

*regulating for
future generations*



IN MEMORY OF THOSE LOST ON COUGAR FLIGHT 491

On Thursday, March 12, 2009, Cougar Flight 491 went down 28 nautical miles off our coast, tragically taking 17 lives. There was one survivor, Robert Decker of St. John's. The 18 persons on board included 14 workers on their way to the *SeaRose* FPSO, two workers en route to the Hibernia platform and two Cougar Helicopter crew members. Most of the persons on board were residents of Newfoundland and Labrador.

Those lost on that fateful day were:

Thomas Anwyll
Langley, British Columbia

Peter Breen
St. John's

Gary Corbett
Conception Bay South

Captain Matthew Davis
Holyrood

Wade Drake
Fortune

Wade Duggan
Witless Bay

Corey Eddy
Sibley's Cove

Keith Escott
Goulds

Colin Henley
St. John's

First Officer Tim Lanouette
Comox, British Columbia

Ken MacRae
Kingston, Nova Scotia

Allison Maher
Aquaforte

Greg Morris
Logy Bay-Middle Cove-Outer Cove

Derek Mallowney
Bay Bulls

Burch Nash
Fortune

John Pelley
Deer Lake

Paul Pike
Shearstown

They will forever be remembered in our hearts and in our prayers.



Canada-Newfoundland and Labrador Offshore Petroleum Board

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Annual Report 2008-09

June 10, 2009

The Honourable Lisa Raitt
Minister of Natural Resources Canada
Government of Canada

The Honourable Kathy Dunderdale
Minister of Natural Resources
Government of Newfoundland and Labrador

Dear Ministers:

Pursuant to Section 29 of the legislation implementing the Atlantic Accord, I am pleased to present the Annual Report, together with the financial statements, of the Canada-Newfoundland and Labrador Offshore Petroleum Board for the fiscal year ending March 31, 2009.

Respectfully submitted,



Max Ruelokke, P. Eng.
Chairman and Chief Executive Officer

Board Members

Max Ruelokke, P. Eng.

Chairman and Chief Executive Officer

Fred Way

Vice-Chairman

Reg Anstey

Member

Ed Drover

Member

Lorne Spracklin

Member

Halcum H. Stanley

Member

Senior Staff

John P. Andrews, LL.B.

Manager, Legal and Land and Corporate Secretary

Michael Baker, CHRP

Manager, Support Services

David G. Burley

Manager, Environmental Affairs

Dave Hawkins, P. Geo.

Manager, Exploration and Resource Management and
Chief Conservation Officer

Sean Kelly, APR, FCPRS

Manager, Public Relations

Howard Pike, P. Eng.

Manager, Operations and Safety and Chief Safety Officer

Frank Smyth, P. Eng.

Manager, Industrial Benefits, Policy and Regulatory
Coordination

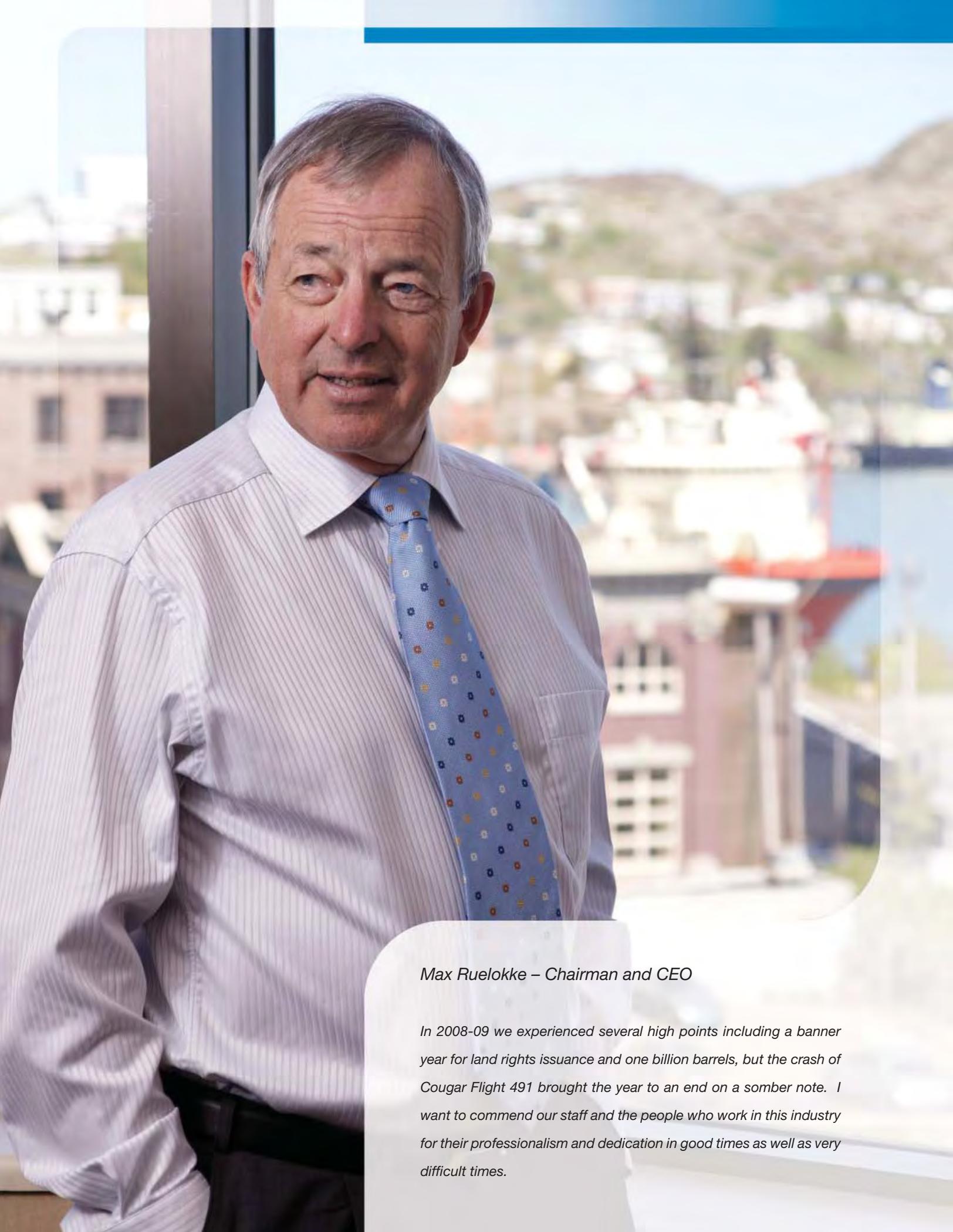


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Petro-Canada

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Max Ruelokke – Chairman and CEO

In 2008-09 we experienced several high points including a banner year for land rights issuance and one billion barrels, but the crash of Cougar Flight 491 brought the year to an end on a somber note. I want to commend our staff and the people who work in this industry for their professionalism and dedication in good times as well as very difficult times.

Message from the Chairman and Chief Executive Officer

It is my pleasure to present the 2008-09 Annual Report of the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB).

2008-09 saw several significant successes and accomplishments; however, the year was marred by the tragic crash of Cougar Flight 491 resulting in the deaths of 17 persons travelling to offshore oil and gas installations. On March 12, 2009, Cougar Flight 491 crashed 28 nautical miles off the coast after issuing a mayday. The crash resulted in the deaths of 15 offshore workers and two Cougar helicopter crew. There was one survivor, Robert Decker. The C-NLOPB closely monitored the accident investigation by the Transportation Safety Board, who are the lead investigating agency, and the Royal Canadian Mounted Police. The C-NLOPB had an observer role in the recovery operation and have been working cooperatively with the lead investigators. On behalf of the Board and staff of the C-NLOPB, I would like to express deepest sympathies to the families, friends and co-workers of the passengers and crew who were lost and we wish a full recovery for Mr. Decker.

The period of 2008-09 was a banner year for land rights issuance. In September, the C-NLOPB announced that successful bids were received on four parcels in the Labrador Offshore Area totaling \$186,430,680. This was the first land rights issuance in Labrador since the C-NLOPB was established in 1986. It was also the third largest land rights issuance in terms of total work expenditure commitment. In November, successful bids totaling \$129,892,000 were received on all five parcels offered in the Central Ridge/Flemish Pass and Jeanne d'Arc Basin, Sydney Basin and Western Newfoundland and Labrador Offshore Region. A successful bid was received for a parcel in the Sydney Basin and another in the Western Newfoundland and Labrador Offshore Region for an additional work commitment of \$2,400,000.

In January 2009, the Newfoundland and Labrador offshore oil and gas industry produced its one billionth barrel. This is a significant milestone for the Newfoundland and Labrador oil and gas industry.

In September 2008, the Supreme Court of Newfoundland and Labrador, Court of Appeal dismissed the appeal by Hibernia Management and Development Company (HMDC) and Petro-Canada of the Trial Division decision of 2007 in respect of the jurisdiction to implement the Research and Development Guidelines. In February 2009, the Supreme Court of Canada denied leave to appeal the decision. The Guidelines are effective from April 2004 and apply to all operators in the Newfoundland and Labrador offshore oil and gas industry.

The C-NLOPB announced in early April 2008, that both governments ratified the decision to approve Husky Energy's North Amethyst Development Plan. This enabled Husky Energy to proceed with its sub-sea development which will tie back to the *SeaRose* FPSO. The Board also approved the Benefits Plan associated with this proposed project. The North Amethyst Field is estimated to contain 68 million barrels of oil and is one of a series of possible extensions to the White Rose Project.

In August, the C-NLOPB completed the "Strategic Environmental Assessment, Labrador Shelf Offshore Area" with the assistance of a working group co-chaired by representatives from the C-NLOPB and the Nunatsiavut Government, with members from provincial and federal government departments, non-governmental agencies, the Fish Food and Allied Workers Union and local community organizations. The C-NLOPB is grateful for their assistance and values the strong, cooperative relationship we share with them.

Progress continues to be made in streamlining and consolidating the Authorizations and Approvals issued by the C-NLOPB. In September 2008, the C-NLOPB signed the first Operations Authorization with Petro-Canada. A total of four Authorizations and 14 Approvals were consolidated into a single Operations Authorization for the Terra Nova project covering drilling, production and well intervention activities for the next three years without compromising regulatory oversight.

The Board wishes to express its appreciation and best wishes to Herb Clarke and Joan Whelan, whose terms of appointment expired in 2008. I am also pleased to welcome two new members appointed by the Provincial Government – Reg Anstey and Ed Drover. I am grateful as well for the support and commitment of time and expertise of my other colleagues on the Board, namely Fred Way, Lorne Spracklin and Hal Stanley.

The C-NLOPB has 67 employees that perform extremely well in challenging circumstances and difficult times. We are fortunate to have such dedicated and committed staff. I know I speak for all Board members in commending the staff for their superb performance and continued hard work.

The Report which follows highlights the activities of the C-NLOPB during 2008-09. More information about the C-NLOPB can be obtained from our website at www.cnlopb.nl.ca.



Max Ruelokke, P.Eng.
Chairman and Chief Executive Officer



The Board wishes to express its appreciation to Herb Clarke and Joan Whelan, whose term of appointment expired in 2008. The Board also welcomed two new members - Reg Anstey and Ed Drover.

*(Back l-r) Max Ruelokke, Halcum Stanley, Fred Way, Lorne Spracklin
(Front l-r) Reg Anstey, Ed Drover*

C-NLOPB Board

The C-NLOPB was created in 1985 through the Atlantic Accord for the purposes of regulating the oil and gas industry offshore Newfoundland and Labrador and has four regulatory mandates: Safety, Environmental Protection, Resource Management, and Industrial Benefits. The Board is comprised of seven persons; a Chair and CEO appointed jointly by the Federal and Provincial governments, three members appointed by the Federal Government and three members appointed by the Provincial Government. The C-NLOPB had an annual budget of \$13.7 million for fiscal year 2008-09.

Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB)





“The New Faces at the Board”

*(Back l-r) Jeff Meade, Greg Molloy, Adam Miller, Daniel Bourgeois, Sean Hemeon (Front l-r) Stephanie Johnson, Lesley Troke, Kelly Batten-Hender, Nicholle Carter, Jennifer Parsons, Karen Smith
Missing from photo: Shannon O’Keefe (see page 23)*

Mandate: Role and Objectives

Mandate

To **interpret** and apply the provisions of the Atlantic Accord and the Atlantic Accord Implementation Acts to all activities of operators in the Newfoundland and Labrador Offshore Area; and, to **oversee** operator compliance with those statutory provisions.

Role

In the implementation of its mandate, the role of the C-NLOPB is to facilitate the exploration for and development of the hydrocarbon resources in the Newfoundland and Labrador Offshore Area in a manner that conforms to the statutory provisions for:

- worker safety;
- environmental protection and safety;
- effective management of land tenure;
- maximum hydrocarbon recovery and value; and,
- Canada/Newfoundland & Labrador benefits.

While the legislation does not prioritize these mandates, worker safety and environmental protection will be paramount in all Board decisions.

Objectives

Safety

- To verify that operators have appropriate safety plans in place.
- To verify, through audits and inspections, that operators follow their safety plans and applicable statutory requirements.
- To verify, through compliance actions, that deviations from approved plans and applicable statutory requirements are corrected.

Environment

- To verify that operators assess and provide for effects of the environment on the safety of their operations.
- To verify that operators perform an environmental assessment pursuant to Canadian regulations, of the effects of their operations on the environment, and prepare a plan and provide for mitigation where appropriate.
- To verify, through compliance actions, that operators comply with their environmental plans.

Resource Management

- To effectively and efficiently administer land tenure.
- To oversee production activities for consistency with maximum recovery, good oilfield practice, production accounting and approved plans.
- To build a knowledge base for the Newfoundland and Labrador Offshore Area through the acquisition and curation of data from exploration and production activity.

Benefits

- To verify operators have an approved Canada/Newfoundland and Labrador Benefits Plan that addresses their statutory obligations.

The C-NLOPB Does Not

- Have responsibility for safety of workers or the environment; worker safety and environmental protection are the responsibility of operators.
- Manage reservoirs or production; that is the role of the operator within the context of an approved Development Plan.
- Guarantee the participation of Canadian and Newfoundland and Labrador workers or businesses.
- Have any role, beyond the provision of required data and information to government, in the establishment or administration of the fiscal regime (royalties/taxes) for any offshore activity.



While the legislation does not prioritize our mandates, worker safety and environmental protection are paramount. Ryan Brown and Kelly Weir are two of the C-NLOPB's Safety Officers. They oversee operator compliance with approved safety plans and statutory requirements.

Safety of Offshore Workers

Safety Plans

The operator must prepare a Safety Plan that demonstrates to the C-NLOPB that they have taken all reasonable and practicable steps to achieve safety for the proposed worker activity as a whole, taking into account the interaction of all components including structures, facilities, equipment, operating procedures and personnel. The Safety Plan summarizes and references the management system that applies to the work or activity.

Safety Assessments

When operators apply to undertake petroleum activities in the Newfoundland and Labrador Offshore Area, the C-NLOPB conducts a systematic and comprehensive assessment of the operator's application including the safety plans and other information. The application is assessed against the legislation and guidance for completeness and adequacy. During 2008-09, the C-NLOPB completed 12 Safety Assessments.

Audits and Inspections

In 2008 as part of the streamlining and consolidation process, the C-NLOPB began conducting Integrated Safety and Environmental Protection Audits. In addition to participating in Integrated Audits, the Operations and Safety Department conducts quarterly Safety Inspections on each installation and conducts focused or pre-approval Safety Audits as required.

During 2008-09, the C-NLOPB conducted three Pre-Approval Audits, one focused audit covering safety and environmental protection, and 12 Safety Inspections. At the end of the reporting period, another Integrated Audit was in progress.

The C-NLOPB's mandate with respect to safety is as follows:

- *To verify that operators have appropriate safety plans in place.*
- *To verify, through audits and inspections, that operators follow their safety plans and applicable statutory requirements.*
- *To verify, through compliance actions, that deviations from approved plans and applicable statutory requirements are corrected.*

Investigations and Compliance

The C-NLOPB, in cooperation with the Canada-Nova Scotia Offshore Petroleum Board (C-NSOPB), has prepared a joint “Guideline for the Reporting and Investigation of Incidents”. This guideline is expected to be published and will be made available for use in the second quarter of 2009.

Operators are required to report and investigate all incidents and Safety Officers review those incident investigation reports. During offshore inspections and audits, Safety Officers verify that incidents are reported and investigated, that incident investigation procedures are followed and that corrective actions are implemented.

During 2008-09, the C-NLOPB reviewed 157 incident reports from operators. Thirty-two of these incidents resulted in a reportable injury. The Reportable Injury Frequency Rate, which does not include fatalities, for the period was 8.71 per million hours worked. On March 12, 2009, a helicopter accident resulted in 17 fatalities and one major injury. The review of this serious incident was ongoing as of March 31, 2009.

Regulatory Deviations

The Chief Safety Officer and/or the Chief Conservation Officer may authorize deviations from the regulations, where those Officers are satisfied that the applicant for the deviation will achieve an equivalent level of safety, protection of the environment and resource conservation, as that provided by the legislation. During 2008-09, the C-NLOPB received 46 applications (i.e. regulatory query forms or RQF's) for deviations from the regulations. During 2008-09, 40 RQF's were processed.

Joint Occupational Health and Safety Committees

Each year the C-NLOPB organizes an offshore Joint Occupational Health and Safety Committee workshop to engage committees from each installation operating in the Newfoundland Offshore Area, in discussions on current occupational health and safety topics and best practice. The C-NLOPB held the workshop with offshore Joint Occupational Health and Safety Committees in November 2008. In addition, C-NLOPB Safety Officers meet with offshore Joint Occupational Health and Safety Committees regularly during offshore visits.



(l-r) Kent Slaney and Darrell Gover are two of the Board's Environmental Compliance Officers. They oversee operator compliance with approved environmental plans and follow-up on all incidents.

Protection of the Environment

Environmental Protection Plans

Environmental Protection Plans (EPPs) provide guidance to minimize the risks of environmental impacts associated with project activities. During the 2008-09 reporting period, the EPP for Hibernia operations was reviewed as part of the revision and approval of the Hibernia Operational Plan. The EPP for Terra Nova was reviewed and approved as part of the Operations Authorization approval process.

Environmental Assessment

The C-NLOPB is the lead agency for environmental assessment (EA) of proposed offshore exploration and production activities under both the Accord Acts, and the Canadian Environmental Assessment Act (CEAA). During 2008-09, the C-NLOPB completed four EAs, all of which were initiated during 2007-08. Four EAs were ongoing as of March 31, 2009. Included in the latter was the comprehensive study level assessment of the Hebron project, and a screening level assessment of potential future subsea drill centre construction and operation on the Hibernia Field.

The Labrador Shelf Strategic Environmental Assessment (SEA) was completed during 2008 and the final report was published in August 2008. The C-NLOPB and the Government of Nunatsiavut, together with other SEA participants, continue to move forward with the results of the SEA. As part of this, two new research projects were proposed to the Environmental Studies Research Funds for work beginning in 2009: an assessment of potential socio-economic impacts of Labrador Shelf oil and gas activity, and a project to map existing information on sensitive fish habitat on the Labrador Shelf.

The C-NLOPB initiated a SEA for the Southern Newfoundland Offshore Area in January 2009, and formed a stakeholder working group chaired by the C-NLOPB. The Southern Newfoundland SEA will incorporate updates to the previously-published Sydney Basin and Laurentian Subbasin SEAs, and will also assess an area immediately east of these areas. During the reporting period, the C-NLOPB finalized the Scoping Document for this SEA and contracted LGL Limited to prepare the report.

The C-NLOPB's mandate with respect to environmental protection is as follows:

- To verify that operators assess and provide for effects of the environment on the safety of their operations.*
- To verify that operators perform an environmental assessment pursuant to Canadian regulations, of the effects of their operations on the environment, and prepare a plan and provide for mitigation where appropriate.*
- To verify, through compliance actions, that operators comply with their environmental plans.*

Audits and Inspections

In 2008, the C-NLOPB started to conduct Integrated Audits, which include both safety and environmental protection components. During 2008-09, the integrated audit for HMDC that commenced at the end of the 2007-08 reporting period was completed. In September 2008, a joint inspection with the C-NLOPB and Environment Canada was conducted on the *Terra Nova Floating, Production, Storage and Offloading* vessel (FPSO), to assess the use of chlorofluorocarbons (CFCs) on the facility under the Federal Halocarbon Regulations. A focused audit covering safety and environmental protection was conducted on the *Henry Goodrich* Mobile Offshore Drilling Unit while engaged in drilling operations for Husky Energy. At the end of the 2008-09 reporting period, an Integrated Audit of Petro-Canada's Operation Authorization was in progress.

Investigations and Compliance

Operators must report all routine discharges, spills, unauthorized and unplanned releases, and problems with effluent quality for all offshore installations and activities. The C-NLOPB reviews these reports and investigates as required.

Of the 53 petroleum spills reported in 2008-09, 35 were less than one litre in volume. A summary of spill information for the 2008-09 fiscal year is provided in Table 1 below.

On September 9, 2008 a spill of 4470 L of crude oil occurred from the offloading hose of the *SeaRose* FPSO vessel. The operator, Husky Energy, initiated a detailed investigation into the causes of the incident and as of March 31, 2009, this process was still underway. The use of the piece of equipment that failed has been suspended and replacement equipment has been installed.

Table 1
Summary of Spill Information 2008–09

Component	Litres	Percentage of Annual Total ¹	Number of Incidents
Synthetic Based Mud	100.10	2.100	2
Crude Oil	4503.40	95.070	19
Hydraulic & Lubricating Oil	132.90	2.810	18
Other Petroleum	0.40	0.090	11
Condensate	0.27	0.006	3

Note 1: Percentage will not add to 100% unless rounded.

Guideline Updates

During the 2008-09 fiscal year, the Environmental Affairs Department was involved in the review and update of the Offshore Chemical Selection Guidelines (OCSG). These guidelines were reviewed and updated jointly by the C-NLOPB, the C-NSOPB and the National Energy Board (NEB), with the assistance of a stakeholder working group established for this purpose. The OCSG provide a framework for chemical selection that minimizes the potential for environmental impacts from the discharge of chemicals used in offshore drilling and production operations. These guidelines are formally reviewed every five years to ensure that they continue to reflect significant gains in scientific and technical knowledge.

During 2008-09, the C-NLOPB was also involved in work on guidance for the draft Drilling and Production Regulations. In particular, the C-NLOPB was engaged in the drafting of guidance for the preparation of Environmental Protection Plans for drilling and production operations. This work was nearing completion at the end of the reporting period.

Also in 2008-09, the C-NLOPB revised its Geophysical, Geological, Environmental and Geotechnical Program Guidelines to incorporate the Statement of Canadian Practice with respect to the Mitigation of Seismic Sound in the Marine Environment, published by governments in May 2008.

At the end of 2008-09, a review and update commenced for the Offshore Waste Treatment Guidelines. These guidelines outline recommended practices and standards for the

treatment and disposal of wastes from petroleum drilling and production operations in Canada's offshore areas, and for sampling and analysis of waste streams to ensure compliance with these standards. The review and update is being conducted jointly by the C-NLOPB, the C-NSOPB and the NEB, and will be completed in the next fiscal year.

Environmental Effects Monitoring

Environmental effects monitoring (EEM), is the monitoring of the receiving environment to determine the effects of an industrial activity. In the Newfoundland and Labrador Offshore Area, EEM has been conducted principally for development drilling and production operations. This is due to the greater variety and volumes of their regulated discharges, and their longer-term presence offshore in comparison with exploration installations. EEM surveys begin during the first full year of offshore development drilling and continue annually for at least two additional years, becoming biennial thereafter.

HMDc submitted its 2007 EEM survey report in April 2008. The C-NLOPB reviewed the 2007 report and provided comments to HMDc. HMDc is preparing to submit a revised EEM design report to address changes to the EEM program that have taken place over the last 10 years.

Both the Terra Nova and White Rose projects conducted EEM surveys on their respective fields in 2008-09. At the end of the reporting period the C-NLOPB was awaiting submission of the detailed analytical reports for both programs.



The effective management of resources requires a coordinated approach involving several departments. Susan Gover, Legal Counsel, and Trevor Bennett, Data Supervisor, work together to create maps and charts used in the management of resources.

Management of Resources

Land Rights and Land Issuance

The C-NLOPB issues land rights in the form of exploration licences (ELs), significant discovery licences (SDLs) and production licences (PLs). As of March 31, 2009, there were 38 ELs; 11 of which were issued in the 2008-09 fiscal year, with total work commitments in excess of \$872 million. Currently, there are 48 SDLs and eight PLs in the Newfoundland and Labrador Offshore Area.

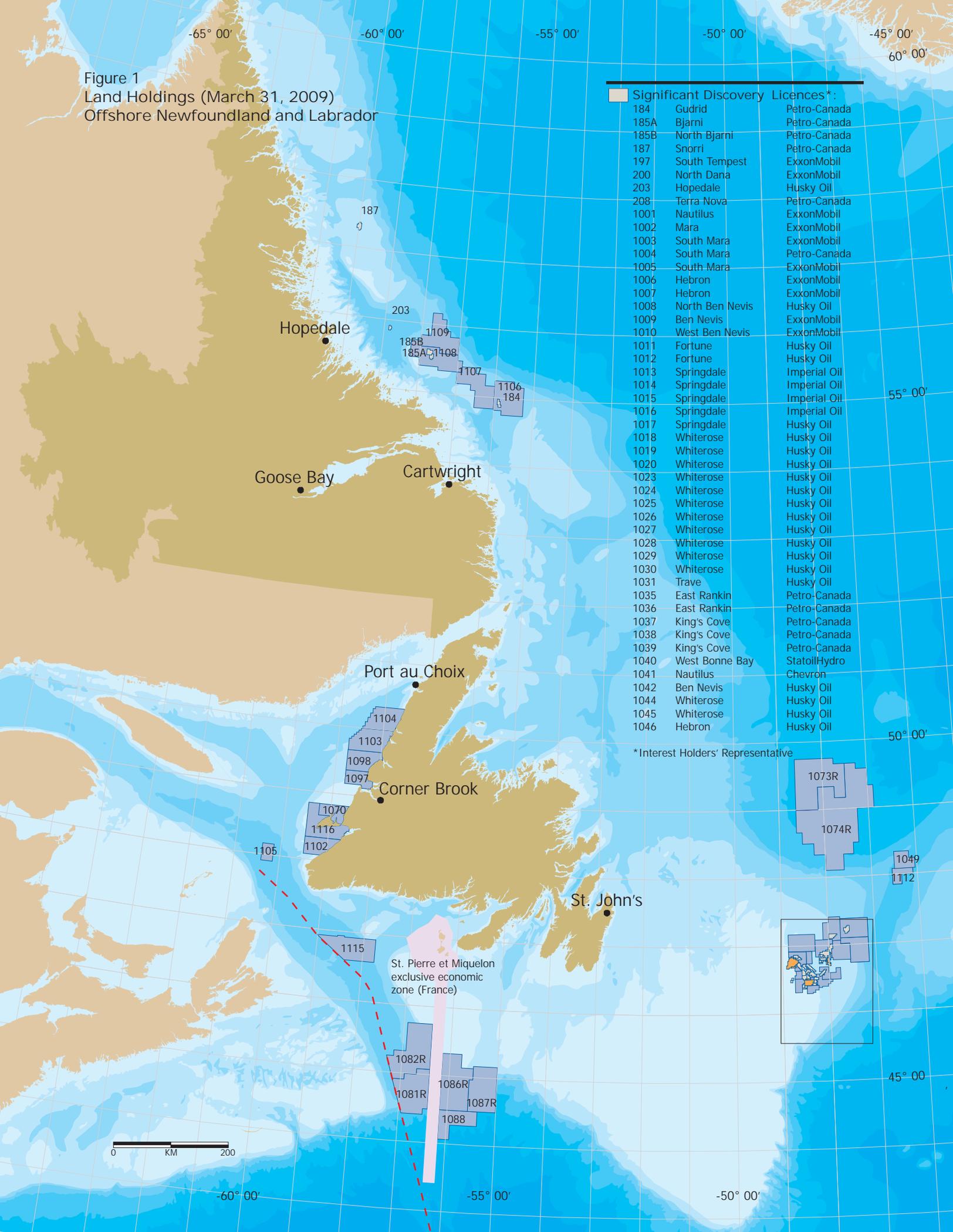
The approximate locations of all current licences are shown in Figures 1 and 2. Detailed information and maps respecting individual licences are published on the C-NLOPB's website.

The C-NLOPB's mandate with respect to resource management encompasses the whole system from the regulation of exploration, through the land rights issuance process to production activities. The C-NLOPB's mandate in the area is as follows:

- *To effectively and efficiently administer land tenure.*
- *To oversee production activities for consistency with maximum recovery, good oilfield practice, production accounting and approved plans.*
- *To build a knowledge base for the Newfoundland & Labrador Offshore Area through the acquisition and curation of data from exploration and production activity.*

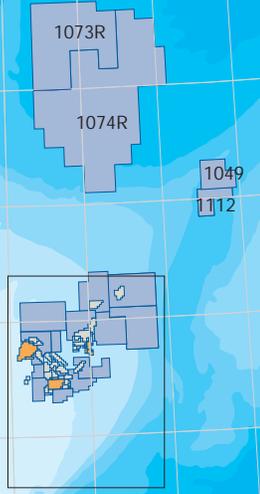


Figure 1
 Land Holdings (March 31, 2009)
 Offshore Newfoundland and Labrador



Significant Discovery Licences*:		
184	Gudrid	Petro-Canada
185A	Bjarni	Petro-Canada
185B	North Bjarni	Petro-Canada
187	Snorri	Petro-Canada
197	South Tempest	ExxonMobil
200	North Dana	ExxonMobil
203	Hopedale	Husky Oil
208	Terra Nova	Petro-Canada
1001	Nautilus	ExxonMobil
1002	Mara	ExxonMobil
1003	South Mara	ExxonMobil
1004	South Mara	Petro-Canada
1005	South Mara	ExxonMobil
1006	Hebron	ExxonMobil
1007	Hebron	ExxonMobil
1008	North Ben Nevis	Husky Oil
1009	Ben Nevis	ExxonMobil
1010	West Ben Nevis	ExxonMobil
1011	Fortune	Husky Oil
1012	Fortune	Husky Oil
1013	Springdale	Imperial Oil
1014	Springdale	Imperial Oil
1015	Springdale	Imperial Oil
1016	Springdale	Imperial Oil
1017	Springdale	Husky Oil
1018	Whiterose	Husky Oil
1019	Whiterose	Husky Oil
1020	Whiterose	Husky Oil
1023	Whiterose	Husky Oil
1024	Whiterose	Husky Oil
1025	Whiterose	Husky Oil
1026	Whiterose	Husky Oil
1027	Whiterose	Husky Oil
1028	Whiterose	Husky Oil
1029	Whiterose	Husky Oil
1030	Whiterose	Husky Oil
1031	Trave	Husky Oil
1035	East Rankin	Petro-Canada
1036	East Rankin	Petro-Canada
1037	King's Cove	Petro-Canada
1038	King's Cove	Petro-Canada
1039	King's Cove	Petro-Canada
1040	West Bonne Bay	StatoilHydro
1041	Nautilus	Chevron
1042	Ben Nevis	Husky Oil
1044	Whiterose	Husky Oil
1045	Whiterose	Husky Oil
1046	Hebron	Husky Oil

*Interest Holders' Representative



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. During the 2008-09 fiscal year, the C-NLOPB issued 19 operating licences.

Calls for Bids

Call for Bids, NL07-2 (Labrador Offshore Region) closed in September 2008 after an extension was made to the original 2007 closing date. The Call for Bids resulted in four successful bids on four parcels comprising 939,678 hectares and totaling \$186,430,680. It was the first exploration permitting round covering lands offshore Labrador since the Board was established. The bids represent the expenditures, which the bidders commit to make in exploring the parcels during the initial six-year period of a nine-year term exploration licence.

Calls for Bids, NL08-1 (Central Ridge/Flemish Pass) and NL08-2 (Jeanne d'Arc) closed on November 14, 2008 and successful bids were received on all five parcels offered, totaling \$129,892,000. Three of the successful bid parcels are located in the Central Ridge/Flemish Pass and two are located in the Jeanne d'Arc Basin. Also closing on November 28, 2008 were Calls for Bids, NL08-3 (Sydney Basin) and NL08-4 (Western Newfoundland and Labrador Offshore Region) resulting in two successful bids on three parcels offered, totaling \$2,400,000. The bids represent the expenditures, which the bidders commit to make in exploring the parcels during the initial five-year period of a nine-year term exploration licence.

Call for Nominations

In October 2008, the C-NLOPB issued a Call for Nominations No. NL08-1 of lands for consideration in 2009. As of March 31, 2009, the C-NLOPB had not announced a Call for Bids for 2009.

Licence Consolidation, Surrender and Amendment

In June 2008, the Board entered into an Agreement with ConocoPhillips. ELs 1084 and a portion of 1082, 1083, 1085 and 1086 were surrendered with resulting lands consolidated into ELs 1081R, 1082R, 1086R and 1087R. Under another Agreement with the Orphan Basin interest holders, EL 1075 was surrendered as well a portion of EL 1080. The resulting licences are EL 1073R with Chevron Canada Limited as the representative and EL 1074R with ExxonMobil Canada Ltd. as the representative. In the Western Newfoundland and Labrador Offshore Region, EL 1069 was relinquished as a well had not been drilled in Period I pursuant to the terms and conditions of that exploration licence.

Registry Office

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

Funds Collected

Under the *Atlantic Accord Implementation Acts*, the C-NLOPB is responsible for the collection of certain fees, forfeitures and rentals. In 2008-09, \$714,486.75 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 C-NLOPB has collected \$158,332,173.19 on behalf of the Crown.



Data Storage and Research

The Core Storage and Research Centre (CSRC) archives core samples, cuttings, fluid samples, petrographic/biostratigraphic slides and other geological material derived from the drilling of wells in the Newfoundland and Labrador Offshore Area. In 2008-09, the facility was used primarily by industry (63%), universities (20%), and government (17%). Research conducted through the CSRC during 2008-09 has involved almost all offshore areas, including the North and South Grand Banks, the Northeast Newfoundland Shelf, the Labrador Shelf and Western Newfoundland.

In Budget 2008-09, governments provided special funding to the C-NLOPB to allow preparatory work to be conducted on an expansion of the CSRC. This improvement will include an eventual expansion to the warehouse section to increase sample storage capacity and to provide extra core viewing space. During the year, a portion of the adjacent property was acquired to provide sufficient space to expand the building to the west, and architectural design work commenced.

Exploration Commitments

As of March 31, 2009, there was \$872,756,736 in exploration commitments to be undertaken by interest owners, with security deposits valued at \$218,189,184.

Geophysical / Geological Programs

During 2008-09, eight applications for authorization to conduct exploratory-related work in the Newfoundland and Labrador Offshore Area were reviewed by the C-NLOPB. These applications included six geophysical programs with fieldwork, and two geophysical programs without fieldwork.

Four exploration 2D and 3D seismic programs were recorded during the year. StatoilHydro acquired an exclusive 3D survey using the vessel, *M/V Veritas Vantage*. The final survey acquired 844 km² of seismic data over ELs 1100, 1101 and the Terra Nova Field. It is interesting to note that the Terra Nova portion of the seismic survey was acquired as a 4D seismic survey over PL 1002 utilizing both the *M/V Veritas Vantage* and the *M/V Kondor Explorer*.

Husky Energy received operatorship of the vessel *M/V Veritas Vantage* in July 2008 and began an exclusive 3D seismic program. In total, Husky acquired 1437 km² of seismic data over the White Rose Field, North Amethyst Field and ELs 1090, 1091, 1099.

Geophysical Services Inc. (GSI) was authorized to conduct its sixth non-exclusive 2D seismic survey across the Labrador Shelf. In total, 4,122 km of data was acquired using the vessel *M/V GSI Pacific*. GSI was also authorized to acquire a 2D non-exclusive survey in Western Newfoundland over the Anticosti Basin. The survey focused over ELs 1097, 1098 and 1103, acquiring 2,555 km of seismic data in total.

The C-NLOPB approved two wellsite surveys during the reporting period. StatoilHydro acquired wellsite data in the Flemish Pass for their Mizzen O-16 well utilizing the *M/V Atlantic Osprey*, and Petro-Canada acquired 123 km of 2D high-resolution seismic data over ELs 1092 and 1113 utilizing the *M/V Anticosti*.

These geophysical programs account for 2,281 km² of 3D seismic and 6800 km of 2D seismic (including high-resolution seismic) data recorded in the offshore. Since 1964, approximately 2.1 million km of seismic data has been recorded in the Newfoundland and Labrador Offshore Area.



Table 2

Geophysical Programs Approved and Conducted

Operator	Program	Area	Coverage (CMP km)
StatoilHydro	3-D seismic	Jeanne d'Arc Basin	844 km ²
Husky Energy	3-D seismic	Jeanne d'Arc Basin	1437 km ²
GSI	2-D seismic	Labrador Shelf	4,122 km
GSI	2-D seismic	Anticosti Basin	2,555 km
StatoilHydro	Surficial survey	Flemish Pass Basin	N/A
Petro-Canada	High-Resolution seismic	Jeanne d'Arc Basin	123 km

Drilling Activity

Fifteen wells (including sidetracks) were spudded in the 2008-09 fiscal year, three of which were from onshore locations in Western Newfoundland. One well was spudded in 2007, but completed in 2008-09. As of March 31 2009, drilling operations are still ongoing on three wells.

Table 3 shows well approvals for 2008-09. It should be noted that the number of wells drilled does not necessarily correspond to the number of Approval to Drill a Well (ADW) applications reviewed and granted. Also, drilling of a sidetrack well does not always require submission of a separate ADW. Some applications may have been approved for wells that drilling has commenced but has not been completed, or for drilling that has not commenced at the present time.

Table 3
Well Approvals

Field	AWO ¹	ADW ²
Hibernia	14	5
Terra Nova	1	1
White Rose	0	2
North Amethyst	0	3

¹ Approval for Well Operations includes any non-routine well operation or work over.

² Approval to Drill a Well includes all new wells and sidetracks of existing wells.

Hibernia

HMDC established re-entry to the B-16 21 well and commenced drilling of the B-16 21Z sidetrack well. Three development wells were drilled and completed by HMDC at Hibernia.

Husky Energy

Husky Energy spudded two development wells, G-25 1 and G-25 2 in the North Amethyst Field. Drilling operations were suspended following drilling of the surface section of G-25 1 and conductor section of G-25 2 due to approaching ice. Husky Energy also drilled two other development wells, J-22 3 in the West White Rose Pool and B-07 10Z in the South White Rose Pool.

Husky Energy drilled two delineation wells, North Amethyst E-17 in the North Amethyst Field area, and White Rose E-28 in the White Rose West Pool. The delineation wells were drilled using the *Henry Goodrich* semi-submersible drilling rig. The rig is being utilized as part of a multi-well/multi-operator drilling program for Husky Energy, Petro-Canada, and StatoilHydro for delineation, exploration, and development drilling over an 18-month period.

Exploration

StatoilHydro utilized the *Henry Goodrich* and commenced drilling of the Mizzen O-16 exploration well in the Flemish Pass basin on EL 1049 in December 2008. The well was completed in the first quarter of 2009.

Western Newfoundland

The C-NLOPB and the Provincial Government have been working cooperatively to regulate drilling of onshore to offshore wells. Shoal Point Energy, as operator, drilled the onshore to offshore exploration well near the abandoned Shoal Point K-39 location. The 2K-39 well commenced drilling in March 2008, with a subsequent sidetrack well 2K-39Z commenced in June 2008, with drilling ending in July 2008.

Well Evaluation, Operations and Resource Assessments

The C-NLOPB works to ensure that the hydrocarbons in the Hibernia, White Rose and Terra Nova Fields, are produced with proper regard for efficient, maximized recovery of the resource and prevention of waste. The C-NLOPB's most recent reserve/resource estimates and production totals are provided in Table 4.

For the purpose of interpreting Table 4, 'reserves' are defined as volumes of hydrocarbons proven by drilling, testing and interpreting geological, geophysical and engineering data, that are considered to be recoverable using current technology and under present and anticipated economic conditions. The Hibernia Field oil reserves are being produced from the Ben Nevis/Avalon and Hibernia reservoirs. The Terra Nova Field oil reserves are being produced from the Jeanne d'Arc reservoir. The White Rose Field oil reserves consist of the Ben Nevis/Avalon and Hibernia reservoirs. The North Amethyst Field oil reserves consist of the Ben Nevis/Avalon reservoir. "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. Resources in the Jeanne d'Arc Basin include all other oil reserves not listed in the reserves section, gas volumes and Natural Gas Liquids (NGLs).

Table 4

Petroleum Reserves and Resources - Newfoundland Offshore Area

Field	Oil	Produced million bbls	Gas	NGLs ¹
	million bbls		billion cu. ft.	million bbls
Grand Banks				
Hibernia	1244	632.88	1794	202
Terra Nova	354	266.55	45	3
Hebron	581		-	-
White Rose	305	122.97	3023	96
Ben Nevis	114		429	30
West Bonne Bay	36		-	-
North Amethyst	68		315	-
West Ben Nevis	36		-	-
Mara	23		-	-
North Ben Nevis	18		116	4
Springdale	14		238	-
Nautilus	13		-	-
King's Cove	10		-	-
South Tempest	8		-	-
East Rankin	7		-	-
Fortune	6		-	-
South Mara	4		144	8
North Dana	-		472	11
Trave	-		30	1
Sub-Total	2840		6606	355
Labrador Shelf				
North Bjarni	-		2247	82
Gudrid	-		924	6
Bjarni	-		863	31
Hopedale	-		105	2
Snorri	-		105	2
Sub-Total	0		4244	123
Total	2840		10850	478
Produced²		1022.40		0
Remaining	1818		10850	478

¹ Natural Gas Liquids (NGLs) are derived from Natural Gas, which is the portion of petroleum that exists in either the gaseous phase or in solution in crude oil in natural underground reservoirs.

² Produced oil reserves also include a small quantity of natural gas liquids. Produced volumes as of March 31, 2009.

Hibernia

The Hibernia Field, discovered in 1979, consists of two principal reservoirs: The Hibernia and Ben Nevis/Avalon. This field is operated by HMDC, and is produced using a Gravity Based Structure (GBS). Total production for 2008-09 was 50.8 million barrels (MMbbls) with a daily average of 139,164 barrels (bbls). The C-NLOPB estimates oil reserves and resources at Hibernia to be 1,244 MMbbls, of which 632.9 MMbbls were produced as of March 31, 2009.

During the 2008-09 fiscal year, the C-NLOPB approved the Hibernia A Pool Depletion Plan. HMDC submitted this plan to satisfy condition 97.01.1 of Decision Report 97.01.



Table 5

Hibernia Field Production Statistics

		2008-09	Cumulative to March 31, 2009
Production			
Oil	million bbls	50.80	632.88
Gas	Bscf	89.13	910.41
Water	million bbls	45.56	234.45
Gas Disposition			
Flared	Bscf	3.03	75.30
Fuel	Bscf	5.81	59.47
Injected	Bscf	80.30	786.60
Water Injected	million bbls	94.52	820.25

Conversion factors:

1 m³ OIL = 6.2898106 bbl

1 m³ GAS = 35.49370 cu. Ft.

Terra Nova

The Terra Nova Field, discovered in 1984 and operated by Petro-Canada, consists of one reservoir: the Jeanne d'Arc. Total production for 2008-09 at Terra Nova reached 36.0 MMbbls. The *Terra Nova FPSO* produced an average of 98,517 bbls/day during the past fiscal year. The C-NLOPB estimates oil reserves at Terra Nova to be at 354 MMbbls. However, in light of the production history of the field, the C-NLOPB is conducting a reassessment of the Terra Nova Reserves. As of March 31, 2009, 266.6 MMbbls have been produced. In October of 2008, the Terra Nova Field reached the 250 MMbbl milestone.



Table 6

Terra Nova Field Production Statistics

		2008-09	Cumulative to March 31, 2009
Production			
Oil	million bbls	35.96	266.55
Gas	Bscf	59.23	301.51
Water	million bbls	25.86	78.37
Gas Disposition			
Flared	Bscf	1.95	43.40
Fuel	Bscf	4.61	27.07
Injected	Bscf	52.66	231.04
Lift	Bscf	7.81	9.93
Water Injected	million bbls	53.92	321.85

Conversion factors:

1 m³ OIL = 6.2898106 bbl

1 m³ GAS = 35.49370 cu. Ft.

White Rose

The White Rose Field, discovered in 1984 and operated by Husky Energy, also has one principal reservoir: the Ben Nevis/Avalon. Total oil production at White Rose for the reporting period was 37.2 MMbbls. The *SeaRose* FPSO at White Rose averaged 101,849 bbls/day. The C-NLOPB estimates oil reserves and resources at White Rose to be 305 MMbbls which includes the main White Rose Field, the South White Rose Extension and the West White Rose and North Avalon Pools. In the 2008-09 fiscal year, White Rose experienced its first significant amount of water production. As of March 31, 2009, 123.0 MMbbls have been produced and the remaining oil reserves amount to 182.0 MMbbls. In September 2008, the White Rose Field reached the 100 MMbbl milestone.



Table 7

White Rose Field Production Statistics

		2008-09	Cumulative to March 31, 2009
Production			
Oil	million bbls	37.17	122.97
Gas	Bscf	32.81	99.07
Water	million bbls	8.90	11.61
Gas Disposition			
Flared	Bscf	3.47	20.79
Fuel	Bscf	3.88	10.44
Injected	Bscf	25.46	68.76
Lift	Bscf	0.56	0.56
Water Injected	million bbls	66.68	195.07

Conversion factors:

1 m³ OIL = 6.2898106 bbl

1 m³ GAS = 35.49370 cu. Ft.

North Amethyst

The North Amethyst Field, discovered in 2006, is a satellite field adjacent to the White Rose development and is operated by Husky Energy. Reserves for this field are estimated by the C-NLOPB at 68 MMbbls.

In February 2008, the C-NLOPB approved a Development Plan Application to develop the North Amethyst Field as a satellite field, tied back to the *SeaRose* FPSO. This fundamental Board decision was approved by the Provincial and Federal Governments in April 2008. First oil from the North Amethyst Field is expected in late 2009 or early 2010.

Hebron

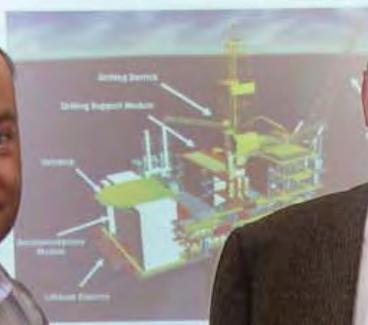
The Hebron Field is an undeveloped oil field located north of the Terra Nova Field and was discovered in 1981. Preparations continue for the Hebron project with recruitment and supply requisition activities in the local area. The C-NLOPB has been advised that ExxonMobil has planned contracting activity for the year ahead in support of the project, with a work value of \$20 million. This work will be associated with environmental and engineering activity needed to support the submission of a development application to the C-NLOPB.

The operator of the Hebron Field, ExxonMobil has been in consultation with the C-NLOPB and a development application, which includes a Development Plan and a Benefits Plan, is anticipated by the C-NLOPB in the coming fiscal year.



Pre-Development Activity

Hebron Development Concept



(l-r) Jonathan MacDonald, John Andrews and Colin Dyer prepare a presentation for one of our stakeholder groups. All three played a key role in the development of the C-NLOPB's R&D/E&T Guidelines.

Industrial Benefits, Policy and Regulatory Coordination

Benefits Administration

During 2008, expenditures by operators related to work in the Newfoundland and Labrador Offshore Area amounted to \$1.68 billion. Since 1966, cumulative expenditures total \$24.68 billion. As of December 31, 2008, 3455 persons were working in direct support of petroleum related activity in the Newfoundland and Labrador Offshore Area. The C-NLOPB monitored Hibernia, Terra Nova, and White Rose operation activities, North Amethyst construction activities, and activities associated with exploration work in the Newfoundland and Labrador Offshore Area, to assess compliance with approved benefits plans. Details of expenditures and employment associated with the Hibernia, Terra Nova, White Rose, and North Amethyst developments are presented below.

During 2008, the C-NLOPB reviewed and approved exploration benefits plans for geoscientific exploration programs in the Jeanne d'Arc Basin, offshore Western Newfoundland, and offshore Labrador. During 2008, \$92 million was spent on these programs, generating more than 876 person-months of employment.

Economic Impact of the Oil Industry

In 2008, hydrocarbon production from the Newfoundland and Labrador Offshore Area accounted for 36% of Canada's total light crude production valued at almost \$12.7 billion. The sector directly accounted for 36% of the province's real Gross Domestic Product (GDP). Since production commenced in 1997, provincial GDP has grown by 65%, with almost half the growth attributed directly to the oil and gas sector. The sector represented 23% of total private capital investment in the province, with over \$800 million in capital expenditures in 2008.

Work expenditure commitments by operators currently total over \$872 million in future exploration activities. Ongoing production activities represent a \$1.34 billion per year industry, of which 47% of annual expenditures occur in Newfoundland and Labrador and a further 24% in the rest of Canada.

The C-NLOPB's mandate with respect to industrial benefits is as follows:

- *To verify operators have an approved Canada/Newfoundland and Labrador Benefits Plan that addresses their statutory obligations.*

The oil and gas sector directly employed 3455 persons at the end of 2008, which was almost 1.65% of total employment in the province. Indirectly, through spin-off effects, the industry accounted for almost 5% of total employment.



Tables 8, 9 and 10 summarize the participation of Newfoundland and Labrador residents and other Canadians in the operating phase workforce at Hibernia, Terra Nova and White Rose, respectively. Table 11 summarizes the participation of Newfoundland and Labrador residents and other Canadians in the development phase workforce for the North Amethyst Tie-back. A Newfoundland and Labrador resident is a Canadian (or landed immigrant) who has resided in the Province for the preceding six-month period prior to time of hire.

Hibernia

HMDC reported expenditures of \$432 million for the fiscal year 2008-09, with 75% Canadian content including 45% Newfoundland and Labrador content. As of March 31, 2009, total direct employment in the province in support of the Hibernia project was 1068 persons, including tanker operations. Of this amount, 93% of the workers were Newfoundland and Labrador residents at the time of hire, and 5% were Other Canadian residents.

Table 8

Hibernia Operations Phase Employment (as of March 31, 2009)

Location	Residency			Total
	Newfoundland & Labrador	Other Canadians	Non-Canadians	
Platform Operations	422	28	9	459
Tanker Operations	111	5	0	116
Onshore & Support	462	19	12	493
Total	995	52	21	1068

Terra Nova

Petro-Canada reported expenditures of \$286.7 million for the fiscal year 2008-09, with 81% Canadian content including 64% Newfoundland and Labrador content. As of March 31, 2009, total employment in support of the Terra Nova project was 835 persons, including tanker operations. At the time of hire, 92% of this total were Newfoundland and Labrador residents and 6% were Other Canadian residents.

Table 9

Terra Nova Operations Phase Employment (as of March 31, 2009)

Location	Residency			Total
	Newfoundland & Labrador	Other Canadians	Non-Canadians	
Platform Operations	226	12	1	239
Tanker Operations	58	0	0	58
Onshore & Support	487	37	14	538
Total	771	49	15	835



Max Ruelokke (C-NLOPB) and Gary Vokey (Petro-Canada) sign new operations authorization for Terra Nova.

White Rose

Husky Energy reported expenditures of \$661.6 million for the fiscal year 2008-09, with 67% Canadian content including 42% Newfoundland and Labrador content. As of March 31, 2009, total employment in support of the White Rose project was 1094 persons, including tanker operations. At the time of hire, 88% of this total were Newfoundland and Labrador residents and 8% were Other Canadian residents.

Table 10

White Rose Operations Phase Employment (as of March 31, 2009)

Location	Residency			Total
	Newfoundland & Labrador	Other Canadians	Non-Canadians	
Platform Operations	347	41	14	402
Tanker Operations	147	8	1	156
Onshore & Support	466	37	33	536
Total	960	86	48	1094

North Amethyst

Husky Energy reported expenditures of \$275.8 million for the fiscal year 2008-09 directly related to the development of the North Amethyst Tie-back, with 79% Canadian content including 69% Newfoundland and Labrador content. As of March 31, 2009, total employment in support of the North Amethyst Tie-back project was 487 persons. At the time of hire, 76% of this total were Newfoundland and Labrador residents and 1% were other Canadian residents.

Table 11

North Amethyst Development Phase Employment (as of March 31, 2009)

Location	Residency			Total
	Newfoundland & Labrador	Other Canadians	Non-Canadians	
Development	371	5	111	487
Total	371	5	111	487

Policy and Regulatory Coordination

During 2008-09, the C-NLOPB continued to be fully engaged in governments' Frontier Offshore Regulatory Renewal Initiative (FORRI). The FORRI initiative involves moving to a goal-oriented regulatory regime from a prescriptive approach. The C-NLOPB is leading the development of joint guidance associated with the new goal-oriented Drilling and Production Regulations, which are expected to be promulgated in late 2009, across the three frontier regulatory boards in Canada - C-NLOPB, C-NSOPB and the NEB.

In 2008, the C-NLOPB established a centralized coordination function within the Department of Industrial Benefits, Policy and Regulatory Coordination for approvals and authorizations for offshore activity. The approach will improve the C-NLOPB's process of reviewing applications from operators.

Coordination of Authorizations & Approvals

Work is ongoing to consolidate the Authorizations and Approvals for White Rose and Hibernia in the context of the matters that are due for renewal during the next fiscal year.

Work is also well underway to standardize and streamline the process for issuing various approvals for individual well operations. Typically, 50 such approvals are issued annually for drilling, completions, workovers and formation flow testing activities. The use of standardized templates for these applications will commence early in the new fiscal year – the new process will be more efficient for both the C-NLOPB and Industry.



CANADA-NEWFOUNDLAND
and LABRADOR
**OFFSHORE
PETROLEUM
BOARD**

Regulating for
future generations

• Health and Safety • Environmental Protection
• Land Rights Issuance

(l-r) David Mills, Stephanie Johnson, Debra Downing and Kelly Weir spend time answering questions and providing information at the Atlantic Canada Petroleum Show. The C-NLOPB introduced a new website and a new portable display as part of its public relations program.

Public Relations and Information Services

Public Relations

In June 2008, the C-NLOPB launched its redesigned website. The new site has a more modern look with improved navigational tools and information restructuring. A website management committee comprised of representatives from all departments was established. The committee will oversee on-going website maintenance activity and improvements.

The C-NLOPB also purchased a new portable display in 2008 for use at trade shows and conferences. The new display has been useful in increasing C-NLOPB visibility at public and industry events.

Information Management

Fiscal year 2008-09 was a year of significant change for the C-NLOPB's information management function. It experienced continued growth in its information management practices, policies and systems. Through the purchase and initial implementation of both data management and corporate information management solutions, the C-NLOPB continues to move towards a more efficient and effective information management framework. A new mobile shelving system was purchased and additional office space was acquired to facilitate the relocation and redesign of the physical records management function.

In the first quarter of 2008-09, the C-NLOPB negotiated a Master Service Agreement with Halliburton (Landmark), for the purchase and installation of a Data Management Solution to store offshore technical data provided to the C-NLOPB by Operators. The Offshore Petroleum Information Management System (OPIMS) installation has concluded and the official project phase for setup has ended. The final quarter of 2008-09 involved initial staff training and the development of an implementation plan that will see data loading phased over a multi-year period dependent on resourcing, priorities of C-NLOPB staff and availability of digital data.

The C-NLOPB curates data and information relating to offshore oil and gas activity in accordance with the provisions of the Atlantic Accords Acts.

In fiscal 2008-09, the C-NLOPB selected TRIM as its corporate information management solution. The fourth quarter of 2008-09 saw two TRIM pilots completed: an archive pilot for offsite records storage and a Quarterly Report to Ministers process. Integration of TRIM to all C-NLOPB desktops is subject to the delivery of a new functional records classification plan expected in the first quarter of 2009-10. A multi-year implementation plan is under development.

Requests For Information

During 2008-09, the C-NLOPB received 489 requests for information from external parties through its Information Resources Centre. These requests primarily relate to access to non-privileged offshore petroleum technical data provided to the C-NLOPB by Operators, and were responded to by the C-NLOPB without requiring formal Access to Information Act requests.

The C-NLOPB received one formal request under the Access to Information Act during 2008-09. Due to this request, the C-NLOPB is a respondent to an appeal to the Federal Court of Canada by a third party who has sought to prevent the C-NLOPB from releasing documents to a requestor. At March 31, 2009 the C-NLOPB had filed its arguments with the court and were awaiting the court's decision.





Walter Bobby is the Senior Structures Engineer for the C-NLOPB and Brenda Fowler is our Financial Officer. The C-NLOPB is audited annually by an independent financial auditing firm.

Financial Statements



Financial Statements

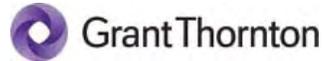
Canada-Newfoundland and Labrador Offshore Petroleum Board

March 31, 2009

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Auditors' report



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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, 2009 and the statements of revenue and expenditures 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, 2009 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 and Labrador

A stylized, handwritten signature of "Grant Thornton LLP" in black ink.

May 1, 2009

Chartered Accountants

Statement of Revenue and Expenditures

Year Ended March 31	2009	2008
Revenue		
Operating grants		
Government of Canada	\$ 6,037,799	\$ 4,898,389
Government of Newfoundland and Labrador	<u>6,037,799</u>	<u>4,898,389</u>
	12,075,598	9,796,778
Add:		
Costs recovered from industry	9,056,699	7,048,133
Amortization of deferred capital grants	301,745	321,541
Interest and other	<u>116,383</u>	<u>186,813</u>
	21,550,425	17,353,265
Less:		
Cost recoveries refunded to governments	(9,056,699)	(7,048,133)
Deferred capital grants	<u>(1,852,943)</u>	<u>(374,718)</u>
Net revenue	<u>10,640,783</u>	<u>9,930,414</u>
Expenditures		
Personnel	8,178,667	7,291,186
Maintenance and support	418,962	420,080
Premises	645,748	563,906
Travel	110,370	209,328
Amortization of capital assets	301,745	321,541
General	<u>985,291</u>	<u>1,124,373</u>
	10,640,783	9,930,414
Excess of revenue over expenditures	\$ -	\$ -

See accompanying notes to the financial statements.

Statement of Financial Position

March 31	2009	2008
Assets		
Current		
Cash and cash equivalents	\$ 1,645,775	\$ 3,480,860
Receivables	4,417,553	1,372,985
Prepays	<u>296,932</u>	<u>208,850</u>
	6,360,260	5,062,695
Capital assets (Note 3)	<u>2,820,854</u>	<u>1,269,656</u>
	\$ 9,181,114	\$ 6,332,351
Liabilities		
Current		
Payables and accruals	\$ 3,599,045	\$ 2,748,372
Deferred revenue (Note 4)	<u>1,294,116</u>	<u>1,100,225</u>
	4,893,161	3,848,597
Deferred capital grants	2,820,853	1,269,654
Accrued employee future benefit obligation (Note 5)	<u>1,467,100</u>	<u>1,214,100</u>
	\$ 9,181,114	\$ 6,332,351
Commitments and Contingency (Notes 7 and 8)		
On behalf of the Board		
	Member	
_____	Member	_____

See accompanying notes to the financial statements.

Statement of Cash Flows

Year Ended March 31	2009	2008
Increase (decrease) in cash and cash equivalents		
Operating		
Excess of revenue over expenditures	\$ -	\$ -
Amortization of deferred capital grants	(301,745)	(321,541)
Amortization of capital assets	301,745	321,541
Accrued employee future benefit obligation	253,000	235,100
	253,000	235,100
Change in non-cash operating working capital (Note 6)	(2,088,085)	2,094,058
	(1,835,085)	2,329,158
Investing		
Purchase of capital assets	(1,852,943)	(374,718)
Deferral of capital grants	1,852,943	374,718
	-	-
Net (decrease) increase in cash and cash equivalents	(1,835,085)	2,329,158
Cash and cash equivalents		
Beginning of year	3,480,860	1,151,702
End of year	\$ 1,645,775	\$ 3,480,860

See accompanying notes to the financial statements.

Notes to the Financial Statements

March 31, 2009

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. The data management system and computer software have not been subject to amortization in the current year as they have not yet been put into use.

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.

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.

March 31, 2009

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

Employee future benefits

Effective January 1, 2009, the Board contributes 100% of the premiums for medical, life and dental benefits for retired employees. Prior to January 1, 2009, the cost of the retiree medical program was shared equally between the retirees and the Board. 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 period of the active members expected to receive benefits under the plan (7 years). Past service costs resulting from plan amendments are amortized over the expected average service life to full eligibility (11 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).

Financial instruments

The CICA Handbook Section 3855, "Financial Instruments - Recognition and Measurement", requires the Board to revalue all of its financial assets and liabilities, including derivatives and embedded derivatives in certain contracts, at fair value.

This standard also requires the Board to classify financial assets and liabilities according to their characteristics and management's choices and intentions related thereto for the purposes of ongoing measurements. Classification choices for financial assets include: a) held for trading - measured at fair value with changes in fair value recorded in net earnings; b) held to maturity - recorded at amortized cost with gains and losses recognized in net earnings in the period that the asset is no longer recognized or impaired; c) available-for-sale - measured at fair value with changes in fair value recognized in net earnings for the current period until realized through disposal or impairment; and d) loans and receivables - recorded at amortized cost with gains and losses recognized in net earnings in the period that the asset is no longer recognized or impaired.

Classification choices for financial liabilities include: a) held for trading - measured at fair value with changes in fair value recorded in net earnings and b) other - measured at amortized cost with gains and losses recognized in net earnings in the period that the liability is no longer recognized. Subsequent measurement for these assets and liabilities are based on either fair value or amortized cost using the effective interest method, depending upon their classification. Any financial asset or liability can be classified as held for trading as long as its fair value is reliably determinable.

In accordance with the standard, the Board's financial assets and liabilities are generally classified and measured as follows:

<u>Asset/Liability</u>	<u>Classification</u>	<u>Measurement</u>
Cash and cash equivalents	Held for trading	Fair value
Receivables	Loans and receivables	Amortized cost
Payables and accruals	Other liabilities	Amortized cost

Other balance sheet accounts, such as prepaids, capital assets, and accrued employee future benefit obligation are not within the scope of the new accounting standards as they are not financial instruments.

The fair value of a financial instrument is the estimated amount that the Board would receive or pay to terminate the instrument agreement at the reporting date. To estimate the fair value of each type of financial instrument various market value data and other valuation techniques were used as appropriate. The fair values of cash approximated its carrying value.

March 31, 2009

3. Capital assets

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>2009 Net Book Value</u>	<u>2008 Net Book Value</u>
Land and parking lot	\$ 281,187	\$ -	\$ 281,187	\$ 134,106
Building	1,346,922	747,053	599,869	616,413
Leasehold improvements	366,380	204,540	161,840	213,714
Furniture and fixtures	450,740	308,310	142,430	86,873
Data management system	980,454	-	980,454	-
Computer software	378,714	-	378,714	-
Computer equipment	<u>1,158,366</u>	<u>882,006</u>	<u>276,360</u>	<u>218,550</u>
	<u>\$ 4,962,763</u>	<u>\$ 2,141,909</u>	<u>\$ 2,820,854</u>	<u>\$ 1,269,656</u>

The data management system and computer software with a cost of \$1,359,168 have not been amortized in the current year.

4. Deferred revenue

	<u>2009</u>	<u>2008</u>
Government of Canada – Security project funding	\$ 69,716	\$ 112,003
Government of Canada	612,200	494,111
Government of Newfoundland and Labrador	<u>612,200</u>	<u>494,111</u>
	<u>\$ 1,294,116</u>	<u>\$ 1,100,225</u>

March 31, 2009

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, 2008 and an extrapolation of those results to March 31, 2009.

	<u>2009</u>	<u>2008</u>
Accrued benefit obligation		
Balance, beginning of year	\$ 1,423,300	\$ 1,601,100
Current service cost	106,800	110,100
Interest cost	103,000	88,500
Plan amendment	788,600	-
Benefits paid	(22,600)	(20,100)
Actuarial gain	<u>(600,500)</u>	<u>(356,300)</u>
Balance, end of year	<u>\$ 1,798,600</u>	<u>\$ 1,423,300</u>
Plans assets	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of funded status		
Funded status - deficit	\$ (1,798,600)	\$ (1,423,300)
Unamortized transitional obligation	396,500	453,100
Unamortized past service cost	772,200	-
Unamortized net actuarial gain	<u>(837,200)</u>	<u>(243,900)</u>
Accrued benefit liability	<u>\$ (1,467,100)</u>	<u>\$ (1,214,100)</u>
Net benefit expense		
Current service cost	\$ 106,800	\$ 110,100
Interest cost	103,000	88,500
Actuarial gain	(7,200)	-
Plan amendment	16,400	-
Amortization of transitional obligation	<u>56,600</u>	<u>56,600</u>
	<u>\$ 275,600</u>	<u>\$ 255,200</u>

March 31, 2009

5. Employee future benefits (cont'd.)

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

	<u>2009</u>	<u>2008</u>
Discount rate	8.5%	6.0%
Rate of increase in compensation levels	4.0%	4.0%
Dental inflation rate	4.0%	4.0%
Medical inflation rate	9.0%	10.0%
	decreasing gradually and uniformly to 4% over 6 years	decreasing gradually and uniformly to 4% over 4 years

6. Supplemental cash flow information

	<u>2009</u>	<u>2008</u>
Change in non-cash operating working capital		
Receivables	\$ (3,044,567)	\$ 1,654,982
Prepays	(88,082)	(69,773)
Payables and accruals	850,673	(210,696)
Deferred revenue	<u>193,891</u>	<u>719,545</u>
	<u>\$ (2,088,085)</u>	<u>\$ 2,094,058</u>

7. Commitments

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

March 31, 2010	\$ 525,478
March 31, 2011	\$ 43,889

8. Contingency

A claim has been initiated against the Board and five other defendants in 1998 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.

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