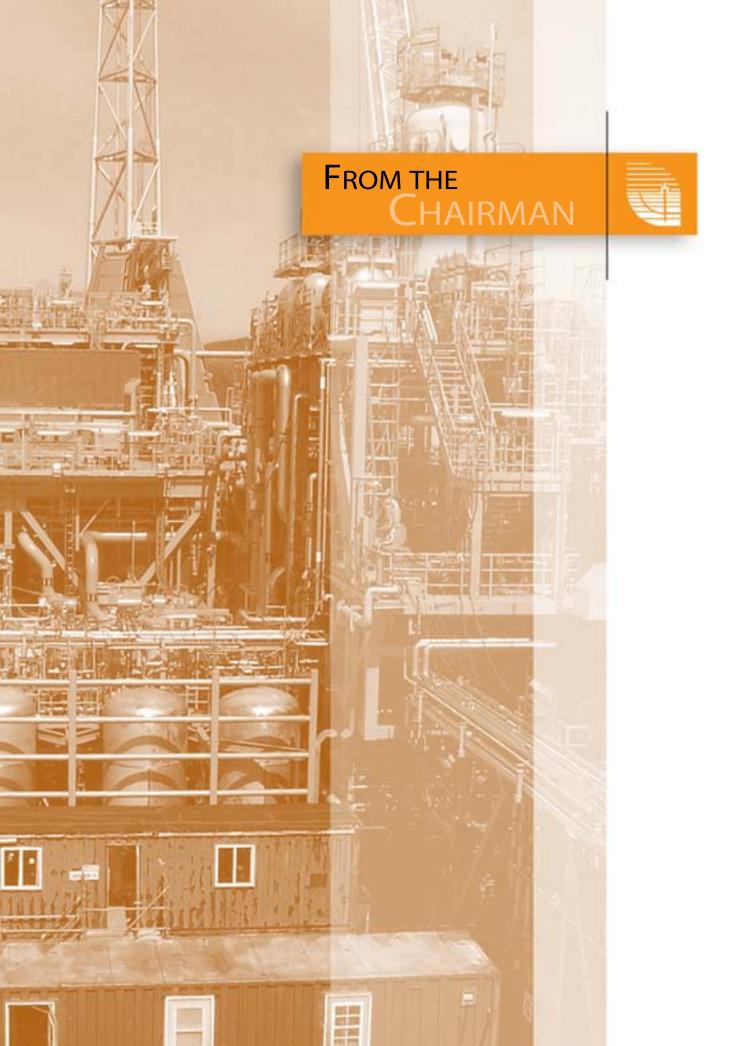
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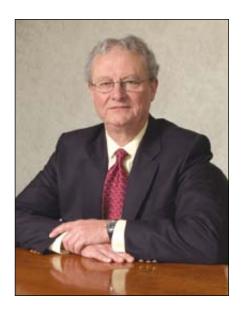
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January 2006 marked the completion of 20 years of operation for the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB). Significant anniversaries generally are times for reflection, reassessment, renewal, and recognition. It was in the spirit of these four "Rs" that the Board observed its 20th anniversary on January 6, and inevitably the same spirit is reflected in this 21st Annual Report of the Board.

The role of the C-NLOPB is clearly stated in the Atlantic Accord. The Board manages the petroleum resources in the Newfoundland and Labrador Offshore Area on behalf of the Government of Canada and the Government of Newfoundland and Labrador under the authority of the Atlantic Accord Implementation Acts. The growth of the offshore petroleum industry and its contribution to the economy is seen in the pages of this Report. The Board and its professional staff take some pride in the knowledge that the regulatory management mandate has contributed to the development of a safe, environmentally sensitive, and economically beneficial industry. Nevertheless, the Board continues to seek ways to evaluate and improve the effectiveness and efficiency of its operations. During the past year, the Board asked the Norwegian regulators, acknowledged as world leaders in terms of experience and regulation of offshore petroleum activities, to conduct an independent audit of our procedures and practices and to offer recommendations for improvement. We look forward to their report.

Offshore activity in Newfoundland and Labrador has caused more than \$20 billion to be spent by petroleum companies in exploration and production since the first rig appeared on the Grand Banks in 1966, and is now a billion-dollar-a-year industry. Production averaged over 300,000 barrels a day in 2005-2006, representing 36% of Canada's total light crude production, employing more than 2,800 workers directly and creating an economic contribution of 14.4% to the Province's real Gross Domestic Product. More than \$800 million was spent in capital investment during the year, and the Oil and Gas sector now accounts for nearly 21% of total capital investment in Newfoundland and Labrador.

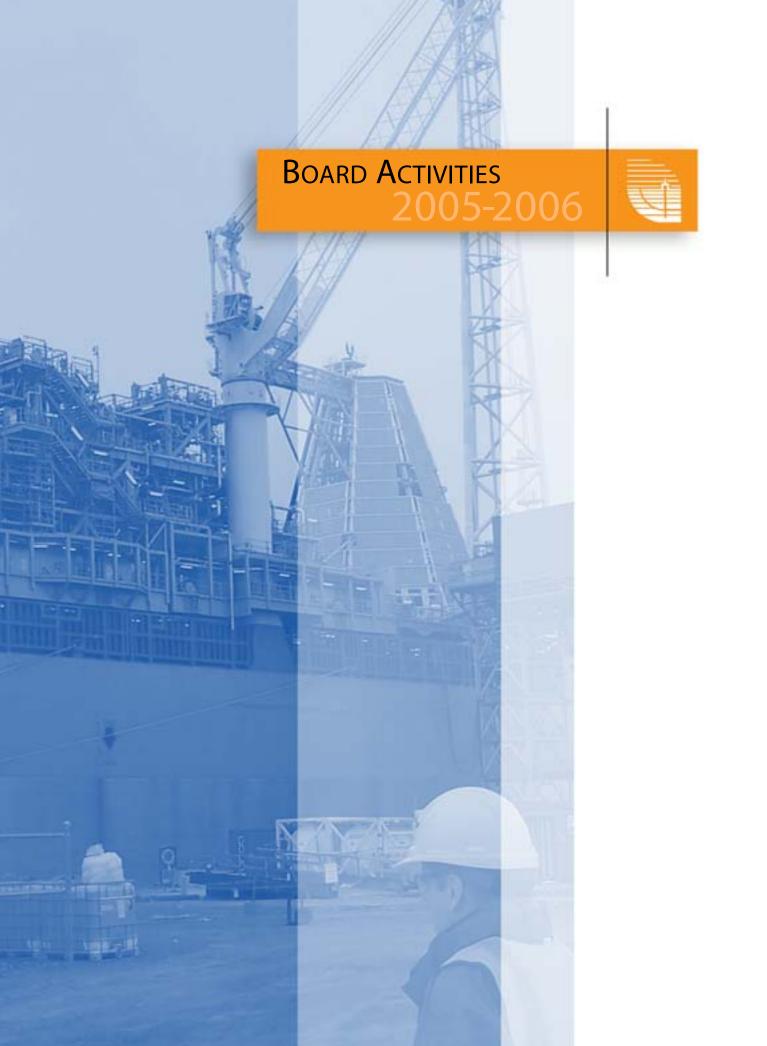
The growth will continue. White Rose achieved "first oil" on November 12 2005, and was operating at 60,000 barrels a day at the end of the fiscal year with expectation to increase production significantly during the first half of 2006. Hibernia continued to produce at a level of nearly 200,000 barrels a day, and new C-NLOPB estimates of the reserves and resources have increased the Hibernia Field from 865 to 1244 million barrels, virtually the equivalent of another major oil discovery. While Terra Nova has suffered some production decline due to equipment failure, the planned "turnaround" of *Terra Nova FPSO* for the summer of 2006 should allow production to resume successfully at more than 100,000 barrels a day. Meanwhile, exploration work commitments total \$798 million, and the 2005 Call for Nomination of Lands resulted in the inclusion of the Sydney Basin for the first time in the Board's land sale process.



Board members (l-r): Dr. Joan Whelan, Lorne Spracklin, Fred Way, Hal Stanley, Herb Clarke

It is a vibrant, expanding industry which will become even more complex with the development of deep-water drilling technology and innovative production equipment and practices. Since 1986, the C-NLOPB has been challenged continuously to learn and grow with the oil and gas industry in order to fulfill its legislated regulatory mandate for safety, environmental protection, resource management, and industrial benefits. As Acting Chair and CEO of the current Board, I am grateful for the support and commitment of time and expertise of my colleagues, namely Dr. Joan Whelan, Herb Clarke, Lorne Spracklin, and Hal Stanley. But I know I speak for them and for all former Board members in commending the professional and support staff for their superb performance in challenging circumstances over the years. A number have been with the Board since its beginning, and were honoured in our 20th Anniversary observance. Many others have followed their example through the years and up to the present, working diligently with the same sense of purpose and dedication to duty. They have served their Province and their Nation well.

The Report which follows will provide details of C-NLOPB activity, decisions, programs and initiatives during 2005-2006, as well as current and historical statistical data. I trust it will also offer a glimpse of the regulatory challenges which lie ahead and of the future of the Newfoundland and Labrador offshore oil and gas industry itself. It is to this future that the Board dedicates its efforts on behalf of the federal and provincial governments and the people they represent.



BOARD GOVERNANCE

Board members met 12 times and issued four major Decision Reports during 2005-2006. Three of the Decisions related to amendment applications to the Terra Nova Development Plan and one related to an amendment application to the Hibernia Development Plan. All

Past and present Board members attending the 20th Anniversary luncheon included (seated) Dr. Joan Whelan, Janet Gardiner; (standing l-r) Norm Whelan, Des Sullivan, Dr. Hugh Miller, Lorne Spracklin, Herb Clarke, John Fitzgerald, Hal Stanley, Fred Way

of these decisions were Fundamental Decisions and required the concurrence of both the Federal and Provincial Governments. In addition to four Decision Reports, the Board also issued new Benefits Plan Guidelines and Development Plan Guidelines. The guidelines revision required an extensive consultation process with stakeholders and governments prior to their publication. Board members also met with their counterparts in the Canada-Nova Scotia Offshore Petroleum Board in Halifax, and with industry representatives in Calgary.

To improve the efficiency of Board meetings, the Board appointed a Corporate Secretary to manage the timing and schedule of issues coming before the Board. John Andrews, Manager of the Legal and Land department, assumed this role in December 2005.

The Board engaged the Norwegian Petroleum Safety Authority and Norwegian Petroleum Directorate to conduct an external assessment of the Board's regulatory practices and procedures. The views of the experienced Norwegian regulators will be a valuable assessment of the Board's operations.

A new Cost Recovery Policy was negotiated with industry on behalf of governments, allowing the C-NLOPB to recover 75% of it's expenditures from petroleum producing companies. The new policy will be in effect for fiscal years 2005-2006 and 2006-2007.

On January 6 2006, the Board celebrated its 20th year of operation and held a luncheon to recognize the occasion and to honour 16 employees who have been with the Board since 1986.



C-NLOPB staff who served the Board since its inception in 1986 were honoured at the 20th Anniversary luncheon. Seated (1-r): Brenda Fowler, Judy Ryall, Bonnie Hudson, Sheila Duff, Sandra Forward, Sandra O'Dea, Mary Glynn; standing (1-r): Jeff Bugden, Ed Lannon, Dave Burley, Les Barbour, Walter Bobby, Pete Noel, Howard Pike, Bill Dohey, Wayne Chipman

SUPPORT SERVICES

Administrative services to the Board's departments are provided by the Support Services Department, which is responsible for financial management, human resources, records management, and information technology services, in addition to managing the purchasing, leasing, premises and general office functions. At March 31 2006, the Board's staff complement comprised 54 permanent staff positions; three of which were added during the reporting period.

Other noteworthy events which the Department undertook during 2005-2006 were a review of the Board's records management function, renewal of the lease for office space in TD Place, and a staff development workshop featuring a presentation by the Vice-Chairman of the National Energy Board on the issues of regulatory capture and conflict of interest.

LEGAL AND LAND

During 2005-2006, the Legal and Land Department provided advice to the Board in respect of the following Court proceedings:

- (a) HMDC and Petro-Canada v C-NLOPB In November 2004, the Board issued its Research and Development/Education and Training Guidelines with effect from April 2004. Hibernia Management and Development Company and Petro-Canada commenced an action again the C-NLOPB in the Supreme Court of Newfoundland and Labrador with respect to the enforceability of the terms of the Guidelines. As of March 31 2006, pleadings were closed and the hearing was anticipated to occur in April 2006.
- (b) Paramount Resources Ltd. and Polaris Resources Ltd. v C-NLOPB In January 2006, Paramount and Polaris commenced an action against the C-NLOPB in the Supreme Court of Newfoundland and Labrador seeking judicial review of the Board's decision not to agree to amend three licences held by Paramount and Polaris (South Grand Banks), to extend Period I (the initial five-year period in which an exploration well must be spudded) by four years. An interim consent order to suspend forfeiture of licences and security deposits was issued by the Court and the application was scheduled for hearing in April 2006.

The Department also provided advice to the Board, the Chief Conservation Officer and Investigating Officers in respect of the alleged crude oil spill from the Terra Nova FPSO during the early hours of November 21 2004. The extensive detailed investigation of the incident resulted in a charge being laid against Petro-Canada in July 2005 under the Accord Implementation Acts. Representatives of the Department engaged in consultations with federal Crown prosecutors as the matter was prepared for trial.

PUBLIC RELATIONS

An active public information program was maintained through the year in keeping with a commitment to ensure accuracy and openness in communications relating to regulatory activities and to the offshore industry in general. While the Atlantic Accord Implementation Acts stipulate that certain proprietary data cannot be released by the C-NLOPB, the Board encourages offshore operators who do not have such legislative constraints to be as pro-active as possible in providing information on a timely basis to the public.

A thorough review of the C-NLOPB Public Relations policy and procedures was initiated during 2005-2006, and a number of measures were implemented to improve services to news media and the general public and to make greater use of advances in communications technology. One major undertaking in this respect is the ongoing updating, expansion and improvement of the C-NLOPB web site (www.cnlopb.nl.ca) to provide more current and archival information on Board programs and industry statistics in a user-friendly format.

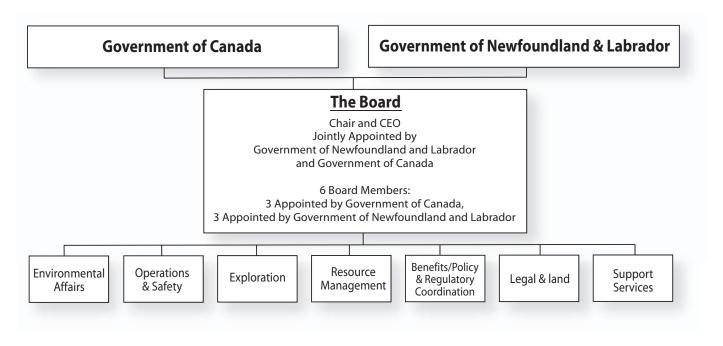
Public Relations staff provided liaison and support services to a Communications Consultant's study of the interface between the Board's officers and offshore operators to develop a communications protocol which would provide maximum clarity, efficiency, and effectiveness at all levels of discourse.

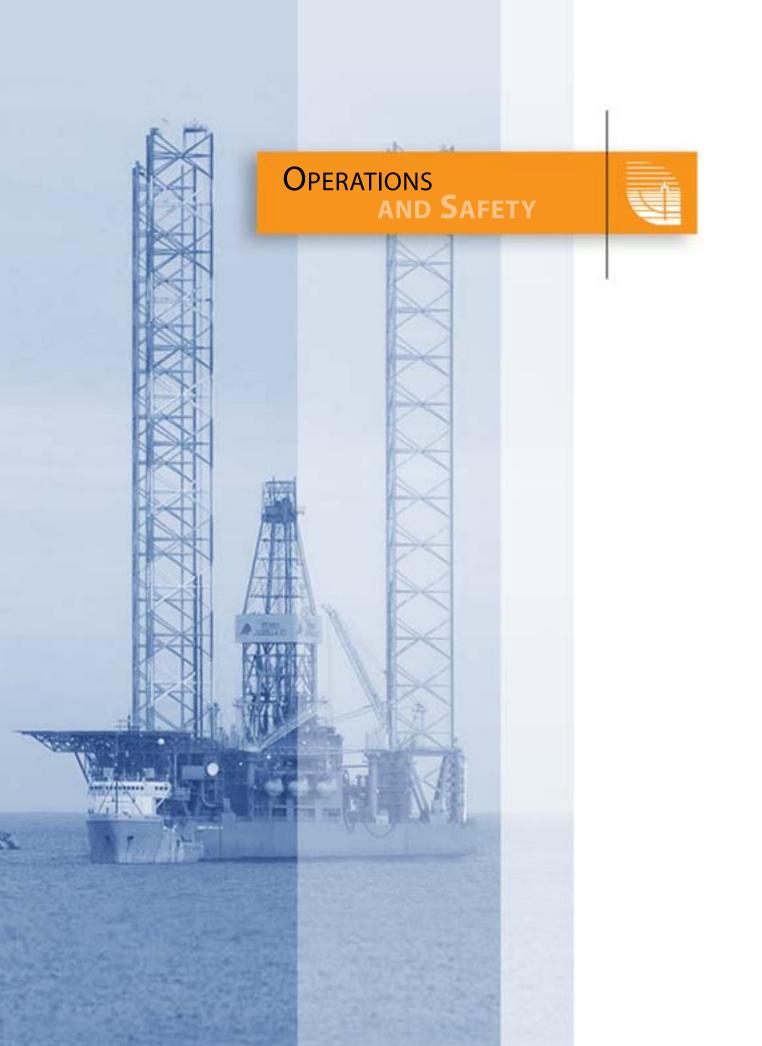
Board representatives participated in professional and industry-related conferences and seminars, and delivered presentations on the offshore oil and gas regulatory process to educational institutions and community groups.

ORGANIZATION STRUCTURE

The C-NLOPB Organization Chart gives a broad overview of the organizational structure which the Board has developed to discharge its four basic mandates of safety, resource management, environmental protection, and benefits.

Canada-Newfoundland and Labrador Offshore Petroleum Board





OPERATIONS AND SAFETY

The role of the Operations and Safety Department is to reduce risk to personnel engaged in offshore petroleum exploration and exploitation activities by providing a systematic and comprehensive review and effective oversight of operators' safety and quality management systems. The Operations and Safety Department promotes the continual improvement of health and safety in offshore operations.

SAFETY OF OPERATIONS

The onus is on installation operators to ensure the health and safety of all personnel employed in connection with petroleum activity in the Newfoundland and Labrador Offshore Area. Pursuant to legislation, the Chief Safety Officer must consider the safety of the activity as a whole and its component parts including facilities, personnel and procedures prior to the Board issuing an authorization. To fulfill this requirement, the Operations and Safety Department has established a safety assessment process to review applications in a systematic manner. During the reporting period, 19 safety assessments were completed.

Following the authorization of an operator's activity, the implementation of the operator's Safety Management System is monitored through established processes, which include:

- review of various reports which are required to be submitted at defined intervals, e.g.: daily reports, copies of tour sheets, incident investigation reports, accident reports and statistics, etc.;
- review of the minutes of the joint occupational health and safety committee on each installation:
- regular inspections and safety audits, which include visits on board each petroleum installation and vessels;
- investigation of work refusals;
- investigation of complaints by offshore workers;
- investigation of accidents and incidents as and if required; and
- periodic safety assessment reviews when required.

During the reporting period, a total of 35 safety audits were conducted on various offshore drilling, production and other installations and vessels, resulting in the identification of 681 observations and seven findings. Each observation and finding was subsequently monitored by Safety Officers to ensure that appropriate actions were taken. Of those noted, 613 observations and six findings had been closed by March 31 2006. (See Glossary for explanation of "observations" and "findings".)

A total of 158 incident reports were submitted by operators. The vast majority of the incidents did not result in significant injuries to personnel or damage to equipment. Of the reports submitted, 23 were injuries that prevented an employee from effectively performing all the duties connected with the employee's regular work. The operator's incident investigation process and each incident report is reviewed by the Board's Safety Officers to ensure that the operator has identified appropriate root causes and has implemented appropriate corrective actions to prevent future reoccurrence of a similar incident. During offshore visits, the Board's Safety Officers review selected incidents to confirm that the operator's incident investigation process was followed and to confirm that corrective actions were implemented.

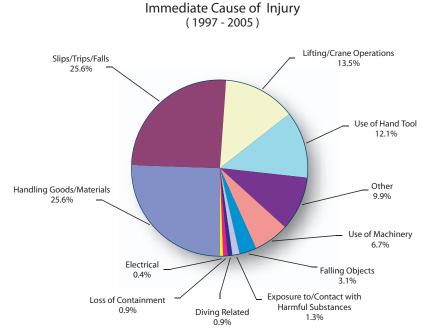
Approximately 4.2 million person-hours were worked in connection with offshore activity during the reporting period. There were 23 "reportable injuries" resulting in a Reportable Injury Frequency Rate (RIFR) of 5.5 per million hours worked. A summary of reportable injuries by year is provided in Table 1.

Table 1
Reportable Injuries

YEAR	TOTAL REPORTABLE INJURIES	TOTAL PERSON HOURS WORKED	RIFR (PER 1,000,000)	RIFR (PER 200,000)
1991 – 92	1	271,201	3.69	0.74
1992 – 93	0	32,748	0.00	0.00
1993 – 94	0	3,593	0.00	0.00
1994 – 95	0	7,287	0.00	0.00
1995 – 96	1	71,470	13.99	2.80
1996 – 97	5	131,569	38.00	7.60
1997 – 98	23	1,972,336	11.66	2.33
1998 – 99	23	1,651,856	13.92	2.78
1999 – 00	28	2,484,434	11.27	2.25
2000 - 01	34	2,775,350	12.25	2.45
2001 – 02	23	2,548,727	9.02	1.80
2002 - 03	26	2,986,967	8.70	1.74
2003 - 04	31	3,232,028	9.59	1.92
2004 - 05	14	3,339,957	4.19	0.84
2005 – 06	23	4,179,839	5.50	1.10

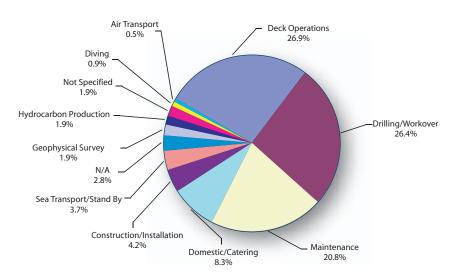
Information from incident reports is entered into a database and analyzed by various categories. Information categorized into the immediate cause of injury and the injury by type of operation (job) is provided in Figures 1 and 2.

Figure 1





Injury by Operation (1997 - 2005)



Legislation requires that each offshore installation (production, drilling, diving and/or accommodation) have a valid Certificate of Fitness issued by a recognized independent Certifying Authority before an installation is authorized to conduct any activity in the offshore area. Certification of offshore installations is a key element in defining the fitness of such installations. The Department's staff monitor and audit the work of the Certifying Authority.

Operators may propose methods, codes, standards, procedures, etc. other than those prescribed in the regulations. The Chief Safety Officer and/or Chief Conservation Officer may approve such applications where the proposed codes provide an equivalent level of safety. Such proposals are referred to as the regulatory query process. This process, managed by the Operations and Safety Department, can also be used to seek formal interpretation of specific regulatory requirements that have not been already interpreted in guidance issued by the Board. During the reporting period, 85 regulatory queries were received and 69 had been processed up to March 31.

PROMOTION OF SAFETY IN THE OFFSHORE

The Operations and Safety Department participated in a large number of Committees dedicated to advancing various matters related to the safety of offshore operations and activities. In addition, in February and March of 2006, the Board sponsored two workshops to update members of the offshore Joint Occupational Health and Safety Committees on the progress of proposed Accord Act amendments that focus on occupational health and safety matters, to discuss proactive measures that the committees are taking to increase safety on each installation and to discuss areas for improvement. This was the third year for these meetings and they continue to prove beneficial to both Board staff and committee members in keeping the communication lines open and active. A summary of the committees that the Operations and Safety staff participate in is as follows:

- The International Regulator's Forum (IRF) Performance Measures subcommittee is developing standard incident categorization criteria and compiling annual incident data/statistics, against this criteria, for each of the IRF member countries.
- The IRF Lifting Working Group subcommittee is developing standard audit/inspection criteria and investigation criteria for crane and mechanical handling operations. The committee is currently drafting audit criteria for four of the highest risked activities competency of personnel involved in crane operations, maintenance of cranes, manriding operations in the derrick and planning of lifting operations.
- The International Standards Organization (TC67/SC7) subcommittee is developing
 international standards for offshore structures. Six of the thirteen standards have
 been published. The Canadian Standards Association intends to adopt the offshore
 structures standards when completed to replace their current standards for offshore
 structures.
- The Canadian Association of Petroleum Producers (CAPP) Training and Qualifications Committee is a joint industry/regulatory committee that establishes minimum acceptable standards for the training and qualifications of offshore workers in the Newfoundland and Labrador and Nova Scotia offshore areas.
- The CAPP Safe Lifting Practices Committee is establishing recommended practices for the design, operation, testing, inspection and maintenance of offshore cranes, containers, winches and associated lifting equipment, including requirements for personnel transfers.
- The ENFORM (comprised of the former Petroleum Industry Training Service (PITS) and the Canadian Petroleum Safety Council (CPSC)) Offshore Well Control Committee establishes the minimum requirements for well control certification for offshore petroleum operations in Canada.
- The Canadian General Standards Board (CGSB) Immersion Suit Systems Committee
 is a national committee formed to develop and maintain CSA standards for immersion
 suits including abandonment, helicopter and work suits.

DIVER CERTIFICATION BOARD OF CANADA (DCBC) AUDIT

On December 9 2005, the C-NLOPB and the CNSOPB conducted a safety audit of the Diver Certification Board of Canada (DCBC). The DCBC currently certifies diving personnel and accredits diver training institutions on behalf of the C-NLOPB and the CNSOPB through a Memorandum of Understanding.

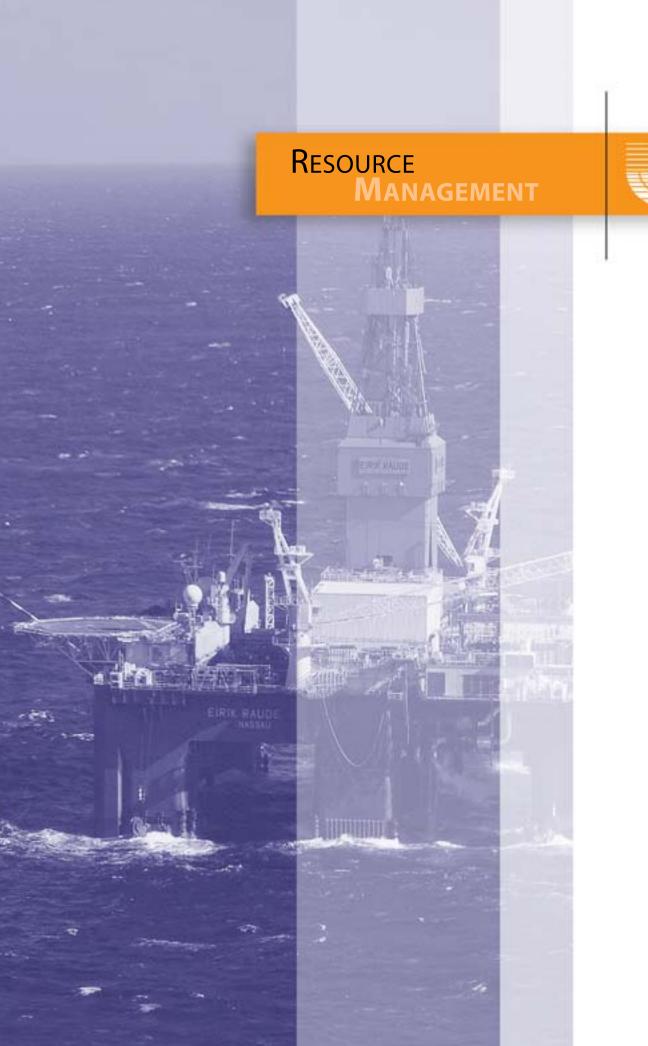
JACK-UP DRILLING OPERATIONS

Three wells were drilled with the *Rowan Gorilla VI* jack-up during 2005, marking the first time that a jack-up drilling installation was used on the Grand Banks. Previously, floating drilling installations, either semi-submersibles or drillships, have been used to drill in this region in consideration of the hazards posed by pack ice and icebergs and the potential need for the installation to be moved off site in the event of pack ice or iceberg incursions. In consideration of the advancements in ice management, and based on a study of the Grand Banks ice climate by C-CORE, it was deemed to be feasible to identify suitable "ice-free" operating windows for jack-ups on a season-by-season basis, thereby opening this region to the utilization of jack-up installations.

In October 2005, legs of the *Rowan Gorilla VI* were damaged while attempting to position the rig on site at the White Rose O-28 location. Although the damage did not threaten the structural integrity or stability of the installation, it required relocation of the rig to a sheltered location to effect repairs.

A structural engineering analysis to simulate the conditions surrounding the damage to the legs of the *Rowan Gorilla VI*, combined with a metallurgical analysis of the damaged "knuckle" joints concluded that the legs were damaged due to impact loads with the hard seabed that exceeded the design limits. The large impact loads were incurred as a result of the motions of the rig during the sea conditions present while attempting to bring the rig onto location at the White Rose O-28 wellsite.

The C-NLOPB intends to ensure that the lessons learned from operations during 2005 are applied by the operator, Husky Oil Operations Ltd., and the rig's owner, Rowan Companies Limited, in respect of future operations on the Grand Banks by this installation and other jack-up installations which may operate in the Newfoundland and Labrador Offshore Area.



RESOURCE MANAGEMENT

The Resource Management Department's primary role is to implement the Board's mandate to regulate drilling and production operations for maximum recovery of hydrocarbons with the provision that resources being developed are measured, monitored and managed properly.

Reservoir performance and oil recovery efficiency are monitored for the Hibernia, Terra Nova and White Rose fields. As these fields mature and approach the end of the plateau production period, they will enter into a production decline phase. As infrastructure becomes available, other development opportunities are expected to be pursued to utilize the spare production capacity. This will likely result in an increase in the number of Development Plan Amendment requests for these fields. During 2005-2006, there was also an increase in the number of requests for well operation approvals at the Hibernia Field. The majority of these well operations involved zone abandonments to control water production in a number of wells. As the Hibernia Field matures, the number of well operation requests is expected to increase further.

During 2005-2006, development of a reservoir simulation model for the Hebron, West Ben Nevis and Ben Nevis fields continued, in anticipation of a future development of this resource. Although there was no drilling activity in these fields during the reporting period, the results of the simulation model were incorporated with current geological interpretations to prepare updated resource estimates for the fields. Tables 3, 4 and 5 provide a summary of the updated estimates of petroleum resources in the Hebron, West Ben Nevis and Ben Nevis fields.

Current geological, geophysical, petrophysical and reservoir interpretations are used, in conjunction with various software packages, to update oil and gas reserve / resource estimates for the Newfoundland and Labrador offshore area (Table 2). During the year, updated reserve / resource estimates for the Hibernia Field were completed. The new estimates are based on a comprehensive review of data acquired from drilling and production up to December 31 2005. The increased reserves / resources at the Hibernia Field are the result of a number of factors including increased performance, higher recoveries and the extension of the Hibernia reservoir oil accumulation into the southeast area of the field. Table 10 summarizes the estimates of original and remaining recoverable oil reserves at the Hibernia field. No new reserve or resource estimates were conducted during 2005-2006 for the Terra Nova or White Rose fields.

During 2005-2006, Department staff provided the necessary analytical work for the subsequent approval by the Board of the Development Plan Amendments for the North Graben and Far East areas of the Terra Nova Field and for the Ben Nevis/Avalon reservoir at the Hibernia Field. The production accounting system was reviewed in 2005-2006. It will be revised to provide for further detailed reporting to ensure recovery is maximized and to allow for efficient approvals of future well operations. In January 2006, a third party consultant was contracted to undertake a study of the feasibility and costs associated with produced water re-injection at the Hibernia Field.

Following the approval of the White Rose Development Application, the Board undertook a review of the lessons learned to examine ways to improve the process. One of the recommendations arising from the review was to update the Development Plan Guidelines. The revised guidelines were published in February 2006.

During the year, the C-NLOPB endorsed the Voluntary Standard for Global Gas Venting and Flaring Reduction. The Board continues to promote gas conservation and look for ways to reduce gas flaring. The Manager of Resource Management also participated in an international workshop for development of deepwater oil and gas opportunities. Participants from Canada, the United States and Mexico attended the workshop with the objective of fostering discussion on issues related to deepwater exploration and production of oil and natural gas. The Board staff participated in a review of the United Nations Framework Classifications (UNFC) for Fossil Energy and Mineral Resources. The UNFC is a universally applicable scheme for classifying and evaluating energy and mineral reserves and resources.

A Senior Measurement Coordinator was added to the Department's staff to assist with various aspects of metering and measurement.

Table 2	
Petroleum Reserves ¹ and Resources ² - Newfoundland Of	fshore Area

Field	10 ⁶ m ³	Oil million bbls	$10^9 \mathrm{m}^3$	Gas billion cu. ft.	10 ⁶ m ³	NGLs ³ million bbls
Grand Banks				,		
Hibernia	197.8	1244	50.6	1794	32.2	202
Terra Nova	56.3	354	1.3	45	0.5	3
Hebron	92.4	581	-	-	-	-
Whiterose	45.0	283	76.7	2722	15.3	96
West Ben Nevi		36	-		-	-
Mara	3.6	23	-	-	-	-
Ben Nevis	18.1	114	12.1	429	4.7	30
North Ben Nev		18	3.3	116	0.7	4
Springdale	2.2	14	6.7	238	-	-
Nautilus	2.1	13	-	-	-	-
King's Cove	1.6	10	-	-	-	-
South Tempest		8	-	-	-	-
East Rankin	1.1	7	-	-	-	-
Fortune	0.9	6	-	-	-	-
South Mara	0.6	4	4.1	144	1.2	8
West Bonne Ba	y 5.7	36			. 5	-
North Dana	-	-	13.3	472	1.8	11
Trave	-	-	0.8	30	0.2	1
Sub-Total	437.3	2751	168.9	5990	56.6	355
Labrador Shel	f					
North Bjarni	-	-	63.3	2247	13.1	82
Gudrid [']	-	_	26.0	924	1.0	6
Bjarni	-	-	24.3	863	5.0	31
Hopedale	-	-	3.0	105	0.4	2
Snorri	-	-	3.0	105	0.4	2
Sub-Total	0.0	0	119.6	4244	19.9	123
Total	437.3	2751	288.5	10234	76.5	478
Produced ⁴	98.9	622	0.0	0	0.0	0
Remaining	338.4	2129	288.5	10234	76.5	478

[&]quot;Reserves" are volumes of hydrocarbons proven by drilling, testing and interpretation of geological ,geophysical and engineering data, that are considered to be recoverable using current technology and under present and anticipated economic conditions. Hibernia, Terra Nova, and are classified as reserves.

^{2 &}quot;Resources" are volumes of hydrocarbons, expressed at 50% probability of occurrence, assessed to be technically recoverable that have not been delineated and have unknown economic viability.

³ Natural Gas Liquids

⁴ Produced oil reserves also include a small quantity of natural gas liquids. Produced volumes as of December 31 2005

Table 3 Estimates of Recoverable Resources - Hebron Field

	Reservoir		Proven		ven and robable		Proven robable Possible
Original Oil Resoure (millions)	ces Ben Nevis Hibernia Fortune Bay Jeanne d'Arc Total	m ³ 56.2 5.7 1.2 1.2 64.3	bbls 353 36 8 7 404	m ³ 77.7 8.6 2.2 4.0 92.4	bbls 489 54 14 25 581	m ³ 95.9 11.1 4.0 5.5 116.5	bbls 603 70 25 35 733

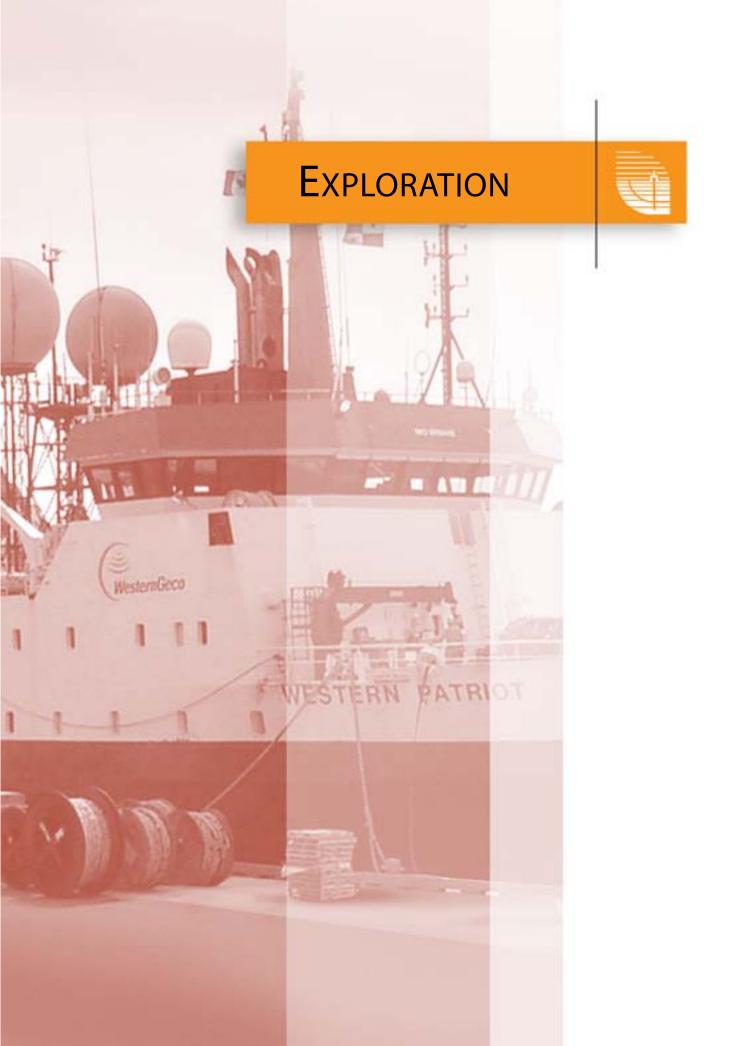
Table 4 Estimates of Recoverable Resources - West Ben Nevis Field

	Reservoir		Proven		en and obable		Proven Probable Possible
Original Oil Res	sources	m^3	bbls	m^3	bbls	m^3	bbls
(Ben Nevis	1.19	7	2.37	15	3.79	24
	A Marker	2.23	14	3.33	21	4.84	30
	Beothuk	-	_	-	_	2.33	15
	Total	3.42	22	5.70	36	10.96	69

Table 5
Estimates of Recoverable Resources - Ben Nevis Field

		Proven		ven and robable		Proven Probable Possible
Original Oil Resources						
(millions) Ben Nevis Total	m ³ 12.1 12.1	bbls 76 76	m ³ 18.1 18.1	bbls 114 114	m ³ 38.0 38.0	bbls 239 239
Gas Resources ¹						
(billions) Ben Nevis (solution gas) Ben Nevis (Gas Cap) ² Hibernia (lower zone) "A" Marker Total	m ³ 1.3 3.7 3.6 0.2 8.8	cf 47 130 128 6 311	m ³ 2.0 3.7 6.2 0.3 12.1	cf 70 130 219 10 429	m ³ 4.2 3.7 9.9 0.5 18.2	cf 147 130 350 17 643
NGL Resources ³						
(millions) Hibernia (lower zone) "A" Marker Total	m ³ 2.7 0.0 2.7	bbls 17 0 17	m ³ 4.7 0.0 4.7	bbls 30 0 30	m ³ 7.4 0.1 7.4	bbls 46 0 47

 $^{^1}$ Gas resource estimates include solution and gas cap gas, no fuel/flare adjustment 2 Gas Cap resource estimates for Ben Nevis is Proven and Probably only 3 NGL resources does not include the Ben Nevis resource at this time



EXPLORATION

The Exploration Department conducts resource assessments and geoscientific studies in support of exploration and development projects. This department also manages geoscience data and information provided by operators, including materials at the Board's Core Storage and Research Centre.



As of March 31 2006, there were in excess of \$798 million worth of exploration commitments to be undertaken by interest owners. The Department is involved in all phases of exploration from land sales to data acquisition, exploration drilling and seismic activity. Technical review and advice pertaining to the prospectivity of lands in the Newfoundland and Labrador offshore area is provided prior to the issuance of a call for bids. Departmental staff review all geophysical and geological program applications before being authorized. Geophysical evaluations include 2D or 3D data acquisition, wellsite surveys and vertical seismic profiling (VSP). Department geoscientists review and interpret data from many offshore basins. In addition to the prolific Jeanne d'Arc Basin, at least eight other basins are being evaluated including the Orphan Basin, the Anticosti Basin, the Sydney Basin, the Laurentian Subbasin and the Flemish Pass Basin. The Department also undertook research to support implementation of a rental regime on significant discovery licences issued as a result of exploration activities on exploration licences issued in response to bids received in the three 2006 Calls for Bids.

RESOURCE ASSESSMENTS

One of the C-NLOPB's goals is to complete assessments of all major Newfoundland and Labrador offshore basins. This work will take several years and results will be published when available. An assessment of the resource potential of the Flemish Pass Basin was completed in 2004 and is available from the Board.

GEOSCIENTIFIC STUDIES

A synthesis of exploration data on the Labrador Shelf was presented as a poster at the American Association of Petroleum Geologists Exploration Conference in June 2005. Technical studies including review of geophysical data are ongoing in the Orphan Basin, Labrador Shelf, Western Newfoundland and Labrador Offshore Region and the Laurentian Subbasin. In the producing areas of the Jeanne d'Arc Basin, geophysical interpretations were integrated with current development information.

DATA MANAGEMENT

The review of geophysical, geological and geotechnical program applications is coordinated through the Exploration Department. During the reporting period, 20 applications were authorized which will generate exploration data. Effective and efficient management of geoscience information and data submitted by Operators remains a critical part of the Department's mandate. This information is used by technical staff in resource assessments and geoscientific studies and is made available to the public, once the privilege period has passed.

Information Requests

There were 85 requests for technical information processed during the 2005 – 2006 year. The breakdown of these requests is illustrated in figures 3 and 4.

Figure 3 - Information Requests by Sector

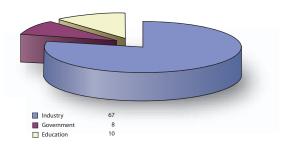
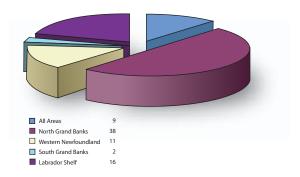
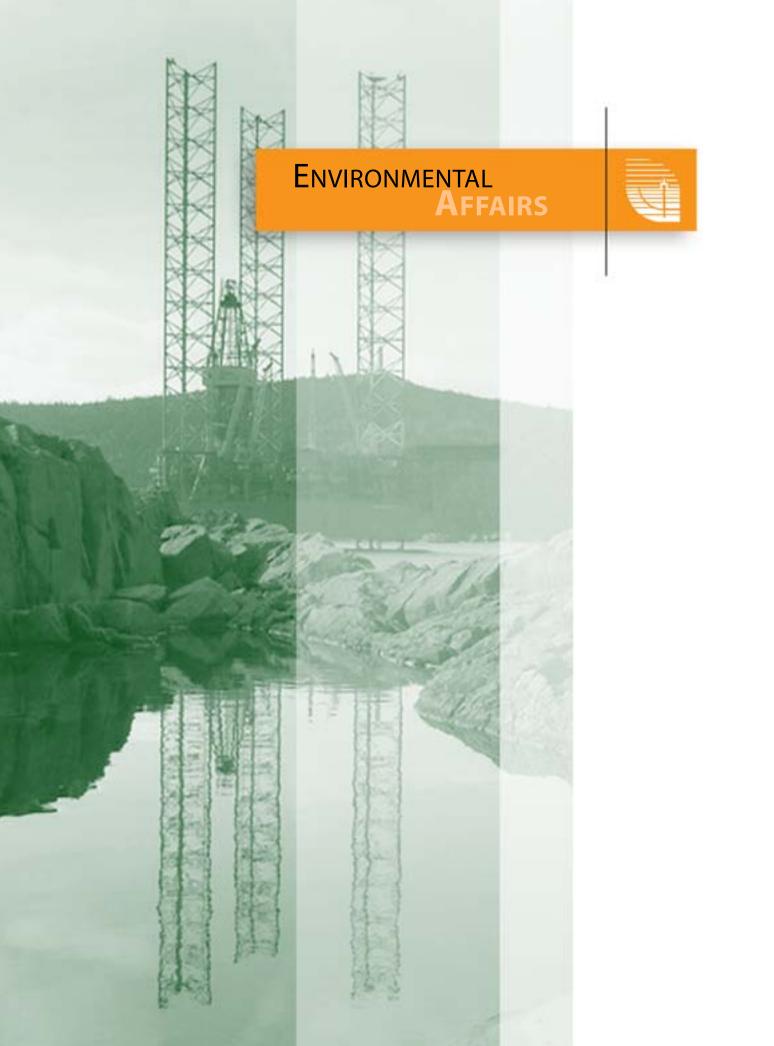


Figure 4 - Information Requests by Area





ENVIRONMENTAL AFFAIRS

The Environmental Affairs Department implements the Board's Environmental Protection mandate for all offshore exploration, development and production activities.

REGULATORY FRAMEWORK

The Environmental Affairs Department, working with the federal and provincial energy departments and the federal Department of Fisheries and Oceans, participated in the development of a Statement of Canadian Practice respecting seismic survey operations. The Statement was nearing completion at the end of the reporting period.

The Newfoundland and Labrador Environmental Advisory Committee (NLEAC) is a forum for discussion of topics of mutual concern between the C-NLOPB and departments and agencies of the Governments of Canada and of Newfoundland and Labrador with energy, environmental or fisheries-related responsibilities. The NLEAC met once during the reporting period to discuss the status of offshore-related activities, environmental assessment, compliance and monitoring initiatives and planned offshore environmental research.

ENVIRONMENTAL PROJECTS

The C-NLOPB provides a representative to the Management Board of the Environmental Studies Research Fund (ESRF), a national fund that finances environmental and social studies relevant to offshore petroleum regulatory decisions through levies on offshore interest holders. A Board representative also currently chairs the ESRF's East Coast Advisory Committee. That committee, whose members include representatives from the oil and gas industry, government, fisheries and environmental organizations, provides advice to the ESRF Management Board on research priorities for the East Coast. In calendar year 2005, the ESRF budgeted approximately \$635,000 for East Coast environmental research and \$750,000 for calendar year 2006.

ENVIRONMENTAL ASSESSMENT

The C-NLOPB is the lead agency for environmental assessment of proposed offshore exploration and production projects under the Canadian Environmental Assessment (CEA) Act. For 2005-2006, the C-NLOPB initiated eight screening-level environmental assessments under the CEA Act. All eight environmental assessments were ongoing as of March 31 2006. Of the assessments discussed in the 2004-2005 annual report, two continued into 2005-2006 and were ongoing as of March 31 2006.

To meet the requirements of the CEA Act, an environmental assessment was initiated for an exploratory drilling program in the Orphan Basin. The proponent, Chevron Canada Resources and its partners ExxonMobil Canada, Imperial Oil Ventures, and Shell Canada submitted a draft environmental assessment report in 2005. In October 2005, public and regulatory comments were solicited on the report. On November 17 2005, the Minister of Environment announced regulatory changes to the CEA Act to remove exploratory drilling from the Comprehensive Study List, and the Orphan Basin environmental assessment review shifted from a comprehensive study to a screening level assessment. On March 31 2006, the Proponent submitted an addendum to the environmental assessment report in response to review comments. The review of the addendum was ongoing at the end of the reporting period.

STRATEGIC ENVIRONMENTAL ASSESSMENT

In March 2005, a Strategic Environmental Assessment (SEA) process was started for a portion of the Western Newfoundland and Labrador Offshore Region. The SEA process was undertaken to identify issues for consideration prior to issuing exploration licences for this area, and supplements the more detailed environmental assessments that must be conducted for each activity proposed for Board authorization. To assist with the SEA process, a working group was established with local representation from community groups, academia, non-governmental organizations and government agencies. The working group assisted in the review of the draft SEA report and in consultations that were held in a number of communities along the west coast. In August 2005, public and regulatory comment was invited on the draft SEA report. Comments were received from federal and provincial agencies, non-governmental organizations and the public. A Notice to Bidders was issued on October 26 2005 describing the conclusions of the SEA respecting certain sensitive fish habitats in the SEA study area. The final report is expected to be published early in the second quarter of 2006.

ENVIRONMENTAL PROTECTION AND COMPLIANCE

The Environmental Affairs Department monitors the operators' compliance with regulations and guidelines and with their approved environmental targets. In the event of a spill or other environmental incident, the Department monitors spill response and recovery efforts, and conducts investigations as required.

Throughout the reporting period, the Environmental Affairs Department reviewed reports of routine discharges and reports of spills and unplanned releases for all offshore installations. Operators must report all spills and unauthorized discharges regardless of quantity. Spills may be associated with exploration or development drilling, or with production operations. Summary statistics on hydrocarbon spills during the 2005-2006 reporting period are presented in Figure 5.

Synthetic Based Mud Component Litres % Incidents Synthetic Based Mud 4031 89.7 Crude Other Hydrocarbon Products Hydraulic and Lubricating Oil 0.21 Diesel 1.00 0.02 Condensate 0.27 0.01 Other Fluids 140

Figure 5 - Summary of Hydrocarbon Spills

A single spill of Synthetic Based Mud (SBM) constituted almost 90 percent of all hydrocarbons spilled in 2005-2006. Although synthetic based oil is considered non-toxic, it is a hydrocarbon and any spill initiates Departmental action.

Crude oil constituted 6.9 % of all hydrocarbons spilled during the reporting period.

Other hydrocarbon products made up 3.4% of the spill volume for the reporting period. These included condensate, diesel, hydraulic and lubricating oils, and other hydrocarbon fluids.



CANADA-NEWFOUNDLAND AND LABRADOR BENEFITS/ POLICY AND REGULATORY COORDINATION

The Department evaluates benefits plans and monitors operators' actions for compliance with approved Benefits Plans. The Department also manages and coordinates the whole spectrum of the Board's relationship with both federal and provincial governments.



BENEFITS ADMINISTRATION

During 2005, expenditures related to work in the Newfoundland and Labrador Offshore Area amounted to \$1.34 billion. Since 1966, cumulative expenditures total \$20 billion. As of December 31 2005, more than 2800 persons throughout the world were working in direct support of petroleum related activity in the Newfoundland and Labrador Offshore Area. Throughout the past year, the Department monitored Hibernia and Terra Nova operations activities and White Rose development activities as well as activities associated with exploration work in the Newfoundland and Labrador Offshore Area.

Details of the expenditures associated with the Hibernia, Terra Nova and White Rose developments are summarized under Production and Development Projects. These also include the expenditures made in Newfoundland and Labrador and elsewhere in Canada, as well as employment and industrial benefits achieved by these projects.

During the year, the department reviewed and approved exploration benefits plans for seismic exploration programs in the Laurentian Subbasin, Orphan Basin, Jeanne d'Arc Basin, South Whale Basin and offshore Labrador. During 2005, \$91.4 million was spent on these programs, generating more than 1319 person-months of employment.

Canada-Newfoundland and Labrador Benefits Plan Guidelines

The Board issued draft Canada-Newfoundland and Labrador Benefits Guidelines for consultation with governments and industry in 2005. Following consultations, the Board approved and issued the *Canada-Newfoundland and Labrador Benefits Plan Guidelines* in February 2006. The new guidelines reflect the lessons learned from experience with past Benefits Plan submissions and approvals.

POLICY AND REGULATORY COORDINATION

During 2005-2006 a Policy and Regulatory Coordination function was added to the Department. Specific responsibilities of this role include advising the Board and Government officials on policy issues regarding implementation of the Atlantic Accord Acts; representing the Board in regulatory review processes; coordinating the development and renewal of Memoranda of Understanding between the Board and other agencies/organizations; and coordinating the Development Plan Application process within the Board.

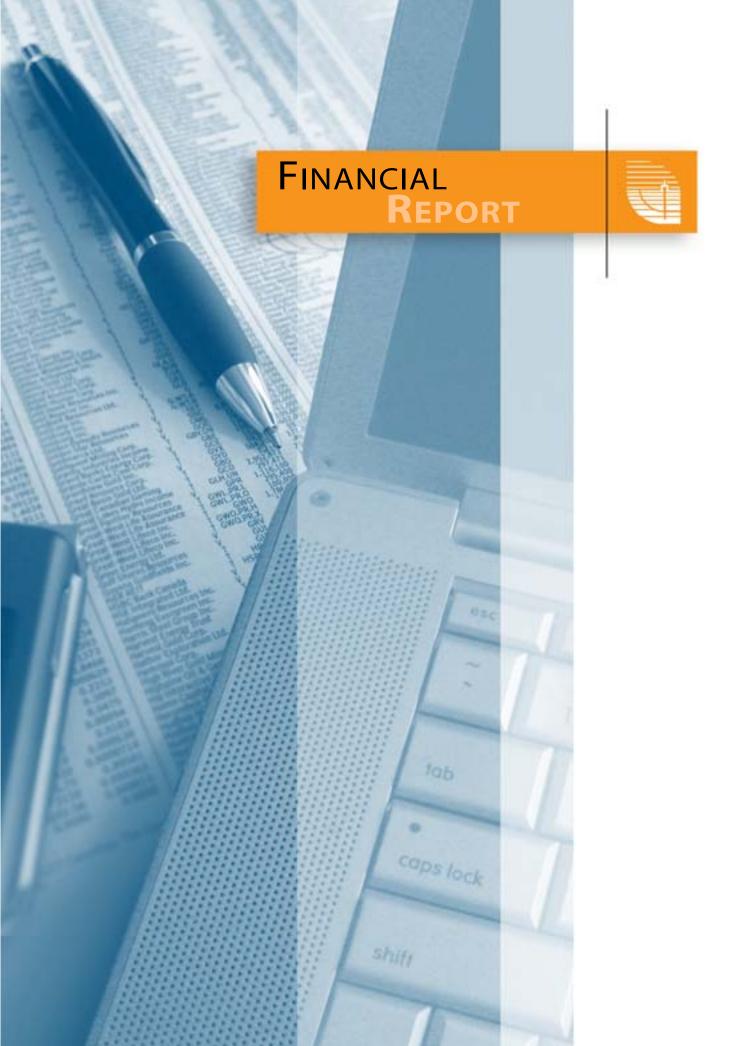
During 2005-2006, governments continued with the agenda to improve and streamline the regulatory regime for the offshore oil and gas industry both through the Atlantic Energy Roundtable (AER) and through the Frontier Offshore Regulatory Renewal Initiative (FORRI). While the regulatory streamlining exercise is led by government and industry, the Board's staff have become heavily involved in these processes in a support/advisory role to governments.

ECONOMIC IMPACT OF THE OIL INDUSTRY

In 2005, hydrocarbon production from the Newfoundland and Labrador Offshore Area accounted for 36% of Canada's total light crude production valued at almost \$7.3 billion. The sector directly accounted for 14.5% of the province's real Gross Domestic Product (GDP). Since production commenced in 1997 provincial GDP has grown by 44%, with almost half of the growth attributed directly to the oil and gas sector. The sector represented 21% of total private capital investment in the province, with over \$800 million in capital expenditures in 2005.

Work expenditure commitments by operators currently total over \$798 million in future exploration activities. Ongoing production activities represent a \$1 billion per year industry, of which 60% of annual expenditures occur in Newfoundland and Labrador and a further 20% in the rest of Canada.

The oil and gas sector directly employed 2829 persons at the end of 2005, which was almost 1.3% of total employment in the province. Indirectly, through spin-off effects, the industry accounted for almost 3% of total employment.





Grant Thornton LLP Chartered Accountants Management Consultants

Auditors' Report

To the Members of Canada-Newfoundland and Labrador Offshore Petroleum Board

We have audited the statement of financial position of **Canada-Newfoundland and Labrador Offshore Petroleum Board** at March 31, 2006 and the statements of revenue and expenditures, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

St. John's, Newfoundland April 21, 2006 Grant Thornton LLP
Grant Thornton LLP
Chartered Accountants

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Canada-Newfoundland and Labrador Offshore Petroleum Board

Statements of Revenue and Expenditures and Changes in Net Assets

Year Ended March 31	2006	2005
Revenue		
Operating grants		
Government of Canada	\$ 3,824,950	3,620,365
Government of Newfoundland and Labrador	3,824,950	3,620,365_
	7,649,900	7,240,730
٨ . ا . ا		
Add: Costs recovered from industry	5,704,617	3,467,546
Amortization of deferred capital grants	288,645	209,727
Interest and other	54,365	51,637
	13,697,527	10,969,640
Less:	(= =0.4.44=)	(2.467.546)
Cost recoveries refunded to government	(5,704,617)	(3,467,546)
Deferred capital grants	<u>(198,934)</u>	(506,252)_
Net revenue	7,793,976	6,995,842
Expenditures		
Personnel	5,570,614	5,170,161
Maintenance and support	314,752	405,922
Premises	509,502	505,085
Travel	95,220	153,114
Amortization of capital assets	288,645	209,727
General	971,499	595,577
	7,750,232	7,039,586
Fundamental and a superior and the superior		
Excess of revenue over expenditures (expenditures over revenue)	\$ 43,744	\$ (43,744)
Net deficiency, beginning of year	\$ (43,744)	-
Excess of revenue over expenditures		
(expenditures over revenue)	43,744	\$ (43,744)
Net assets (deficiency), end of year	<u>\$</u>	\$ (43,744)

See accompanying notes to the financial statements.

Canada-Newfoundland and Labrador Offshore Petroleum Board

Statement of Financial Position

March 31	2006	2005
Assets		
Current Cash and cash equivalents Receivables Prepaids	\$ 2,785,191 1,767,572 162,784	\$ 1,802,972 618,120 172,217
Capital assets (Note 3)	4,715,547 1,325,426 \$ 6,040,973	2,593,309 1,415,138 \$ 4,008,447
Liabilities		
Current Payables and accruals Deferred revenue (Note 4)	\$ 3,846,644 113,103	\$ 2,096,953
	3,959,747	2,096,953
Deferred capital grants	1,325,426	1,415,138
Accrued employee future benefit obligation (Note 5)	<u>755,800</u>	540,100
	6,040,973	4,052,191
Net Assets (Deficiency) Unrestricted net assets (deficiency)	_	(43,744)
	\$ 6,040,973	\$ 4,008,447

Commitments and Contingency (Notes 7 and 8)

On behalf of the Board

Member Member Member

Statement of Cash Flows

Year Ended March 31	2006	2005
Increase (decrease) in cash and cash equivalents		
Operating Excess of revenue over expenditures	\$ 43,744 (288,645) 288,645 	\$ (43,744) (209,727) 209,727 189,600 145,856
Change in non-cash operating working capital (Note 6)	<u>722,775</u> <u>982,219</u>	<u>202,393</u> <u>348,249</u>
Investing Purchase of capital assets Deferral of capital grants	(198,933) <u>198,933</u>	(506,252)
Net increase in cash and cash equivalents	982,219	348,249
Cash and cash equivalents		
Beginning of year End of year	<u>1,802,972</u> \$ 2,785,191	1,454,723 \$ 1,802,972

Notes to the Financial Statements

March 31, 2006

1. Purpose of organization

The Canada-Newfoundland & Labrador Offshore Petroleum Board was formed in 1985 to administer the relevant provisions of the *Canada-Newfoundland Atlantic Accord Implementation Acts* as enacted by the Parliament of Canada and the Legislature of Newfoundland and Labrador. The Board is a non-profit organization and is, therefore, exempt from income tax under Section 149 of the *Income Tax Act*.

2. Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, the more significant of which are as follows:

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenditures during the year. Actual results could differ from these estimates.

Revenue recognition

The deferred method of accounting is used for contributions. Revenue is recognized in the period in which the related expenses are incurred.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks.

Capital assets

Capital assets are recorded at cost, less accumulated amortization. Amortization is recorded using the declining balance method at a rate of 4% per annum for building, and the straight-line method over five years for leasehold improvements, over four years for furniture and fixtures and over three years for computer equipment.

Impairment of long-lived assets

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the value of the assets may not be recoverable, as measured by comparing their net book value to the estimated undiscounted cash flows generated by their use. Impaired assets are recorded at fair value, determined principally using discounted future cash flows expected from their use and eventual disposition.

Deferred revenue

Operating grants received from government in excess of Board expenditures, net of other revenue, are recorded as deferred revenue.

Notes to the Financial Statements

March 31, 2006

2. Summary of significant accounting policies (cont'd.)

Deferred capital grants

Federal and provincial grants received for annual capital expenditures are deferred and recognized into revenue on a basis consistent with the capital asset amortization charge.

Employee future benefits

The Board contributes 50% of the premiums for medical benefits (including a life insurance benefit of double the employee's pension) and 100% of the dental premiums for retired employees. These retirement benefits are recorded on an accrual basis based on an actuary's estimate. The transitional obligation is amortized on a straight-line basis over the average remaining service life to full eligibility (12 years). The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligations and the fair value of plan assets is amortized over the average remaining service life (14 years).

3. Capital assets			<u>2006</u>	<u>2005</u>
	<u>Cost</u>	Accumulated Depreciation	Net <u>Book Value</u>	Net <u>Book Value</u>
Land and parking lot Building Leasehold improvements Furniture and fixtures Computer equipment	\$ 134,106 1,338,809 115,025 265,780 709,880 \$ 2,563,600	\$ 669,958 57,513 106,055 404,648 \$ 1,238,174	\$ 134,106 668,851 57,512 159,725 305,232 \$ 1,325,426	\$ 134,106 696,720 80,517 188,176 315,619 \$ 1,415,138
4. Deferred revenue			2006	<u>2005</u>
Government of Canada Government of Newfoundla	nd and Labrador		\$ 56,551 56,552	\$ <u>-</u>
			\$ 113,103	<u>\$</u>

Notes to the Financial Statements

March 31, 2006

5. Employee future benefits

The Board provides for coverage under the group life and group health plans upon retirement from active service for its employees.

The following information for these plans is based upon an actuarial valuation completed as at March 31:

	<u>2006</u>	<u>2005</u>
Accrued benefit obligation		
Balance, beginning of year	\$ 1,221,600	\$ 1,134,900
Current service cost	96,900	75,100
Interest cost	78,600	73,300
Benefits paid	(16,500)	(15,500)
Actuarial loss (gain)	<u>53,900</u>	(46,200)
Balance, end of year	\$ 1,434,500	\$ 1,221,600
Plans assets	\$ Nil	\$ Nil
Reconciliation of funded status		
Funded status - deficit	\$(1,434,500)	\$(1,221,600)
Unamortized transitional obligation	566,300	623,000
Unamortized net actuarial loss	<u>112,400</u>	<u>58,500</u>
Accrued benefit liability	<u>\$ (755,800)</u>	\$ (540,100)
Net benefit expense		
Current service cost	\$ 96,900	\$ 75,100
Interest cost	78,600	73,300
Amortization of transitional obligation	<u>56,700</u>	<u>56,700</u>
	\$ 232,200	\$ 205,100

Significant actuarial assumptions used in calculating the accrued benefit liability and expense for these plans were as follows:

Tor those plans were as follows.	<u>2006</u>	<u>2005</u>
Discount rate	6.0%	6.1%
Rate of increase in compensation levels	4.0%	4.0%
Dental inflation rate	4.0%	4.0%
Medical inflation rate	9.0% decreasing gradually and uniformly to 5% over 4 years	10.0% decreasing gradually and uniformly to 5% over 5 years

Notes to the Financial Statements

March 31, 2006

6. Supplemental cash flow information	<u>2006</u>	<u>2005</u>
Change in non-cash operating working capital		
Receivables Prepaids Payables and accruals Deferred revenue	\$ (1,149,452) 9,433 1,749,691 113,103 \$ 722,775	\$ (324,692) (44,954) 614,087 (42,048) \$ 202,393

7. Commitments

The Board is committed under terms of a premises lease to make minimum annual rental payments in each of the next five years as follows:

March 31, 2007	\$ 507,175
March 31, 2008	\$ 517,355
March 31, 2009	\$ 527,797
March 31, 2010	\$ 538,260
March 31, 2011	\$ 44,928

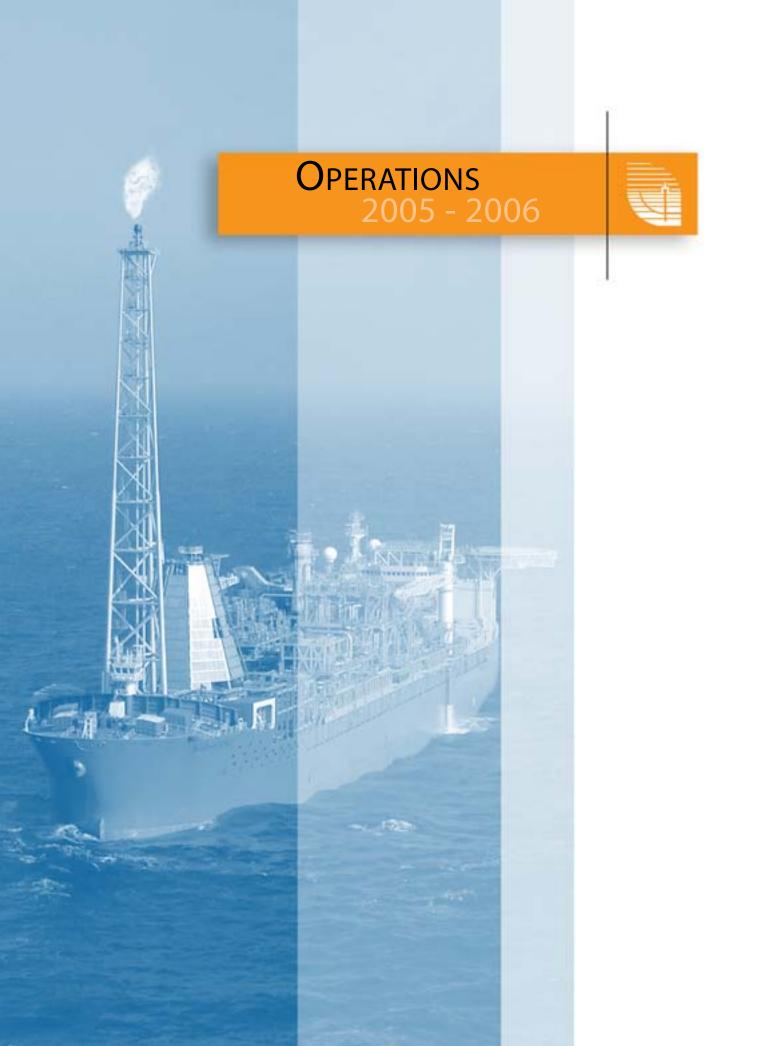
The Board has also committed to leasehold improvements of approximately \$48,000.

8. Contingency

A claim has been filed against the Board and five other defendants for an unspecified amount. The outcome of this claim is not determinable at this time, consequently no amount has been reflected in the financial statements.

9. Financial instruments

Fair values of financial instruments are disclosed in the notes to the financial statements when they differ from the carrying amounts. Where amounts receivable and payable are subject to normal credit terms, their carrying amount is used as an approximation of their fair values.



RIGHTS MANAGEMENT

LAND HOLDINGS

The C-NLOPB issues land rights in the form of Exploration Licences (ELs), Significant Discovery Licences (SDLs) and Production Licences (PLs). ELs may extend to a maximum nine-year term if a well is spudded within the first period (either five or six years) from the date of issuance. As of March 31 2006 there were 42 ELs in the Newfoundland and Labrador Offshore Area with total work commitments in excess of \$798 million. SDLs acknowledge an owner's right to hold interests for a longer period where the area has potential for sustained production of petroleum. As of March 31 2006 there were 49 SDLs in the Newfoundland and Labrador Offshore Area. Production Licences permit an owner to produce petroleum from an interest, consistent with approvals and authorization from the Board. The Board has issued six PLs.

Five new ELs (1094-1098) were issued in January 2006, three in the Jeanne d'Arc Basin and two in the Western Newfoundland and Labrador Offshore Region. A Commercial Discovery Declaration was made for the White Rose field (July 4 2005) which allowed the issuance of PL 1006 on August 19 2005. Seven ELs were entirely surrendered or forfeited during the 2005-2006 reporting period.

Land holdings as of March 31 2006 are shown in Table 6. The approximate locations of all current licences are shown in Figures 6 and 7. Detailed information and maps respecting individual licences are also published on the Board's website under "Land Information".

CALL FOR BIDS

In its 2005 Call for Bids, the Board made seven parcels available for exploration, comprising some 44,072 hectares in the Jeanne d'Arc Basin (three parcels) and 527,912 hectares in the Western Newfoundland and Labrador Offshore Region (four parcels). The Call resulted in five successful bids (three in the Jeanne d'Arc Basin, 44,072 hectares, and two in the Western Newfoundland and Labrador Offshore Region, 255,972 hectares) for the parcels and work expenditure bids totaling \$39,568,908. ELs have been issued to the successful bidders. All ELs have nine-year terms that began on January 15 2006. Licence holders are required to drill a well during the first five-year period (Period I) in order to hold the licence for the entire nine-year term. A licence holder may extend Period 1 for one year by posting a drilling deposit of \$1 million for the Jeanne d'Arc Basin parcels or \$250,000 for the Western Newfoundland and Labrador Offshore Region.

In October 2005, the C-NLOPB issued a Call for Nomination of lands for the 2006 land sale. The Board decided to proceed with Calls for Bids on three parcels located in the Jeanne d'Arc Basin, five parcels located in the Western Newfoundland and Labrador Offshore Region and three parcels in the Sydney Basin during 2006. Bids close November 15 2006 for the Jeanne d'Arc Basin and Western Newfoundland and Labrador Region, and November 30 2006 for the Sydney Basin to allow for completion of the Strategic Environmental Assessment.

REGISTRY OFFICE

The Board operates a registry to record exploration, significant discovery and production licences and other information related to these interests for public review. Further, the Board publishes on its website uncertified copies of interests, instruments and abstracts currently on file to further facilitate public access to these records.

FUNDS COLLECTED

Under the Accord Implementation Acts, the Board is responsible for the collection of certain fees, forfeitures and rentals. In 2005-2006, \$14,057,013 was collected and remitted to the Receiver General for Canada. Some of these revenues are for deposit to the Newfoundland and Labrador Offshore Petroleum Resources Revenue Fund. Since its inception in 1986, the Board has collected \$151,243,734 on behalf of the Crown.

OPERATING LICENCES

Any person wishing to undertake any work or activity respecting petroleum operations in the Newfoundland and Labrador Offshore Area must obtain an operating licence issued by the Board. During the 2005-2006 fiscal year, the Board issued 16 operating licences (Table 7).

SIGNIFICANT ACTIVITY

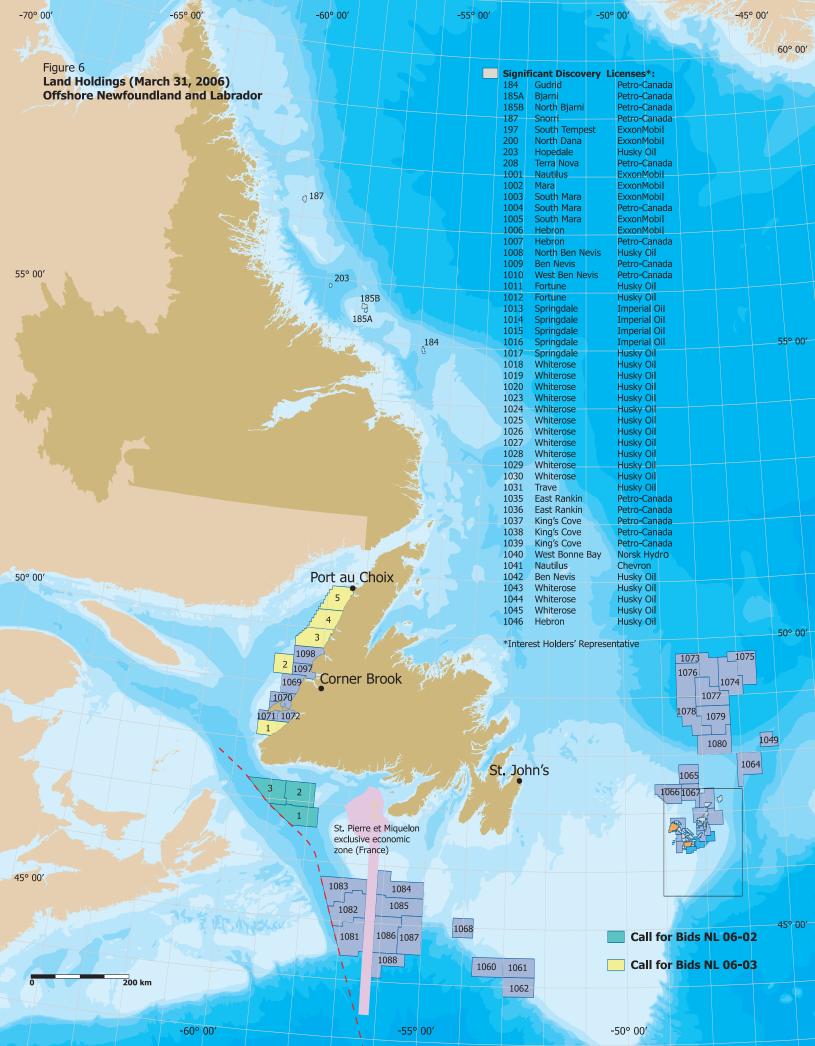
- In July 2005, Shell Canada Resources entered into arrangements with the owners of licences in the Orphan Basin to "farm in" on eight licences for a 20% interest.
- In November 2005, the Board agreed with a proposal from the owners of eight licences in the Orphan Basin to amend the terms and conditions of the licences to allow for eligible expenditures (credits against work commitments) for drilling programs to be claimed at cost (subject to Board review and approval) where the claim for eligible expenditures was supported by an independent audit report. This amendment was an acknowledgement of the significant and rapidly escalating costs of drilling in deeper waters. The amendment was ratified by Ministers as a fundamental decision.
- During the fall and winter of fiscal year 2005-2006, the Board undertook a
 consultation period with industry participants and associations concerning rental
 payments on SDLs. All Calls for Bids for 2006 contain provisions for rentals during the
 term of an exploration licence and escalating rentals during the term of any resulting
 significant discovery licence.

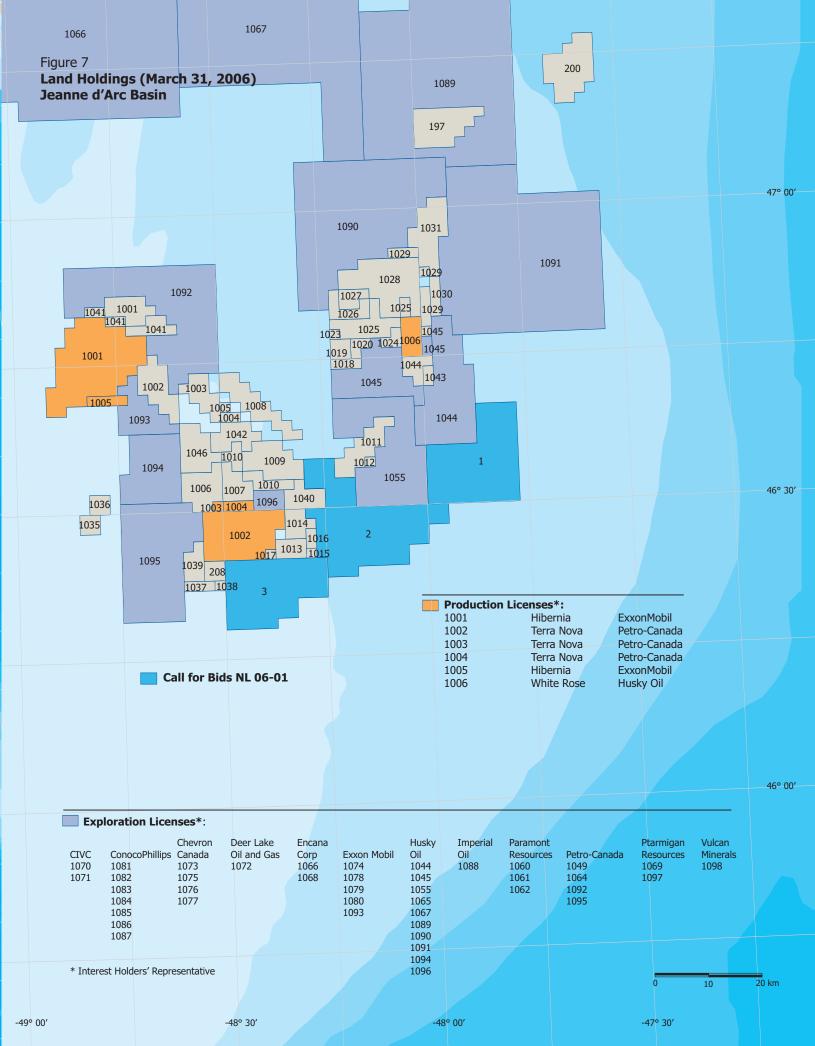
Table 6	
Land Holdings by Representative	

Interest Owners' Representative	EL's	Hectares	% of Total EL Hectares	SDL's	Hectares	% of Total SDL Hectares	PL's	Hectares	% of Total PL Hectares
Grand Banks Flemish									
Norsk Hydro				1	3,195	1.98			
Chevron	4	1,051,535	14.68	1	3,885	2.41			
ExxonMobil	5	1,080,535	15.08	7	35,607	22.11	2	23,701	58.16
Husky Oil	10	557,084	7.78	21	62,574	38.85	1	2,828	6.94
Imperial Oil				4	5,691	3.53			
EnCana	1	164,379	2.29						
Petro Canada	4	367,027	5.12	10	22,020	13.67	3	14,220	34.90
Subtotal	24	3,220,560	44.96	44	132,972	82.56	6	40,749	100.00
West Coast									
Deer Lake Oil & Gas Inc.	1	65,060	0.91						
Canadian Imperial Venture	2	186,100	2.60						
Vulcan Minerals Inc.	1	159,872	2.23						
Ptarmigan Resources	2	236,310	3.30						
Subtotal	6	647,342	9.04						
South Grand Banks									
Paramount Resources	3	665,430	8.57						
Imperial Oil	1	191,833	2.68						
ConocoPhillips	7	2,292,193	32.00						
EnCana	1	145,920	2.04						
Subtotal	12	3,295,376	48.07						
Labrador									
Petro-Canada				4	25,185	15.64			
Husky Oil				1	2,900	1.80			
Subtotal				5	28,085	17.44			
Total	42	7,163,278	100.00	49	161,057	100.0	6	40,749	100.00

Table 7	
Operating Licences	

		(April 1 2005 - March 31 2006)
1.	OL No. 0501	Geophysical Service Incorporated
2.	OL No. 0502	Husky Oil Operations Limited
3.	OL No. 0503	EnCana Corporation
4.	OL No. 0504	Chevron Canada Limited as managing partner for Chevron Canada Resources
5.	OL No. 0505	ExxonMobil Canada Ltd.
6.	OL No. 0506	ExxonMobil Canada Ltd. as managing partner for ExxonMobil Canada Properties
7.	OL No. 0507	WesternGeco Canada
8.	OL No. 0508	Shell Canada Limited
9.	OL No. 0509	Hibernia Management and Development Company Ltd.
10.	OL No. 0510	Petro-Canada
11.	OL No. 0511	ConocoPhillips Canada Resources Corp.
12.	OL No. 0512	Imperial Oil Resources Ventures Limited
13.	OL No. 0513	Imperial Oil Resources Limited
14.	OL No. 0514	TDI-Brooks International, Inc.
15.	OL No. 0515	Norsk Hydro Canada Oil & Gas Inc.
16.	OL No. 0516	Chevron Canada Limited





EXPLORATION ACTIVITY

GEOSCIENTIFIC PROGRAMS

In 2005-2006, eight geoscientific programs were conducted offshore Newfoundland and Labrador (Table 8).

The acquisition of geophysical data is classified as either exclusive or non-exclusive. Exclusive data is normally acquired for licencees to assist in evaluations of the hydrocarbon prospectivity of the area and to identify possible drilling locations. Non-exclusive data is acquired for sale to exploration companies. Such non-exclusive data is often recorded over areas where little exploration has occurred to date, but which may be the focus of future interest.

Seven of the eight seismic programs conducted were exclusive. Chevron Canada Resources acquired a record amount of 3D seismic data in the Orphan Basin, which covers an area of more than 6,700 square kilometres. ConocoPhillips Canada Resources also conducted a substantial 3D seismic program off the south coast of Newfoundland in the Laurentian Subbasin, covering more than 1,800 square kilometres. Husky Oil acquired approximately 560 square kilometres of 3D seismic in the Northern Jeanne d'Arc Basin, across their exploration licences. Husky also acquired well site surveys across the Lewis Hill prospect in the South Whale Basin and in the White Rose Field. Petro-Canada conducted a well site survey in the Terra Nova Field and acquired a walk-away vertical seismic profile in the Terra Nova Development well F-100 3. Hibernia Management and Development Company (HMDC) conducted a well site survey in the Hibernia South region. Geophysical Services Incorporated (GSI) acquired the single non-exclusive 2D program offshore Labrador.

In total, these programs account for 381,227 (CMP) km of 3D seismic and 13,039 km of 2D data recorded offshore. To date, over 1.86 million kilometres of seismic has been recorded in the Newfoundland and Labrador Offshore Area since 1964.

	Exploration Programs Conducted 2005	5 - 2006			
Program Number (Operator)	Name of Program	Begin Date	End Date	2-D	3-D
8928- P028-005E (Petro-Canada)	2005 VSP's Terra Nova Field	7-Ap#2005	24-May-2005	-	-
8924-C047-002E (Chevr on)	2005 3-D Seismic and Gravity Orphan Basin	12-May-2005	9-Oct-2005	0	268545
8926- H032-001E (Husky)	2005 WellsiteSurvey Lewis Hilland WhiteRose	5-May-2005	3-Jun-2005	784	0
8926- P028-016E (Petro-Canada)	2005 WellsiteSurvey Terra Nova Field	15-Jun-2005	28-Jun-2005	744	0
8924-C149-002E (ConocoPhillips)	2005 3-D Laurentian Subbasin	14-Jun-2005	30-Sep-2005	0	90319
8924-G005-014P (GSI)	2005 2-D Non-exclusiveLabrador	17-Jun-2005	18-Oct-2005	13039	0
8926- H029-006E (HMDC)	2005 WellsiteSurvey Hibemia South	28-Sep-2005	1-Nov-2005	170	0
8924- H032-004E (Husky)	3D Northem Jeanne d'Ar	22-Sep-2005	8-Nov-2005	0	22363
			Total	14,737 km	381,227 km

DRILLING PROGRAMS

On July 11 2005, Husky Oil spudded the Lewis Hill G-85 exploration well on the South Whale Basin with the *Rowan Gorilla VI* jack-up. This marked the first time that a jack-up was used on the Grand Banks. Prior to issuing the Drilling Program Authorization for this program, a comprehensive safety assessment and a comprehensive environmental assessment was undertaken to confirm that all potential hazards, particularly ice hazards, had been adequately addressed. Part of this process involved a borehole and seabed surface inspection program under a Geotechnical Program Authorization. The drillship *Bucentaur* was contracted by Husky Oil to conduct geotechnical surveys at each of the proposed well sites to confirm that the seabed was adequate to provide a firm structural foundation to support the jack-up. The seabed inspection also involved an ROV survey by the vessel *Maersk Challenger* to ensure there were no hazards present. Following completion of this well, the *Rowan Gorilla VI* conducted further delineation drilling on the White Rose Field.

GEOTECHNICAL PROGRAMS

In June 2005, Chevron Canada Resources was authorized to conduct a geotechnical program taking corehole samples and conducting piezocone penetration tests to record geotechnical parameters using the vessel *Bucentaur* at the Hebron location. The program was successfully completed in July 2005.

In September 2005, TDI-Brooks International Inc. was authorized to conduct heat flow measurements to determine sediment conductivity in the Orphan Basin using the vessel *Strait Signet*. Heat flow surveys are used to predict fluid flow from faults and the presence of oil under the seafloor. The program could not be successfully completed due to weather conditions.

PRODUCTION AND DEVELOPMENT

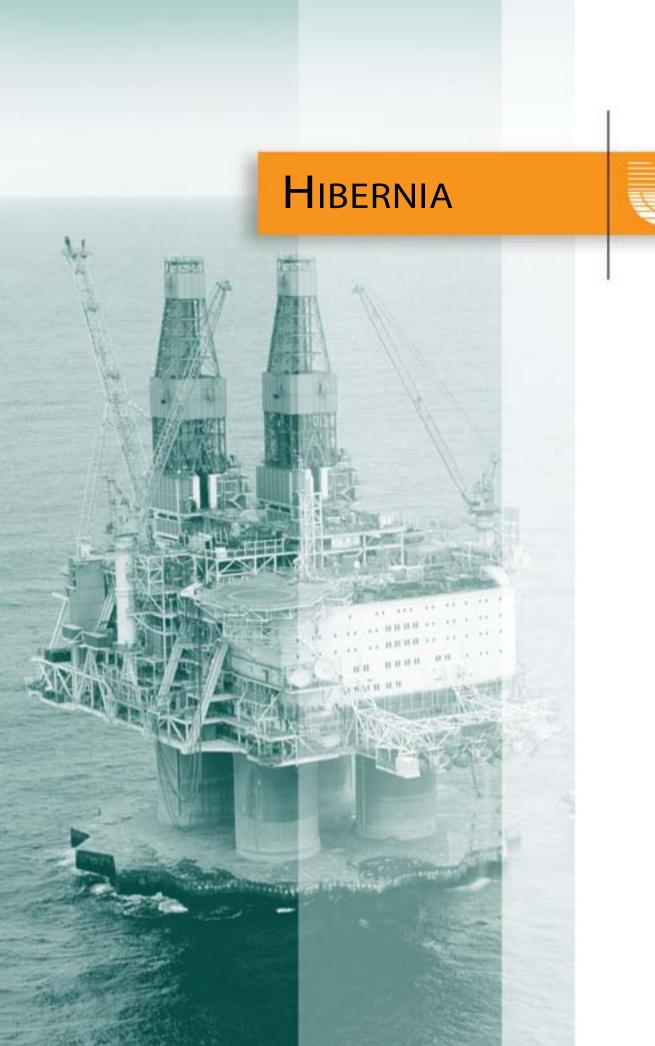
Average daily oil production from the offshore in 2005 was 304,847 barrels, compared to 314,466 barrels in 2004. Production for the 2005 calendar year amounted to 111.3 million barrels, compared to 114.8 million barrels in 2004.

Hibernia Management and Development Company (HMDC) continued to make progress in its development-drilling program. Better than anticipated drilling results, together with increased performance in the Hibernia reservoir has led to a substantial increase in the estimate of reserves at Hibernia. During 2005, production from the Hibernia Field averaged 198,900 barrels per day (bbls/d).

The Terra Nova Floating Production, Storage and Offloading vessel (FPSO) continued producing oil from the Jeanne d'Arc reservoir sandstones, with production averaging 99,200 bbls/d during 2005. During the year, Development Plan Amendments were approved for the North Graben and Far East areas of the Terra Nova Field.

First oil at the White Rose Field occurred on November 12 2005. Oil production rates averaged 49,000 bbl/d, with a total of 2.5 million barrels produced from the field in 2005. Husky continues with its development drilling, and a total of three production wells and six water injection wells are operating. As of March 31 2006, average production rates at the White Rose Field reached 60,000 bbls/d.

The following sections of the report detail the events that occurred at each of these fields during the 2005 – 2006 fiscal year.



HIBERNIA

Hibernia Management and Development Company Limited (HMDC) drilled three development wells from the *Hibernia Platform* during fiscal year 2005–2006; two water injectors (one in the Hibernia reservoir and one in the Ben Nevis/Avalon reservoir) and one oil producer in the Hibernia reservoir. This brings the total number of development wells drilled and completed at Hibernia to 55. This total includes 29 oil producers, 19 water injectors and seven gas injectors. Another well, B-16 54, a validation well for EL 1093, was being drilled as of March 31 2006 from the *Hibernia Platform* on behalf of the EL 1093 owners. During the reporting period, the Board also processed 13 applications for well operations at the Hibernia Field, the majority of which were related to zonal abandonment due to high water production.

Figure 8 shows the bottom-hole location of wells drilled into the Hibernia reservoir while Figure 9 shows the location of wells in the Ben Nevis/Avalon reservoir.

Over 72 million barrels of oil were produced from the Hibernia Field in 2005, yielding an average production rate of approximately 198,900 barrels per day (bbls/d), which is slightly less than the 2004 annual production rate. As of March 31 2006, cumulative production exceeded 471 million barrels of oil. Table 9 provides a summary.

Following a comprehensive review of HMDC's application to renew the Production Operations Authorization and the Drilling Program Authorization for the Hibernia project, both Authorizations were re-issued by the C-NLOPB effective November 2 2005, until October 29 2008. The review of this matter confirmed that all requisite safety, environmental, resource, legal and benefits matters were in compliance with the provisions of the Atlantic Accord Acts.

RESOURCE MANAGEMENT

During the year, HMDC continued production from the Ben Nevis/Avalon reservoir, and drilled an additional Ben Nevis/Avalon water injector (B-16 52Z) which will act as a dual injector into the reservoir. On June 24 2005, HMDC submitted an application for an amendment to the Hibernia Development Plan based on the results of its Ben Nevis/Avalon Pilot Program. HMDC submitted the document "Hibernia Development Plan Update Ben Nevis/Avalon" in support of the application. The Board approved HMDC's application in Decision 2006.01.

Condition 2003.01.02 of C-NLOPB Decision 2003.01 required HMDC to submit an analysis of the feasibility of produced water re-injection to the Chief Conservation Officer. In 2004, HMDC submitted the feasibility analysis of re-injecting produced water into subsurface geological formations. In January 2006, following extensive discussions and submission of additional information requested from HMDC, the Board contracted a third party consultant to undertake a study of the feasibility and costs associated with produced water re-injection at the Hibernia Field. Discussions of the results of this study continued at the end of the reporting period.

On October 25 2005, HMDC submitted a follow-up regarding the status of the observations from the 2003 flow system third party audit. Staff completed their review of HMDC's response and on January 16 2006, HMDC was informed that all items identified in the 2003 auditor's report are now closed.

Figure 8 - Hibernia Reservoir Development Wells

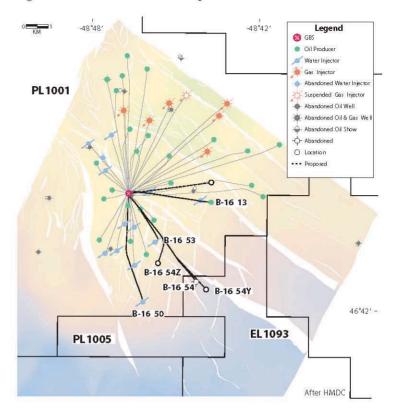
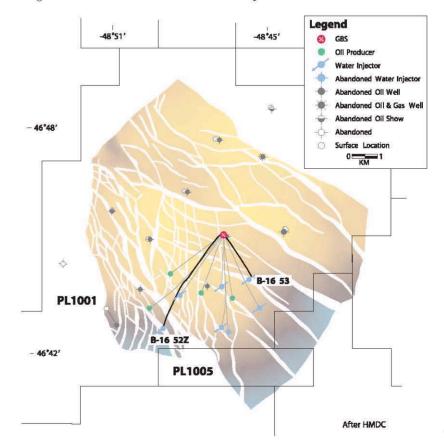


Figure 9 - Ben Nevis/Avalon Reservoir Development Wells



GAS FLARING

HMDC was issued a gas-flaring limit of 3.35 billion standard cubic feet (Bscf) for the period January 1 2006 to October 31 2006. The approval period was moved from a calendar year basis to an alternate 12-month cycle to accommodate necessary maintenance periods at the *Hibernia Platform*. HMDC's gas flaring is also subject to a maximum daily flare rate that is not to exceed 135 million standard cubic feet per day. On September 22 2005, HMDC also submitted its Flare Management Plan in response to the Board's request that HMDC investigate ways to reduce flare volumes at the Hibernia Field. During 2005, the total flare volume at the Hibernia Field was 4.2 Bscf.

RESERVE/RESOURCE ESTIMATES

Updated reserve/resource estimates were prepared for the Hibernia Field during the year. The new reserve/resource estimates are based on a comprehensive review of data acquired from drilling and production up to December 31 2005. The increased reserves / resources at the Hibernia Field are based on a number of factors including better performance of the water flood and gas flood resulting in higher oil recovery efficiencies and the extension of the Hibernia reservoir oil accumulation into the southeast area of the field. Table 10 summarizes the estimates of original and remaining recoverable oil reserves at the Hibernia Field.

ENVIRONMENTAL PROTECTION

During the reporting period, routine discharges from the *Hibernia Platform* were within approved limits with the exception of one incident with respect to the produced water system. The operator responded by bringing the system back into compliance.

Hibernia utilizes a cuttings re-injection system to manage cuttings from well drilling operations. The cuttings re-injection system performed well throughout the 2005-2006 reporting period with 100% of all synthetic based mud (SBM) cuttings re-injected.

In 2005, in accordance with Condition 2003.01.03 of C-NLOPB Decision 2003.01, HMDC submitted an environmental assessment report describing potential effects of an increase in produced water discharge volumes beyond those originally assessed in the Hibernia Environmental Impact Statement. The Board and its advisory agencies in the federal and provincial governments reviewed and provided comments on this document. On March 31 2006, HMDC submitted an addendum to its document in response to reviewers' comments and at the end of the reporting period this addendum was under review.

In late 2005, HMDC submitted the results of its 2004 Environmental Effects Monitoring survey for the Hibernia Field. At the end of the reporting period, this report was under review by Board staff.

Hydrocarbon spills from the *Hibernia Platform* are included in the spill summary statistics presented in the Environmental Affairs section of this report.

On January 29 2006, 300 litres of crude were discharged to the ocean from the *Hibernia Platform*. The operator noticed a process problem within minutes of it occurring and acted quickly to stop the loss of crude by shutting down production.

SAFETY

The C-NLOPB monitors HMDC's management of safety on the *Hibernia Platform*. During the reporting period, three safety audits related to operations on the *Hibernia Platform* were completed. These audits focused on materials handling, helicopter operations and emergency response planning and also included a follow-up on corrective actions generated from incident investigations, discussions with the joint occupational health & safety committee, as well as other issues that arose during the reporting period. A total of 109 safety audit observations and one finding were recorded on safety audit reports during the reporting period. As of March 31 2006, 84 observations have been dealt with to the satisfaction of the Board's Safety Officers. HMDC is continuing to address the remaining outstanding items as of the end of the reporting period.

Canada-Newfoundland and Labrador Benefits

HMDC reported expenditures of \$304 million for the fiscal year 2005 - 2006 with 81% Canadian content including 60% Newfoundland and Labrador content.

As of March 31 2006, total direct employment in the province in support of the Hibernia project was 961 persons, including tanker operations. Of this amount, 90% of the workers were Newfoundland and Labrador residents at the time of hire, and 96.5% were Canadian residents.

Table 11 summarizes the participation of Newfoundland and Labrador residents and other Canadians in Hibernia's operating phase workforce.

Table 9	
Field Production Statistics -	Hibernia
(First Oil November 17 1997)

	2	005		Cumulative to March 31 2006
Production	m^3	bbls	m^3	bbls
Oil (million)	11.54	72.59	75.01	471.78
Water (million)	7.08	44.53	17.24	108.42
	m^3	scf	m^3	scf
Gas (billion)	2.81	99.74	18.66	662.37
Gas Disposition (bil	lion)			
Flared	0.15	5.32	1.89	67.15
Fuel	0.17	6.03	1.20	42.63
Injected	2.51	89.09	15.57	552.59

Table 10
Estimates of Recoverable Reserves/Resources - Hibernia Field

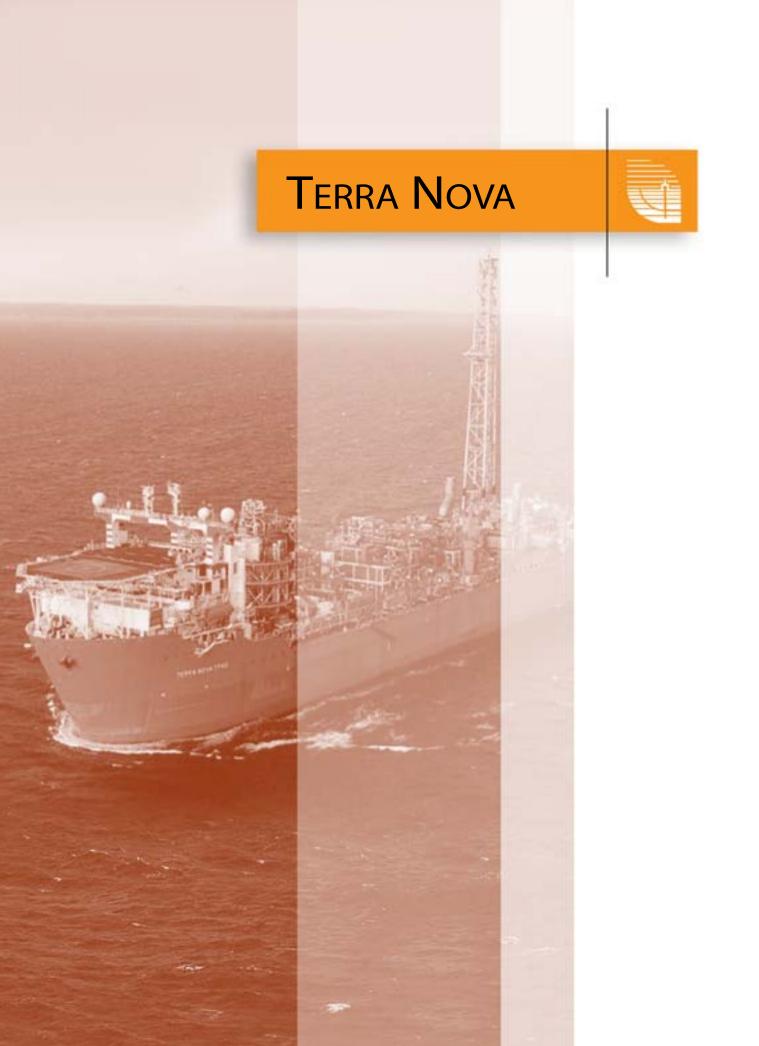
	Reservoir	Pr	oven		oven and Probable	an	Proven Probable d Possible
Original O	Pil Reserves						
(million)	Hibernia Avalon/Ben Nevis Catalina Total	m ³ 112.3 12 - 124.3	bbls 706 75 - 782	m ³ 168.8 29 - 197.8	bbls 1062 182 - 1244	m ³ 223.4 73 8.2 304.6	bbls 1405 459 52 1916
Cumulativ	re Oil Production (as of D	ecember 31 20	05) ¹				
	e off from the first of B			2		2	
(million)	Hibernia Avalon/Ben Nevis Catalina Total	m ³ 70.3 2.2 0.0 72.4	bbls 442 14 0 456	m ³ 70.3 2.2 0.0 72.4	bbls 442 14 0 456	m ³ 70.3 2.2 0.0 72.4	bbls 442 14 0 456
Remaining	g Oil Reserves						
(million)	Hibernia Avalon/Ben Nevis Catalina Tota l	m ³ 42.0 9.8 - 51.9	bbls 264 62 - 326	m ³ 98.5 26.8 - 125.4	bbls 620 169 - 788	m ³ 153.1 70.8 8.2 232.2	bbls 963 445 52 1460
Percent of	Original Oil Reserves Re	covered					
	Hibernia Avalon/Ben Nevis Catalina		62.6% 18.2%	41.6% 7.5%		31 3.0	.5%)%
Original G	as Resources						
(billion)	Hibernia Ben Nevis/Avalon Catalina Total	m ³ 23.6 1.5 1.8 26.9	scf 836 53 64 953	m ³ 44.2 3.5 2.9 50.6	scf 1567 124 103 1794	m ³ 65.9 5.2 4.1 75.2	scf 2340 185 146 2671
Original N	GL Resources						
(million)	Hibernia Ben Nevis/Avalon Catalina Total	m ³ 19.5 0.3 1.3 21.1	bbls 123 2 8 133	m ³ 29.8 0.6 1.8 32.2	bbls 187 4 11 202	m ³ 37.8 1.4 2.5 41.7	bbls 238 9 16 262

 $[\]overline{\ ^{1}\,\text{Produced}}$ oil reserves also include a small quantity of the natural gas liquids.

Table 11
Hibernia Operations Phase Employment (as of March 31 2006)

Residency¹ Location Newfoundland Other Non-& Labrador **Canadians** Canadians **Total** Offshore Operations 403 32 13 448 2 97 **Tanker Operations** 1 100 29 Onshore & Support 364 20 413 **Total** 864 63 34 961

 $^{^1}$ A Newfoundland and Labrador resident is a Canadian citizen or landed immigrant who has resided in the Province for the six-month period prior to time of hire.



TERRA NOVA

Production from the Terra Nova Field averaged 99,200 barrels of oil per day (bbls/d) during 2005 with a total of 36.2 million barrels produced during the year. As of March 31 2006, cumulative production exceeded 170 million barrels of oil.

During the reporting period, the semi-submersible drilling rig *Henry Goodrich* drilled two production wells at the Terra Nova Field. One well, G-90 6Z, is the first development well to produce from the Far East area of the field.

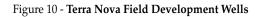
As of March 31 2006, 29 wells have been drilled; 16 oil producers, seven water injectors, three gas injectors and three dry holes which were subsequently abandoned. Figure 10 shows the bottom-hole location for each of the wells drilled into the Jeanne d'Arc reservoir in the Terra Nova Field. Currently, Petro-Canada is producing from 14 of the 16 oil producers. Production statistics for Terra Nova are shown in Table 12. Table 13 summarizes the estimates of original and remaining recoverable oil reserves at the Terra Nova Field.

During the reporting period, the Board released Decision Reports on three Development Plan Amendments for the Terra Nova field; Decision 2005.01, Decision 2005.02 and Decision 2005.03. Two of the amendments related to a change in exploitation scheme and the third amendment related to the installation of additional living quarters on the *Terra Nova FPSO*.

Two major work authorizations associated with Terra Nova's drilling and well operations were renewed during the reporting period. The Well Operations Program Authorization was renewed for an additional three years on September 30 2005 and the Drilling Program Authorization was renewed for two years on March 31 2006. Prior to the renewal of each Authorization, a review was conducted of the Operator's past performance in relation to these programs to verify that all statutory requirements were met.

AMENDMENTS AND EXPLOITATION SCHEMES

In December 2004, Petro-Canada requested approval of two Exploitation Schemes; one for the Far East area of the field and one for the North Graben area of the field. The Board approved Petro-Canada's exploitation scheme for the Far East area of the field in Decision 2005.01, subject to the conditions that a delineation well be drilled in the northern area of the Far East by December 31 2008 or the land be relinquished, and that a delineation well be commenced by December 31 2006 in the Far East south area of the field. The Board also approved Petro-Canada's exploitation scheme for the North Graben area of the field in Decision 2005.02, subject to the condition that Petro-Canada provide a delineation plan for the North Graben area by September 30 2008.



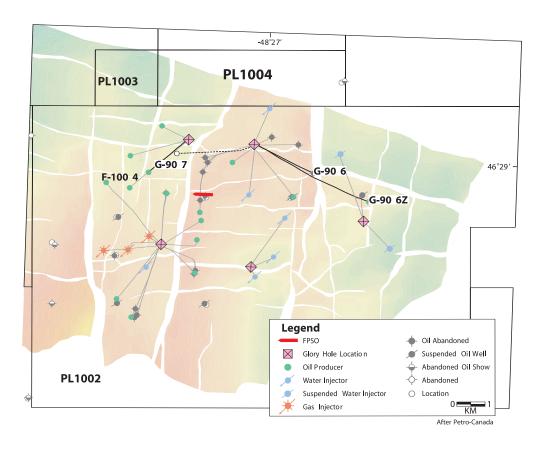


Table 12 Field Production Statistics - Terra Nova (First Oil January 20 2002)

	20	05		Cumulative to March 31 2006
Production	m^3	bbls	m^3	bbls
Oil (million) Water (million)	5.76 2.46	36.23 15.47	27.13 4.70	170.65 29.56
	m^3	scf	m^3	scf
Gas (billion)	1.09	38.69	4.71	167.34
Gas Disposition (bi	llion)			
Flared	0.12	4.26	0.96	34.22
Fuel	0.12	4.26	0.45	16.04
Injected	0.86	30.52	3.30	117.02

Table 13
Estimates of Recoverable Reserves/Resources - Terra Nova Field

Reser	voir	:	Proven		oven and robable		Proven Probable Possible
Original Oil Reserv	on)	m ³	bbls	m^3	bbls	m ³	bbls
	e d'Arc duction (as of Decemb	35.6 er 31 2005) ¹ m ³	224 bbls	56.3 m ³	354 bbls	76.3 m ³	480 bbls
	e d'Arc	26.0	164	26.0	164	26.0	164
Remaining Oil Rese		2		2	111	2	,,,,
(millio Jeanno	on) e d'Arc	m ³ 9.6	bbls 60	m ³ 30.3	bbls 190	m ³ 50.3	bbls 316
Percent of Original	Oil Reserves Recovere	d					
Jeanne	e d'Arc	73.0%		46.2%			34.1%

Produced oil reserves also include a small quantity of the natural gas liquids.

Due to limited gas supply to support gas flood operations, Petro-Canada requested approval of two additional exploitation schemes. On April 27 2005, Petro-Canada's request to convert the C09NE area of the Graben from gas flood to water flood was approved. In February 2006 Petro-Canada requested approval of an exploitation scheme to convert the Graben C09NW/NC area of the Terra Nova field from gas flood to water flood. The Development Plan approved for the Field provided for the injection of water in the event there was insufficient gas to support the gas flood area. This document was under review by the Board's technical staff as of March 31 2006.

GAS FLARING

Flare limits for Terra Nova are set on a six-month basis. For the calendar year 2005, 6.05 billion standard cubic feet (Bscf) was the flare limit. The total actual flare volume at Terra Nova for 2005 was about 4.1 Bscf, with a daily gas flare limit of 124 million standard cubic feet. Petro-Canada continues to investigate ways to increase the availability of the FPSO's single-train gas compression system, with the aim of further reducing gas flare volumes. On January 19 2006, the Board's Chief Conservation Officer (CCO) and Chief Safety Officer (CSO) approved a gas flare volume of 2.26 Bscf for the period January 21 to July 20 2006.

ENVIRONMENTAL PROTECTION

Upgrades to the cuttings management system on the *Henry Goodrich* in 2004-2005 resulted in improved performance in treatment capabilities for synthetic based drilling mud cuttings in 2005-2006.

Routine discharges from the *Henry Goodrich* and the *Terra Nova FPSO* were within approved limits during the reporting period. Spills from the *Henry Goodrich* and *Terra Nova FPSO* are included in the spill summary statistics presented in the Environmental Affairs section of this report.

During the reporting period, a detailed investigation into the November 21 2004 spill of up to 165 000 litres of crude oil from the *Terra Nova FPSO* vessel was completed. The matter was subsequently referred to the Department of Justice and on July 29 2005 a charge was laid against Petro-Canada, the operator of the Terra Nova field. At the end of the reporting period, the matter was before the courts.

When the discharge of produced water from the *Terra Nova FPSO* vessel resumed following the November 21 2004 incident, some 300 litres of oil were observed on the sea surface in the immediate area. The investigation into this incident concluded that the oil was crude from the November 21 2004 incident which had been trapped in marine growth attached to the hull of the *Terra Nova FPSO* and which was flushed out by the hot produced water. Smaller volumes of residual crude oil continued to seep from the underside of the FPSO vessel hull at sporadic intervals throughout 2005-2006.

During 2005-2006, an investigation was also completed into a spill of up to 400 litres of crude oil from the *Henry Goodrich on* November 25 2004.

In late 2005, Petro-Canada proposed a program to remove marine growth, and the residual crude oil entrapped within it, from the hull of the *Terra Nova FPSO*. A trial program was conducted in September 2005. Board staff and Petro-Canada assessed the results of this program, and early in 2006 the Chief Conservation Officer directed Petro-Canada to provide a plan to complete the removal of marine growth before the FPSO travels to dry-dock. This plan was submitted in late March 2006 and was under review as of March 31 2006.

Petro-Canada submitted the results of its 2004 Environmental Effects Monitoring survey for the Terra Nova Field in late 2005. At the end of the reporting period, this report was under review by Board staff.

SAFETY

The C-NLOPB monitors Petro-Canada's management of the safety of all operations at the Terra Nova field. This includes production operations on the *Terra Nova FPSO* and drilling, well completion and intervention operations on the semi-submersible drilling unit *Henry Goodrich*. During the reporting period, three safety audits related to operations on the *Terra Nova FPSO* were completed. The audits focused on leadership and coordination, control of work, facilities and equipment, maintenance and incident investigation and follow-up. In addition, one of the Board's Safety Officers accompanied Lloyd's Register during one of their annual surveys onboard the facility. Two safety audits related to operations on the *Henry Goodrich* were also completed. The areas audited included facilities and equipment, certification and maintenance, leadership and coordination and incident investigation. These audits also verified matters related to specific incident investigations, issues noted in Joint Occupational Health and Safety (OHS) committee meetings and dealt with other issues that may have arisen during the period. Safety Officers recorded 66 observations on safety audit reports

during the period. As of March 31 2006, 54 observations have been dealt with to the satisfaction of the Board's Safety Officers. Petro-Canada is continuing to address the remaining outstanding items as of the end of the reporting period.

CANADA – NEWFOUNDLAND AND LABRADOR BENEFITS

Petro-Canada reported expenditures of \$364 million for the fiscal year 2005 - 2006 with 71% Canadian content including 56% Newfoundland and Labrador content.

As of March 31 2006, total employment in support of the Terra Nova project was 1136 persons, including tanker operations. At the time of hire, 88% of this total were Newfoundland and Labrador residents and 95% were Canadian residents.

Table 14 summarizes the participation of Newfoundland and Labrador residents and other Canadians in Terra Nova's operating phase workforce.

The 2006 Turnaround program and fabrication of the Additional Living Quarters for the FPSO have created an opportunity for additional benefits to accrue to the province of Newfoundland and Labrador. On behalf of the Government of Newfoundland and Labrador, the Board has been asked to monitor the proponent's commitments to the province as set forth in Appendix II of Decision 2005.03. Throughout 2006, the C-NLOPB will monitor and report to both Federal and Provincial Governments on the proponent's benefits commitments.

Table 14
Terra Nova Operations Phase Employment (as of March 31 2006)

Location	Residency ¹					
	Newfoundland & Labrador	Other Canadians	Non- Canadians	Total		
Offshore Operations	376	36	5	417		
Tanker Operations	49	1	0	50		
Onshore & Support	576	43	50	669		
Total	1001	80	55	1136		

 $^{^1}$ A Newfoundland and Labrador resident is a Canadian citizen or landed immigrant who has resided in the Province for the six-month period prior to time of hire.



WHITE ROSE

A Diving Program Authorization and a Project Development Program Authorization was issued to Husky Oil in June 2005 to use the diving vessel, *CSO Marianos* and the construction vessels *Deep Pioneer* and the *CSO Constructor*, to complete the final installation, hook-up and commissioning of flowlines and umbilicals between the subsea templates and the spider buoy.



On July 4 2005 the Board issued a Commercial Discovery Declaration for the White Rose field that converted 29 sections of land from Significant Discovery Status to Commercial Discovery status, and Production Licence 1006 was issued. The Production Operations Authorization for the White Rose Field was issued to Husky Oil on August 18 2005. Following the issuance of this Authorization, the Sea Rose FPSO departed Marystown and arrived at the White Rose Field on August 22 2005. Following hook-up to the spider buoy on August 25 2005 and final commissioning of topsides systems, first oil from the White Rose Field was introduced onboard the Sea Rose FPSO on November 12 2005. The Sea Rose FPSO successfully unloaded its first tanker of crude to the Jasmine Knutsen on December 6 2005.

As of March 31 2006, three production wells and six water injection wells were operating. A total of 2.4 million barrels of oil were produced from the White Rose Field in 2005, yielding an average rate of approximately 49,300 barrels per day (bbls/d) from November 12 to December 31 2005. As of March 31 2006, cumulative production reached 8 million barrels of oil. Table 15 provides a summary. Husky is authorized to produce oil from the White Rose Field at an average daily oil production rate of 100,000 bbls/d.

As of March 31 2006, drilling operations had been initiated for 15 wells at the White Rose Field; five oil producers, two gas injectors and eight water injectors. A total of 12 wells have been drilled to Total Depth (TD) and 10 wells have been completed. Figure 11 shows the bottom-hole location of each of the wells drilled at the White Rose Field.

RESOURCE MANAGEMENT

On May 11 2005 Husky Oil submitted an application for a Subsurface Gas Storage License in the White Rose North Avalon area. The licence was issued in September, 2005.

During 2005, Husky drilled two delineation wells in the White Rose Field, B-19 and B-19Z. Reserve/resource estimates for the White Rose Field are shown in Table 16. These estimates were released by the Board in 2001 but have not been updated to include drilling results since that time.

Figure 11 - White Rose Field Development Wells

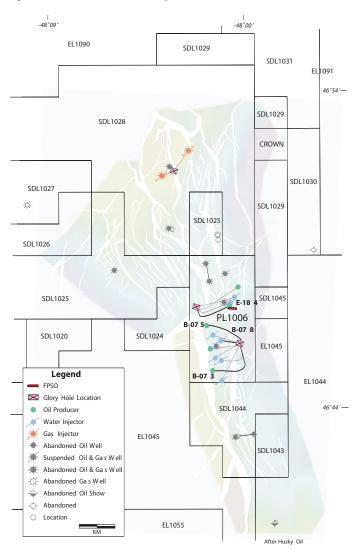


Table 15
Field Production Statistics - White Rose
(First Oil November 12 2005)

	2005		Cumulative to March 31 2006	
Production	m^3	bbls	m^3	bbls
Oil (million)	0.39	2.47	1.29	8.13
Water (million)	0	0.00	0.00	0.01
	m^3	scf	m^3	scf
Gas (billion)	0.06	2.10	0.19	6.80
Gas Disposition (bil	llion)			
Flared	0.06	2.10	0.19	6.62
Fuel	0	0.00	0.01	0.18
Injected	0	0.00	0.00	0.00

Table 16
Estimates of Recoverable Reserves/Resources - White Rose Field

	Reservoir		Proven	I	Proven and Probable		Proven Probable Possible
Original (Oil Reserves						
(million)		m^3	bbls	m^3	bbls	m^3	bbls
(Ben Nevis Avalon	34.9	220	41.6	262	50.6	318
	Hibernia reservoir	2.1	13	3.4	21	5.5	35
	Total	37.0	233	45.0	283	56.1	353
Cumulativ	ve Oil Production (as of Decem	ber 31 2005) ¹					
(million)		m^3	bbls	m^3	bbls	m^3	bbls
()	Ben Nevis Avalon	0.4	2	0.4	2	0.4	2
	Hibernia reservoir	0.0	0	0.0	0	0.0	0
	Total	0.4	2	0.4	2	0.4	2
Remainin	g Oil Reserves						
(million)	O	m^3	bbls	m^3	bbls	m^3	bbls
,	Ben Nevis Avalon	34.5	217	41.2	259	50.2	316
	Hibernia reservoir	2.1	13	3.4	21	5.5	35
	Total	36.6	230	44.6	281	55.7	350
Percent of	FOriginal Oil Reserves Recover	ed					
	Ben Nevis Avalon	1.1%		0.9%		0.8%	
Original (Gas Resources						
(billion)		m^3	scf	m^3	scf	m^3	scf
,	Ben Nevis Avalon	58.7	2084	68.1	2417	84.7	3005
	South Mara reservoir	3.9	138	8.6	302	16.3	580
	Total	62.6	2222	76.7	2719	101.0	3585
NGL Reso	ources						
(million)		m^3	bbls	m^3	bbls	m^3	bbls
,	Ben Nevis Avalon	9.8	61	13.8	86	19.7	124
	South Mara reservoir	0.7	$\overline{4}$	1.5	10	3.0	19
	Total	10.5	66	15.3	96	22.7	143

¹ Produced oil reserves also include a small quantity of the natural gas liquids.

GAS FLARING

On September 9 2005 the Chief Conservation Officer (CCO) and Chief Safety Officer (CSO) approved a gas flare volume of 11.48 billion standard cubic feet (Bscf) for a six month period, commencing upon first oil to the FPSO. The daily gas flare limit is 137 million standard cubic feet. The total actual flare volume for 2005 at the White Rose Field was 2.09 Bscf.

FLOW SYSTEMS

On March 14 2006 Husky Oil submitted its flow system and flow calculation and allocation procedures application for the White Rose Field. During the week of April 18 2005, a third party audit of the flow system was conducted with participation of Board staff. The auditor's report for the first phase of the audit was received on September 9 2005. The Chief Conservation Officer (CCO) conditionally approved Husky's flow system and flow calculations and allocation procedures application on November 4 2005.

ENVIRONMENTAL PROTECTION

Prior to the installation of the *SeaRose FPSO* at the White Rose field, Environmental Affairs staff conducted a detailed review of the Environmental Protection and Compliance Monitoring Plan (EPCMP), and other related plans and documentation submitted by Husky as part of the Production Operations Authorization (POA) application. These plans, along with the applicable regulations and guidelines, constitute the standard of environmental performance expected of Husky during production operations at the White Rose Field. A detailed review was also conducted of the EPCMP submitted by Husky as part of the authorization of the drilling program for the *Rowan Gorilla VI*.

No incidents of non-compliance with discharge limits were reported with respect to routine discharges from the *GSF Grand Banks* or the *Rowan Gorilla VI* during the reporting period. The *SeaRose FPSO* has not reported any incidents of non-compliance with discharge limits since it began routine reporting.

Hydrocarbon spills from the *GSF Grand Banks, Rowan Gorilla VI*, and *SeaRose FPSO* are included in the spill summary statistics for the 2005-2006 reporting period.

During the reporting period, investigation continued into a spill on October 21 2004 of some 96,600 litres of synthetic-based drilling fluid from the *GSF Grand Banks*.

On April 4 2005, approximately 4,030 litres of synthetic based mud spilled from the riser slip joint of the *GSF Grand Banks* during drilling operations. C-NLOPB staff reviewed the incident and determined that further enforcement action was not required.

Husky submitted the results of its 2004 Environmental Effects Monitoring (EEM) survey in the fall of 2005. At the end of the reporting period, this report was under review by Board staff.

As part of the approval for the White Rose EEM program, Husky was to provide additional information regarding the monitoring component for produced water. In September 2005, Husky submitted a report outlining proposed produced water monitoring methods. The report was under review by Board staff at the end of the reporting period.

SAFETY

A major focus of the Operations and Safety Department in the reporting period was directed at the safety assessment of Husky Oil's Production Operations Authorization application for the *Sea Rose FPSO*. The objective of this assessment was to ensure that Husky had considered all hazards related to the activity and had taken all measures necessary to reduce the risks to a level that is as low as reasonably practicable. This involved a series of safety audits and meetings onshore at Husky's Offices and onboard the *Sea Rose FPSO* while docked at the Cow Head Facility in Marystown.

Following issuance of the authorization, the Board commenced monitoring Husky's management of the safety of the production operations on the SeaRose FPSO, and continued to monitor Husky's management of drilling operations on the semi-submersible drilling unit the GSF Grand Banks. During the reporting period, seven safety audits related to operations on the Sea Rose FPSO were completed. The audits focused on pre-authorization approval activities, commissioning and start-up, helicopter operations, marine operations and materials handling operations. In addition, one of the Safety Officers witnessed the disconnection of the installation from its spider buoy. Four safety audits related to operations on the GSF Grand Banks were also completed. The areas audited included facilities and equipment, certification and maintenance, competence of personnel, helicopter operations, marine operations and materials handling operations. These audits also verified matters related to specific incident investigations, issues noted in Joint Occupational Health and Safety (OHS) committee meetings and dealt with other issues that may have arisen during the period. Safety Officers recorded 233 observations and the one finding on safety audit reports during the period. As of March 31 2006, 209 observations and the finding have to date been dealt with to the satisfaction of the Board's Safety Officers. Husky is continuing to address the remaining outstanding items as of the end of the reporting period.

CANADA-NEWFOUNDLAND AND LABRADOR BENEFITS LOCAL INDUSTRIAL ACTIVITY

Substantial industrial activity continued during the year in support of the White Rose development, primarily in Newfoundland and Labrador. Topsides installation and commissioning progressed and was completed throughout the year at the Cow Head facility in Marystown. Crew training by vendors was completed on site in Marystown. Installation, testing, and commissioning of major subsea controls equipment aboard the *Sea Rose FPSO* was completed. FPSO staff recruitment was completed during the first quarter of 2005 and achieved a crew comprised of 95% Newfoundland and Labrador and Canadian residents.

SUBSEA INSTALLATION

Offshore installation of subsea components at the White Rose field began during the second quarter of 2005. Flowlines, umbilicals, and risers were laid to the southern drill centre during the summer. The diving vessel *Marianos* and the subsea construction vessel *Constructor* finished work during September. Technip Offshore Canada Limited and it's sub-contractors reported 30% Canadian and Newfoundland and Labrador content over the scope of the subsea production system contract.

SHUTTLE TANKERS

The shuttle tankers *Heather Knutsen* and *Jasmine Knutsen* were delivered from the Samsung shippard in South Korea following completion of sea trials and dynamic positioning trials. The vessels operated throughout the year under sub-charters before entering into service for the offloading and transportation of crude oil from the *SeaRose FPSO* in December 2005.

EMPLOYMENT AND EXPENDITURES

As of first oil, approximately 88.6% of the person hours for topsides engineering, project management, fabrication and integration were completed in Newfoundland and Labrador exceeding Husky Oil's commitment of approximately 80%.

As of March 31 2006, there were 990 persons employed directly on the White Rose development. Of this number, 94% were Canadian residents at the time of hire and 81.5% were residents of Newfoundland and Labrador (Table 17).

Since the start of project development Husky has reported cumulative project expenditures of more than \$2 billion to first oil, which includes \$558 million spent in 2005 - 2006. Canadian content for the development phase was 53%, including 40% Newfoundland and Labrador content.

CONTRACTING ACTIVITY

During the year a total of 21 contracts and sub-contracts greater than \$100,000 were awarded. Approximately 76% of the contracts awarded went to Newfoundland and Labrador companies or companies with operations based in the province. A summary of the major contracts, subcontracts, and procurement activity greater than \$100,000 that were awarded during 2005 - 2006 appear in Table 18.

CANADA – NEWFOUNDLAND AND LABRADOR BENEFITS PLAN

During 2005-2006, Husky continued its commitment to ensure that disadvantaged individuals and groups have access to employment and training, and have opportunities to participate in the supply of goods and services for the project. Husky and its major contractors continue to facilitate and implement various initiatives consistent with the intent of the White Rose Diversity Plan.

During the fourth quarter of 2005, Husky satisfied their development phase research and development and education and training expenditure requirement of \$12 million up to first oil. Prior to first oil Husky submitted a plan detailing their anticipated expenditures on research and development and education and training for the operations phase of the White Rose Project. These expenditures will be monitored throughout the life of the project to ensure that they are consistent with the requirements of the Board's Guidelines for Research and Development.

The Board's approval of the White Rose Benefits Plan was subject to 11 conditions; as of March 31 2006 all conditions have been satisfied.

GAS DEVELOPMENT

Throughout the year, Husky continued to assess the potential for natural gas development at the White Rose field with the establishment of a gas development team. Pre-FEED (Front End Engineering Design) studies were received from three companies, with results to be evaluated by an independent technical review throughout 2006.

Table 17
White Rose Operating Phase Employment (as of March 31 2006)

Location	Residency ¹						
	Newfoundland & Labrador	Other Canadians	Non- Canadian	Total			
Offshore Operations	351	67	24	442			
Tanker Operations	96	5	0	101			
Onshore & Support	362	51	35	448			
Total	808	123	59	991			

¹A Newfoundland and Labrador resident is a Canadian citizen or landed immigrant who has resided in the Province for the six-month period prior to time of hire.

Table 18
White Rose Project - Major Contracts Awarded 2005 - 2006

Item Description	Contractor	Location/Source
Accommodations Management	East Coast Catering	Newfoundland & Labrador
Condition Monitoring	Spectrol Energy Services Inc.	Newfoundland & Labrador
Dive Intervention Vessel	Atlantic Towing Ltd.	Newfoundland & Labrador/NS
Fabric Maintenance	Crosbie Salamis Limited	Newfoundland & Labrador
Flow Assurance	Smith Rea Energy	Newfoundland & Labrador/UK
FPSO Installation Services	SMIT Heavy Lift Europe BV	The Netherlands
Geophysical/Geohazard Site Surveys	Fugro Jacques Geosurveys	Newfoundland & Labrador
Infrastructure Facilities & Services - Marine Base	A. Harvey and Company Limited	Newfoundland & Labrador
Infrastructure Facilities & Services - Warehouse,		
Yard & Subsea Facility	ASCO Canada Limited	Newfoundland & Labrador
Inspection Services	Spectrol Energy Services Inc.	Newfoundland & Labrador
Marine Custody Crew	Canship Ugland Ltd.	Newfoundland & Labrador
Mobile Offshore Drilling Unit - Jack-up		
Exploration/Delineation	Rowan Companies Inc.	USA
Rockfill Berm Installation	Tideway BV	The Netherlands
ROV Support Vessel	Atlantic Towing Limited	Newfoundland & Labrador
ROVs for Intervention Vessel	Oceaneering Canada Limited	Newfoundland & Labrador
AHTS Vessels Services - Exploration/Delineation	Atlantic Towing Limited	Newfoundland & Labrador
AHTS Vessels Services - Exploration/Delineation	Maersk Company of Canada	Newfoundland & Labrador
Gas Compression Services	Siemens Canada Inc.	Newfoundland & Labrador
Integrity Management Strategies - Structural	Marine Technical Limits	United Kingdom
Telecommunications	Atlantic XL Inc	Newfoundland & Labrador
Turbine Services	Rolls Royce Energy Systems Inc.	USA

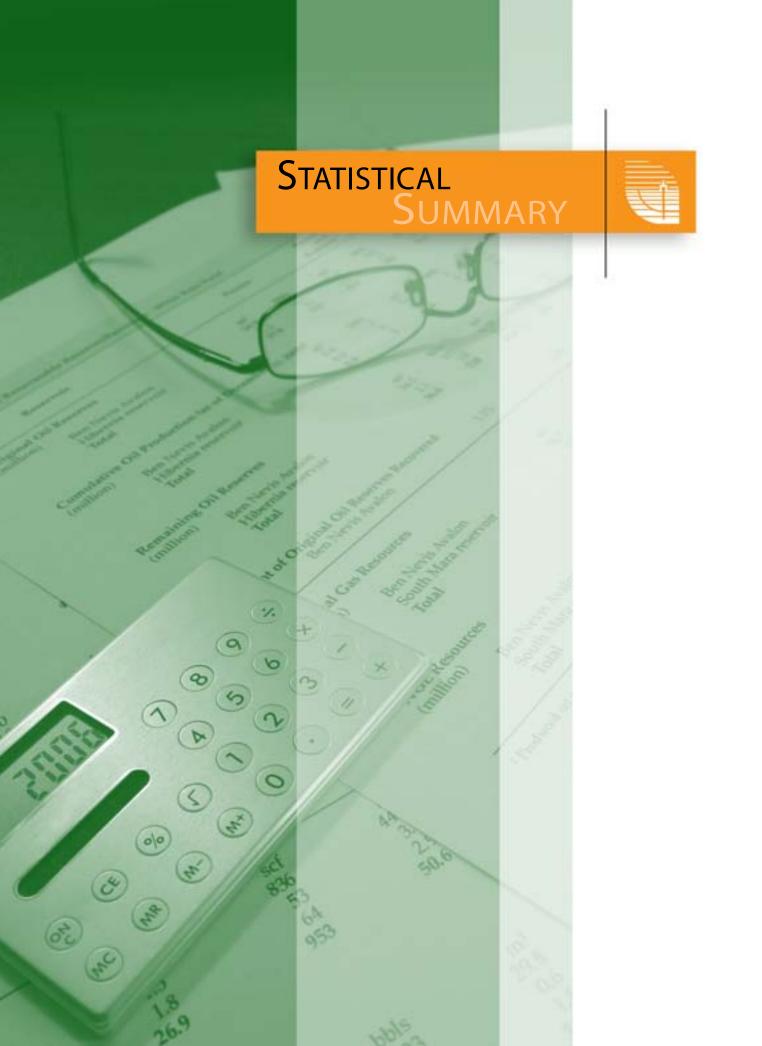


Table 1
Reportable Injuries

YEAR	TOTAL REPORTABLE INJURIES	TOTAL PERSON HOURS WORKED	RIFR (PER 1,000,000)	RIFR (PER 200,000)
1991 – 92	1	271,201	3.69	0.74
1992 – 93	0	32,748	0.00	0.00
1993 – 94	0	3,593	0.00	0.00
1994 – 95	0	7,287	0.00	0.00
1995 – 96	1	71,470	13.99	2.80
1996 – 97	5	131,569	38.00	7.60
1997 – 98	23	1,972,336	11.66	2.33
1998 – 99	23	1,651,856	13.92	2.78
1999 – 00	28	2,484,434	11.27	2.25
2000 – 01	34	2,775,350	12.25	2.45
2001 – 02	23	2,548,727	9.02	1.80
2002 – 03	26	2,986,967	8.70	1.74
2003 - 04	31	3,232,028	9.59	1.92
2004 - 05	14	3,339,957	4.19	0.84
2005 – 06	23	4,179,839	5.50	1.10

Table 2
Petroleum Reserves¹ and Resources² - Newfoundland Offshore Area

Field	106 m ³	Oil million bbls	10 ⁹ m ³	Gas billion cu. ft.	$10^6 \mathrm{m}^3$	NGLs ³ million bbls
Grand Banks	10-111-	million bots	10' 111'	viiion cu. ji.	10 111	muuton oots
Hibernia	197.8	1244	50.6	1794	32.2	202
Terra Nova	56.3	354	1.3	45	0.5	3
Hebron	92.4	581	-	=	-	-
Whiterose	45.0	283	76.7	2722	15.3	96
West Ben Nevis	5.7	36	-	-	-	-
Mara	3.6	23	-	-	-	-
Ben Nevis	18.1	114	12.1	429	4.7	30
North Ben Nev		18	3.3	116	0.7	4
Springdale	2.2	14	6.7	238	-	-
Nautilus	2.1	13	-	-	-	-
King's Cove	1.6	10	-	-	-	-
South Tempest	1.3	8	-	-	-	-
East Rankin	1.1	7	-	-	-	-
Fortune	0.9	6	-	-	-	-
South Mara	0.6	4	4.1	144	1.2	8
West Bonne Bay	5.7	36	-	-	-	-
North Dana	-	-	13.3	472	1.8	11
Trave	-	-	0.8	30	0.2	1
Sub-Total	437.3	2751	168.9	5990	56.6	355
Labrador Shelf						
North Bjarni	_	-	63.3	2247	13.1	82
Gudrid '	-	-	26.0	924	1.0	6
Bjarni	-	-	24.3	863	5.0	31
Hopedale	-	-	3.0	105	0.4	2
Snorri	-	-	3.0	105	0.4	2
Sub-Total	0.0	0	119.6	4244	19.9	123
Total	437.3	2751	288.5	10234	76.5	478
Produced ⁴	98.9	622	0.0	0	0.0	0
Remaining	338.4	2129	288.5	10234	76.5	478

^{1 &}quot;Reserves" are volumes of hydrocarbons proven by drilling, testing and interpretation of geological ,geophysical and engineering data, that are considered to be recoverable using current technology and under present and anticipated economic conditions. Hibernia, Terra Nova, and are classified as reserves.

^{2 &}quot;Resources" are volumes of hydrocarbons, expressed at 50% probability of occurrence, assessed to be technically recoverable that have not been delineated and have unknown economic viability.

³ Natural Gas Liquids

 $^{^4}$ Produced oil reserves also include a small quantity of natural gas liquids. Produced volumes as of December 31 2005

Table 3
Estimates of Recoverable Resources - Hebron Field

	Reservoir	Proven		Proven and Probable			Proven robable Possible
Original Oil Resour (millions)	rces Ben Nevis Hibernia Fortune Bay Jeanne d'Arc Total	m ³ 56.2 5.7 1.2 1.2 64.3	bbls 353 36 8 7 404	m ³ 77.7 8.6 2.2 4.0 92.4	bbls 489 54 14 25 581	m ³ 95.9 11.1 4.0 5.5 116.5	bbls 603 70 25 35 733

Table 4
Estimates of Recoverable Resources - West Ben Nevis Field

	Reservoir			Proven Proven and Probable			Proven Probable Possible
Original Oil Res	ources	_				_	
(millions)		m^3	bbls	m^3	bbls	m^3	bbls
,	Ben Nevis	1.19	7	2.37	15	3.79	24
	A Marker	2.23	14	3.33	21	4.84	30
	Beothuk	-	_	-	_	2.33	15
	Total	3.42	22	5.70	36	10.96	69

Estimates of Recoverable Resources - Ben Nevis Field

		Proven		ven and robable		Proven Probable Possible
Original Oil Resources						
(millions) Ben Nevis Total	m ³ 12.1 12.1	bbls 76 76	m ³ 18.1 18.1	bbls 114 114	m ³ 38.0 38.0	bbls 239 239
Gas Resources ¹						
(billions) Ben Nevis (solution gas) Ben Nevis (Gas Cap) ² Hibernia (lower zone) "A" Marker Total	m ³ 1.3 3.7 3.6 0.2 8.8	cf 47 130 128 6 311	m ³ 2.0 3.7 6.2 0.3 12.1	cf 70 130 219 10 429	m ³ 4.2 3.7 9.9 0.5 18.2	cf 147 130 350 17 643
NGL Resources ³						
(millions) Hibernia (lower zone) "A" Marker Total	m ³ 2.7 0.0 2. 7	bbls 17 0 17	m ³ 4.7 0.0 4.7	bbls 30 0 30	m ³ 7.4 0.1 7.4	bbls 46 0 47

 $^{^1}$ Gas resource estimates include solution and gas cap gas, no fuel/flare adjustment 2 Gas Cap resource estimates for Ben Nevis is Proven and Probably only 3 NGL resources does not include the Ben Nevis resource at this time

Table	6				
Land	Holdings	by	Repr	esentat	ive

Interest Owners' Representative	EL's	Hectares	% of Total EL Hectares	SDL's	Hectares	% of Total SDL Hectares	PL's	Hectares	% of Total PL Hectares
Grand Banks Flemish									
Norsk Hydro				1	3,195	1.98			
Chevron	4	1,051,535	14.68	1	3,885	2.41			
ExxonMobil	5	1,080,535	15.08	7	35,607	22.11	2	23,701	58.16
Husky Oil	10	557,084	7.78	21	62,574	38.85	1	2,828	6.94
Imperial Oil				4	5,691	3.53			
EnCana	1	164,379	2.29						
Petro Canada	4	367,027	5.12	10	22,020	13.67	3	14,220	34.90
Subtotal	24	3,220,560	44.96	44	132,972	82.56	6	40,749	100.00
West Coast									
Deer Lake Oil & Gas Inc.	1	65,060	0.91						
Canadian Imperial Venture	2	186,100	2.60						
Vulcan Minerals Inc.	1	159,872	2.23						
Ptarmigan Resources	2	236,310	3.30						
Subtotal	6	647,342	9.04						
South Grand Banks									
Paramount Resources	3	665,430	8.57						
Imperial Oil	1	191,833	2.68						
ConocoPhillips	7	2,292,193	32.00						
EnCana	1	145,920	2.04						
Subtotal	12	3,295,376	48.07						
Labrador									
Petro-Canada				4	25,185	15.64			
Husky Oil				1	2,900	1.80			
Subtotal				5	28,085	17.44			
Total	42	7,163,278	100.00	49	161,057	100.0	6	40,749	100.00

Table 7	
Operating	Licences

(April	1 2005 -	- March 31 2006)	

1.	OL No. 0501	Geophysical Service Incorporated
2.	OL No. 0502	Husky Oil Operations Limited
3.	OL No. 0503	EnCana Corporation
4.	OL No. 0504	Chevron Canada Limited as managing partner for Chevron Canada Resources
5.	OL No. 0505	ExxonMobil Canada Ltd.
6.	OL No. 0506	ExxonMobil Canada Ltd. as managing partner for ExxonMobil Canada Properties
7.	OL No. 0507	WesternGeco Canada
8.	OL No. 0508	Shell Canada Limited
9.	OL No. 0509	Hibernia Management and Development Company Ltd.
10.	OL No. 0510	Petro-Canada
11.	OL No. 0511	ConocoPhillips Canada Resources Corp.
12.	OL No. 0512	Imperial Oil Resources Ventures Limited
13.	OL No. 0513	Imperial Oil Resources Limited
14.	OL No. 0514	TDI-Brooks International, Inc.
15.	OL No. 0515	Norsk Hydro Canada Oil & Gas Inc.
16.	OL No. 0516	Chevron Canada Limited
		l

Table 8
Geoscientific Exploration Programs Conducted 2005 - 2006

Program Number (Operator)	Name of Program	Begin Date	End Date	2-D	3-D
8928- P028-005E (Petro-Canada)	2005 VSP's Terra Nova Field	7-Ap#2005	24-May-2005	-	-
8924-C047-002E (Chevr on)	2005 3-D Seismic and Gravity Orphan Basin	12-May-2005	9-Oct-2005	0	268545
8926- H032-001E (Husky)	2005 WellsiteSurvey Lewis Hilland WhiteRose	5-May-2005	3-Jun-2005	784	0
8926- P028-016E (Petro-Canada)	2005 WellsiteSurvey Terra Nova Field	15-Jun-2005	28-Jun-2005	744	0
8924-C149-002E (ConocoPhillips)	2005 3-D Laurentian Subbasin	14-Jun-2005	30-Sep-2005	0	90319
8924-G005-014P (GSI)	2005 2-D Non-exclusiveLabrador	17-Jun-2005	18-Oct-2005	13039	0
8926- H029-006E (HMDC)	2005 WellsiteSurvey Hibemia South	28-Sep-2005	1-Nov-2005	170	0
8924- H032-004E (Husky)	3D Northem Jeanne d'Ar	22-Sep-2005	8-Nov-2005	0	22363
			Total	14,737 km	381,227 km

Table 9 Field Production Statistics - Hibernia (First Oil November 17 1997)

		2005		amulative to arch 31 2006
Production	m^3	bbls	m^3	bbls
Oil (million) Water (million)	11.54 7.08	72.59 44.53	75.01 17.24	471.78 108.42
	m^3	scf	m^3	scf
Gas (billion)	2.81	99.74	18.66	662.37
Gas Disposition (bil	lion)			
Flared	0.15	5.32	1.89	67.15
Fuel	0.17	6.03	1.20	42.63
Injected	2.51	89.09	15.57	552.59

Table 10
Estimates of Recoverable Reserves/Resources - Hibernia Field

	Reservoir	P	roven		oven and Probable	and	Proven Probable l Possible
Original O	il Reserves						
(million)	Hibernia Avalon/Ben Nevis Catalina	m ³ 112.3 12	bbls 706 75	m ³ 168.8 29	bbls 1062 182	m ³ 223.4 73 8.2	bbls 1405 459 52
	Total	124.3	782	197.8	1244	304.6	1916
Cumulativ	e Oil Production (as of D	ecember 31 20	05) ¹				
(million)	Hibernia Avalon/Ben Nevis Catalina Total	m ³ 70.3 2.2 0.0 72.4	bbls 442 14 0 456	m ³ 70.3 2.2 0.0 72.4	bbls 442 14 0 456	m ³ 70.3 2.2 0.0 72.4	bbls 442 14 0 456
Remaining	g Oil Reserves						
(million)	Hibernia Avalon/Ben Nevis Catalina Total	m ³ 42.0 9.8 51.9	bbls 264 62 - 326	m ³ 98.5 26.8	bbls 620 169 - 788	m ³ 153.1 70.8 8.2 232.2	bbls 963 445 52 1460
Percent of	Original Oil Reserves Re	covered					
	Hibernia Avalon/Ben Nevis Catalina		62.6% 18.2%	41.6% 7.5%		31. 3.0	
Original G	as Resources						
(billion)	Hibernia Ben Nevis/Avalon Catalina Total	m ³ 23.6 1.5 1.8 26.9	scf 836 53 64 953	m ³ 44.2 3.5 2.9 50.6	scf 1567 124 103 1794	m ³ 65.9 5.2 4.1 75.2	scf 2340 185 146 2671
Original N	GL Resources						
(million)	Hibernia Ben Nevis/Avalon Catalina Total	m ³ 19.5 0.3 1.3 21.1	bbls 123 2 8 133	m ³ 29.8 0.6 1.8 32.2	bbls 187 4 11 202	m ³ 37.8 1.4 2.5 41.7	bbls 238 9 16 262

 $[\]overline{\ ^{1}\,\text{Produced}}$ oil reserves also include a small quantity of the natural gas liquids.

Table 11 **Hibernia Operations Phase Employment**(as of March 31 2006)

Location	Res			
	Newfoundland & Labrador	Other Canadians	Non- Canadians	Total
Offshore Operations	403	32	13	448
Tanker Operations	97	2	1	100
Onshore & Support	364	29	20	413
Total	864	63	34	961

 $^{^1}$ A Newfoundland and Labrador resident is a Canadian citizen or landed immigrant who has resided in the Province for the six-month period prior to time of hire.

Table 12 **Field Production Statistics - Terra Nova** (First Oil January 20 2002)

		2005		Cumulative to March 31 2006
Production	m^3	bbls	m^3	bbls
Oil (million) Water (million)	5.76 2.46	36.23 15.47	27.13 4.70	170.65 29.56
water (mimori)			-	27.30
	m^3	scf	m^3	scf
Gas (billion)	1.09	38.69	4.71	167.34
Gas Disposition (bil	lion)			
Flared	0.12	4.26	0.96	34.22
Fuel	0.12	4.26	0.45	16.04
Injected	0.86	30.52	3.30	117.02

Table 13
Estimates of Recoverable Reserves/Resources - Terra Nova Field

Reservoir	Pro	ven		en and obable	_	Proven robable Possible
Original Oil Reserves						
(million)	m^3	bbls	m^3	bbls	m^3	bbls
Jeanne d'Arc	35.6	224	56.3	354	76.3	480
Cumulative Oil Production (as of December 31 2005) ¹						
(million)	m^3	bbls	m^3	bbls	m^3	bbls
Jeanne d'Arc	26.0	164	26.0	164	26.0	164
Remaining Oil Reserves						
(million)	m^3	bbls	m^3	bbls	m^3	bbls
Jeanne d'Arc	9.6	60	30.3	190	50.3	316
Percent of Original Oil Reserves Recovered						
Jeanne d'Arc	73.0%		46.2%		34.1%	

 $^{^{\}rm 1}$ Produced oil reserves also include a small quantity of the natural gas liquids.

Table 14
Terra Nova Operations Phase Employment (as of March 31 2006)

Location	Residency ¹				
	Newfoundland & Labrador	Other Canadians	Non- Canadians	Total	
Offshore Operations	376	36	5	417	
Tanker Operations	49	1	0	50	
Onshore & Support	576	43	50	669	
Total	1001	80	55	1136	

 $^{^1}$ A Newfoundland and Labrador resident is a Canadian citizen or landed immigrant who has resided in the Province for the six-month period prior to time of hire.

Table 15 **Field Production Statistics - White Rose**(First Oil November 12 2005)

	200	05	Cumulative to March 31 2006	
Production	m^3	bbls	m^3	bbls
Oil (million) Water (million)	0.39 0	2.47 0.00	1.29 0.00	8.13 0.01
	m^3	scf	m^3	scf
Gas (billion)	0.06	2.10	0.19	6.80
Gas Disposition (billi	ion)			
Flared	0.06	2.10	0.19	6.62
Fuel	0	0.00	0.01	0.18
Injected	0	0.00	0.00	0.00

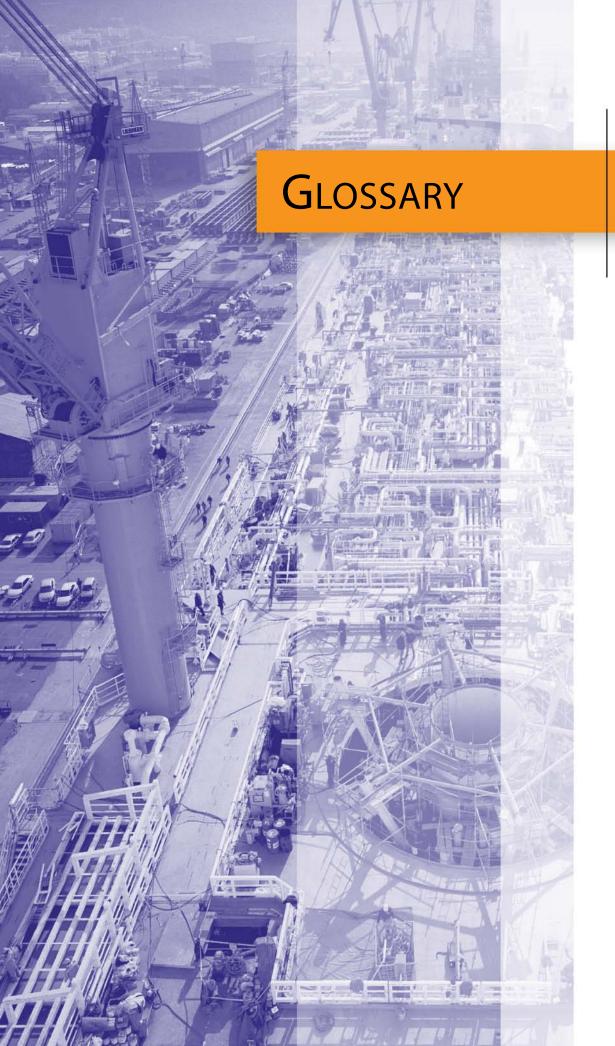
Table 17
White Rose Operating Phase Employment (as of March 31 2006)

Location	Residency ¹				
	Newfoundland & Labrador	Other Canadians	Non- Canadian	Total	
Offshore Operations	351	67	24	442	
Tanker Operations	96	5	0	101	
Onshore & Support	362	51	35	448	
Total	808	123	59	991	

¹A Newfoundland and Labrador resident is a Canadian citizen or landed immigrant who has resided in the Province for the six-month period prior to time of hire.

Table 18
White Rose Project - Major Contracts Awarded 2005 - 2006

Item Description	Contractor	Location/Source	
Accommodations Management	East Coast Catering	Newfoundland & Labrador	
Condition Monitoring	Spectrol Energy Services Inc.	Newfoundland & Labrador	
Dive Intervention Vessel	Atlantic Towing Ltd.	Newfoundland & Labrador/NS	
Fabric Maintenance	Crosbie Salamis Limited	Newfoundland & Labrador	
Flow Assurance	Smith Rea Energy	Newfoundland & Labrador/UK	
FPSO Installation Services	SMIT Heavy Lift Europe BV	The Netherlands	
Geophysical/Geohazard Site Surveys	Fugro Jacques Geosurveys	Newfoundland & Labrador	
Infrastructure Facilities & Services - Marine Base	A. Harvey and Company Limited	Newfoundland & Labrador	
Infrastructure Facilities & Services - Warehouse,			
Yard & Subsea Facility	ASCO Canada Limited	Newfoundland & Labrador	
Inspection Services	Spectrol Energy Services Inc.	Newfoundland & Labrador	
Marine Custody Crew	Canship Ugland Ltd.	Newfoundland & Labrador	
Mobile Offshore Drilling Unit - Jack-up			
Exploration/Delineation	Rowan Companies Inc.	USA	
Rockfill Berm Installation	Tideway BV	The Netherlands	
ROV Support Vessel	Atlantic Towing Limited	Newfoundland & Labrador	
ROVs for Intervention Vessel	Oceaneering Canada Limited	Newfoundland & Labrador	
AHTS Vessels Services - Exploration/Delineation	Atlantic Towing Limited	Newfoundland & Labrador	
AHTS Vessels Services - Exploration/Delineation	Maersk Company of Canada	Newfoundland & Labrador	
Gas Compression Services	Siemens Canada Inc.	Newfoundland & Labrador	
Integrity Management Strategies - Structural	Marine Technical Limits	United Kingdom	
Telecommunications	Atlantic XL Inc	Newfoundland & Labrador	
Turbine Services	Rolls Royce Energy Systems Inc.	USA	





Glossary

3-D Seismic Survey

Seismic data recorded to obtain a high density of sub-surface data points such that a three dimensional cube of data is obtained.

Accord Implementation Acts

The Canada-Newfoundland Atlantic Accord Implementation Act, S.C. 1987, c.3 and the Canada-Newfoundland and Labrador Atlantic Accord Implementation (Newfoundland and Labrador) Act, R.S.N.L. 1990, c.C-2. The federal and provincial "mirror" legislation implements the provisions of the 1986 Canada-Newfoundland Atlantic Accord and governs all petroleum-related activities that take place in the offshore area.

BSCF

Billion standard cubic feet.

Certificate of Fitness

A certificate issued by a certifying authority stating that a design, plan or facility complies with the relevant regulations or requirements, that is fit for purpose, and that it can be operated safely and without posing a threat to the environment.

Certifying Authorities

Organizations designated under the Newfoundland Offshore Certificate of Fitness Regulations to conduct examinations of designs, plans and facilities and to issue Certificates of Fitness.

Completion

The activities necessary to prepare a well for the production of oil or gas, or for the injection of water or gas.

Conversion Factors

1 cubic metre liquid 6.2898 barrels (US)

1 barrel (US)
1 kilometre (km)
1 square kilometre
1 hectare
1 kPa (Kilopascal)
1 cubic metre
2 de la 159 litres
1 0.62137 miles
1 0.062137 mil

1 cubic metre 35.494 cubic feet 178.5 million boe

(barrels of oil equivalent)

Core

A cylindrical sample taken from a formation for geological analysis. Usually a conventional core barrel is substituted for the bit and procures a sample as it penetrates the formation.

Cuttings

Chips and small fragments of rock produced by drilling that are circulated up from the drill bit to the surface by drilling mud.

Delineation Well

Well drilled after a discovery well to determine the areal extent of a reservoir.

Development Well

A well drilled within a proven field or area for the purpose of completing the desired pattern of production or a well into which fluids and/or gas is injected to increase or maintain reservoir pressure.

Exploratory Well

A well in an area where petroleum has not been previously found or one targeted for formations above or below known reservoirs.

Field

A general surface area underlain or appearing to be underlain by one or more pools.

Formation

The term for the primary unit in stratigraphy consisting of a succession of geological strata useful for mapping or description which possesses certain distinctive lithologic and other features, e.g. the Hibernia Formation.

FPSC

Floating Production, Storage and Offloading vessel.

Gas Cap

Free-gas overlying an oil zone and occurring within the same reservoir as the oil.

GBS

Gravity Based Structure

Geophysical Survey

Investigating and mapping the subsurface structure of the Earth's crust using geophysical methods (e.g. seismic) to locate probable reservoir structures capable of producing commercial quantities of natural gas and/or crude oil.

Incident

Any preventable, unplanned, work-related event or exposure that results in or has the potential to result in, harm to personnel and/or significant damage to equipment or structures.

Injection

The process of pumping gas or water into an oil or gas-producing reservoir to provide a driving mechanism for increased oil or gas liquids production.

Installation

A diving installation, a drilling installation, a production installation or an accommodation installation.

Miscible

The ability of two or more fluid substances (gases or liquids) to form a single phase.

Operator

The holder of an authorization to conduct petroleum or seismic activities in the offshore area.

Petrophysics

The science of measuring rock properties and establishing relationships between these properties based on data obtained from various logging tools and methods, and from drill cores.

Pool

A natural underground reservoir containing or appearing to contain an accumulation of petroleum that is separated or appears to be separated from any other such accumulation.

Produced Water

Water associated with oil and gas reservoirs that is produced along with the oil and gas.

Production

The amount of oil and gas produced in a given period.

Reportable Injury

Any employment injury or an occupational disease that prevents an employee from reporting for work or from effectively performing all the duties connected with the employee's regular work on the following day, whether or not that day is a working day for that employee; results in a loss by an employee of a body member or part thereof or in a complete loss of its usefulness, or results in the permanent impairment of a body function of an employee.

Reportable Injury Rate

Rate of injuries per million person hours worked.

Reserves

The volumes of hydrocarbons proven by drilling, testing and interpretation of geological, geophysical and engineering data, that are considered to be recoverable using current technology and under present and anticipated economic conditions. Hibernia, Terra Nova, and Whiterose are classified as reserves.

Reservoir

A porous, permeable rock formation in which hydrocarbons have accumulated.

Resources

The volumes of hydrocarbons, expressed at 50% probability of occurrence, assessed to be technically recoverable that have not been delineated and have unknown economic viability.

Spud

The initial penetration of the ground or seafloor to start the drilling of a well.

Synthetic-Based Mud (SBM) Drilling mud containing synthetic oil.

Turnaround

Scheduled or unscheduled downtime to conduct installation, commissioning, and/or maintenance activities.

Walkaway vertical seismic profile

A type of vertical seismic profile in which the source is moved progressively farther offset at the surface and receivers are held in a fixed location.

Workover

Operations on a development well to repair equipment or to restore or increase production or injection.





Design and Production by Total Group Inc.