



ENVIRONMENTAL PROTECTION

MANAGEMENT INDUSTRIAL BENEFITS

OFFSHORE SAFETY / ENVIRONMENTAL PROTECTION / RESOURCE MANAGEMENT / INDUSTRIAL BENEFITS

ANNUAL REPORT **2011 - 12**

June 28, 2012

The Honourable Joe Oliver
Minister of Natural Resources Canada
Government of Canada

The Honourable Jerome Kennedy
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 ended March 31, 2012.

Respectfully submitted,



Max Ruelokke, P. Eng.

Chairman and Chief Executive Officer

BOARD MEMBERS

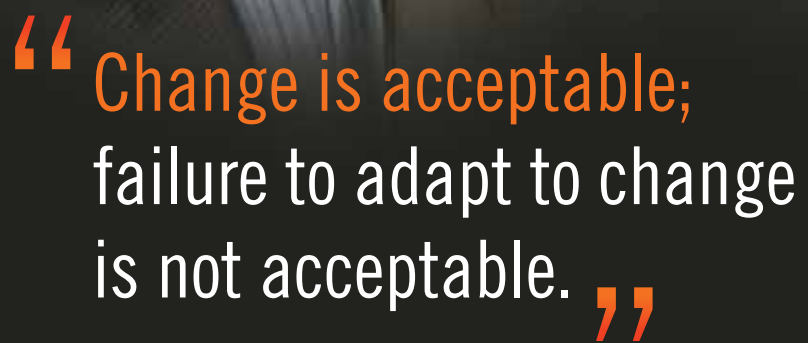
Max Ruelokke, P. Eng.	Chairman/Chief Executive Officer and Chief Conservation Officer (from March 30, 2012)
David Wells	Member and Deputy Chief Executive Officer
Reg Anstey	Member
Reg Bowers	Member
Ed Drover	Member
Conrad Sullivan	Member

SENIOR STAFF

John P. Andrews, LL.B.	Manager, Legal and Land and Corporate Secretary
Michael Baker, CHRP	Manager, Support Services
Jeffrey M. Bugden, P. Eng.	Manager, Industrial Benefits, Policy and Regulatory Coordination
David G. Burley	Manager, Environmental Affairs
Nicholle Carter, P. Geo	Manager, Exploration (from March 30, 2012)
Daniel B. Chicoyne, MSS	Manager, Safety and Chief Safety Officer
Sean Kelly, APR, FCPRS	Manager, Public Relations
Jeff O' Keefe, P. Eng., P. Geo	Manager, Resource Management (from March 30, 2012)
Howard Pike, P. Eng.	Manager, Operations
Frank Smyth, P. Eng.	Manager, Exploration and Resource Management and Chief Conservation Officer (to March 30, 2012)

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MESSAGE from the Chairman and Chief Executive Officer

Change is acceptable; failure to adapt to change is not acceptable. Over the past few years, the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB) has been managing change arising from circumstances affecting offshore oil and gas regulators here and around the world. In doing so, we have assured ourselves that we have the professionalism, technical expertise and sound judgment necessary to regulate the industry and to continue as a world class regulator of offshore oil and gas activities. As part of our commitment to learn, grow and adapt to change, the C-NLOPB monitors activities in the industry worldwide and takes from our observations any lessons that can apply to the local industry.

When the C-NLOPB established the Offshore Helicopter Safety Inquiry in May 2009 we immediately placed ourselves, the regulatory regime and the Newfoundland and Labrador offshore oil and gas industry under a microscope. The result was a report containing 29 recommendations aimed at improving offshore safety, particularly offshore helicopter passenger safety. Under normal circumstances, an organization that commissions such a review would accept the report and begin an internal process of analysis and implementation. Instead, the C-NLOPB took a different approach; one that reflected two key themes of the report - worker inclusiveness and transparency.

The C-NLOPB established an Implementation Team guided by technical experts that consisted of offshore workers, Operators and C-NLOPB staff. Over a period of approximately 18 months, the Implementation Team completed an extraordinary amount of work and provided

the Board with advice. The Team provided progress reports and advisory documents which were posted on the C-NLOPB website as they were presented to the Board. The implementation process and the results of the Team's work have captured the attention of the offshore oil and gas industry in several jurisdictions around the world.

In March, the Implementation Team submitted its last advisory document to the Board. On behalf of the Board I wish to express our gratitude to the Implementation Team: Stan Hussey, Bill Noseworthy, Ron Wheeler, John Whelan, Ray Dalton, Paul Durdle, Jeremy Whittle, Evan Sturge, Daniel Bourgeois, Ryan Brown, Darrell Gover, Allison Moyle, Terry Kelly, Peter McKeage, Tom Moir, Matthew Hawco and Chris Delaney.

I also want to thank my fellow Board members, David Wells, Conrad Sullivan, Reg Bowers, Reg Anstey and Ed Drover for their continued dedication and support during 2011-12.

The C-NLOPB is fortunate to have dedicated and committed staff who perform exceptionally well. 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 2011-12.



Max Ruelokke, P. Eng.

Chairman and Chief Executive Officer



Board of Directors: (L-R) Max Ruelokke, Ed Drover, Reg Anstey, David Wells, Reg Bowers, and Conrad Sullivan.

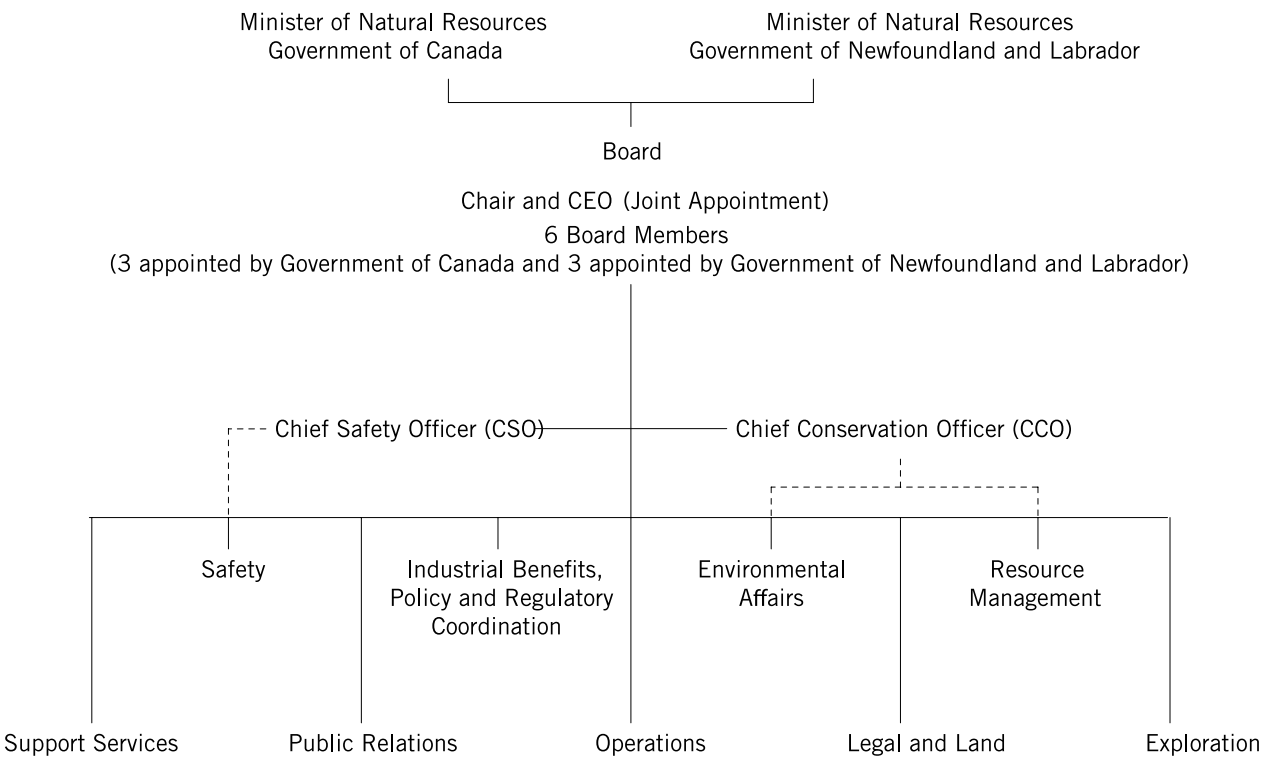
C-NLOPB OVERVIEW

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 key mandates: Offshore 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 a budget of \$15,912,000 for fiscal year 2011-12, which included a base operating budget of \$13,700,000, special funding of \$400,000 for the operations of the Offshore Helicopter Safety Inquiry (OHSI) and \$1,812,000 for the implementation of recommendations from the OHSI.

At the end of the fiscal year the C-NLOPB had a staff of 72. Sixty-eight of these employees have degrees or diplomas, 59 are graduates of post-secondary institutions in Newfoundland and Labrador and 29 have professional designations in engineering, geoscience, safety, finance and public relations.

C-NLOPB Organizational Chart





New Employees: (L-R) Chris Delaney, Matthew Hawco, David Wells, Kyle Abbott, Ron Pope
(Sitting) Corina Mitchell, Jill Coldwell, Daniel Chicoyne

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;
- effective management of land tenure;
- maximum hydrocarbon recovery and value; and,
- Canada/Newfoundland and Labrador benefits.

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

OBJECTIVES

Offshore 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.

Environmental Protection

- 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 samples and data from exploration and production activity.

Industrial Benefits

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

The C-NLOPB Does NOT

- Guarantee the safety of workers or the environment; worker safety and protection of the environment are the obligations 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.



MESSAGE from the Chief Safety Officer

Since assuming my role as Chief Safety Officer (CSO), I have been extremely impressed by the fact that the Board's mandate for the regulatory oversight of safety in the Newfoundland and Labrador Offshore Area is reflected

in everything we do. I have also been encouraged by the sincere interest in safety shown by all of the stakeholders in this industry. Though we sometimes differ in opinion as to the best way to achieve certain safety goals, we all agree that the primary goal is minimizing harm to the men and women who work in our offshore petroleum industry to as close to zero as possible.

Looking at the record of individual injuries, both here and globally in the offshore petroleum industry, it is evident that there has been significant improvement over the years. This demonstrates that further reducing incidents and accidents is possible when efforts are focused. That said, there have been a number of major disasters in the industry, around the globe, over the last few years. So while we continue to monitor and continuously look for ways to improve personal safety, the safety team at the C-NLOPB will also concentrate on working with Operators to find ways to further improve process safety.

To help us attain this goal, we will direct some of our regulatory oversight efforts to improving the overall safety culture of the offshore industry - not just on offshore installations but in boardrooms as well. We will continue to emphasize awareness and management of the safety measures (physical and procedural) that are in place to prevent and/or mitigate major hazards, while working together to proactively develop new procedures and technology to further decrease the likelihood of a major event. As the CSO, I believe this is one of the areas where, as a regulator, the C-NLOPB can have a significant impact on offshore safety in the coming years. This initiative has already been put into action with the C-NLOPB-hosted Well Barrier Workshop conducted in November 2011. We will continue to host workshops, conferences, safety forums and various other events to promote safety and safety culture through the exchange of knowledge, emerging technologies and best practices on both a local and international level.

Approximately 90 percent of offshore workers in our region and 90 percent of the members of the C-NLOPB are from Newfoundland and Labrador, so undoubtedly there are numerous friend and family connections between them. Personnel from the C-NLOPB, including the Executive also frequently travel offshore to carry out their duties. So in addition to their professional and ethical reasons, the people who work at the Board also have very personal reasons for doing their job to the best of their ability. This, combined with the high standard of training and professional competency of Safety Officers at the Board, ensures that safety remains the number one priority of every member of the C-NLOPB.

The hard work and dedication to safety by all members of the C-NLOPB and industry stakeholders has resulted in an offshore Lost Time Injury frequency rate that is among the lowest in the province – 80 percent lower than the Newfoundland and Labrador average for all industries combined. Though we are pleased with that statistic, we are never satisfied that the rate is low enough. We continuously seek out ways to improve safety and take every opportunity to share lessons learned with other industry professionals from around the world. I am proud to be a member of such a professional and conscientious organization and will continue to work with everyone involved to support and promote the principle that safety is always at the core of everything we do.



Daniel B. Chicoyne, MSS

Chief Safety Officer



SAFETY OF OFFSHORE WORKERS

The C-NLOPB will not authorize any offshore activity until an Operator has demonstrated that the necessary safety measures are in place.

Safety Plans

Prior to being issued an authorization in relation to work or activity in the Offshore Area, an Operator must submit a safety plan that demonstrates to the C-NLOPB that the Operator has taken all reasonable and practicable steps to achieve the required level of safety for the proposed work. The safety plan must identify the hazards and assess the risks associated with the activity. It must identify the measures taken to avoid, prevent, reduce and manage that

risk. It must summarize and reference the management system, set out the procedures, practices, resources, sequence of key safety related activities and monitoring measures necessary to ensure the safety of personnel. It must also fulfill the duties set forth in the legislation and regulations for the specific work or activity.

Safety Assessments

When an Operator applies for an authorization to work in the Offshore Area, the *Atlantic Accord Acts* require that the C-NLOPB assess the safety of the proposed work or activity. This systematic and comprehensive assessment of the Operator's application includes the review of safety plans and other safety-related information submitted in support of the authorization. Audits and inspections may also be conducted.

During 2011-12, the C-NLOPB completed nine safety assessments which included a review of safety plans for the following:

- Chevron Canada's Geophysical Program Authorization (GPA) for exploration in the Orphan Basin;
- Hibernia Management and Development Company's (HMDC) Saturation Diving Program Authorization (DVPA) for the Hibernia Field;
- Husky Energy's Operations Authorization (OA) for production in the White Rose Field and for exploration and development drilling;
- Husky Energy's Well Site Survey for the White Rose Field (assessed under Husky Energy's existing OA);
- Multi Klient Invest AS' (MKI) GPA for the Labrador Shelf;
- Statoil Canada's GPA for the Jeanne d'Arc Basin and the Central Ridge/Flemish Pass area;
- Statoil Canada's OA for an exploratory drilling program in the Flemish Pass;
- Suncor Energy's OA (production and drilling) for the Terra Nova Field; and
- Suncor Energy's Saturation DVPA for the Terra Nova Field.

Compliance and Enforcement

Safety Officers have the authority to enter any place used in respect of authorized work or activity for the purpose of carrying out investigations, issuing orders, investigating work refusals and conducting safety inspections and safety audits. In respect to an application for a work authorization, Safety Officers may conduct a safety audit of the proposed installations or vessels. This is referred to as a pre-approval safety audit. During the course of an authorization, Safety Officers also conduct safety inspections and safety audits. Safety Officers also participate in integrated safety and environmental protection audits with C-NLOPB Environmental Conservation Officers. During 2011-12, the C-NLOPB completed the inspections listed in Table 1.

Table 1: Inspections Completed by the C-NLOPB

Operator	Installation/Vessel	Type
HMDC	Hibernia Gravity Based Structure (GBS)	<i>Safety Inspection</i>
HMDC	Hibernia GBS	<i>Safety Inspection</i>
Husky Energy	MODU <i>GSF Grand Banks</i>	<i>Safety Inspection</i>
Husky Energy	<i>SeaRose Floating, Production, Storage & Offloading (FPSO)</i>	<i>Safety Inspection</i>
Husky Energy	<i>SeaRose FPSO</i>	<i>Safety Inspection</i>
Statoil Canada	MODU <i>Henry Goodrich</i>	<i>Safety Inspection</i>
Suncor Energy	<i>Terra Nova FPSO</i>	<i>Observation of Certifying Authority</i>
Suncor Energy	<i>Terra Nova FPSO</i>	<i>Safety Inspection</i>
Suncor Energy	MODU <i>Henry Goodrich</i>	<i>Safety Inspection</i>

Offshore Incident Reporting

The Operator is required to report and investigate all incidents as described in the C-NLOPB Guideline for the Reporting and Investigation of Incidents. An incident refers to any event that caused, or under slightly different circumstances would likely have caused harm to personnel or the environment or imminent threat to the safety of an installation, vessel or aircraft. It also includes any event that impairs the function of any equipment or system critical to the safety of personnel, the installation, vessel or aircraft. Operators' efforts are expected to be directed toward the prevention of all incidents. Safety Officers review submitted incident investigation reports and, during inspections and audits, verify that incidents are properly reported and investigated, that incident investigation procedures have been followed and that corrective actions have been implemented. During 2011-12, the C-NLOPB reviewed 153 incident reports from Operators and there were 23 incidents that resulted in a reportable injury or illness. During the reporting period, offshore workers worked 4,304,663 hours in the Offshore Area.

Figure 1: Lost Time Injury Frequency Rates per 1,000,000 Hours Worked

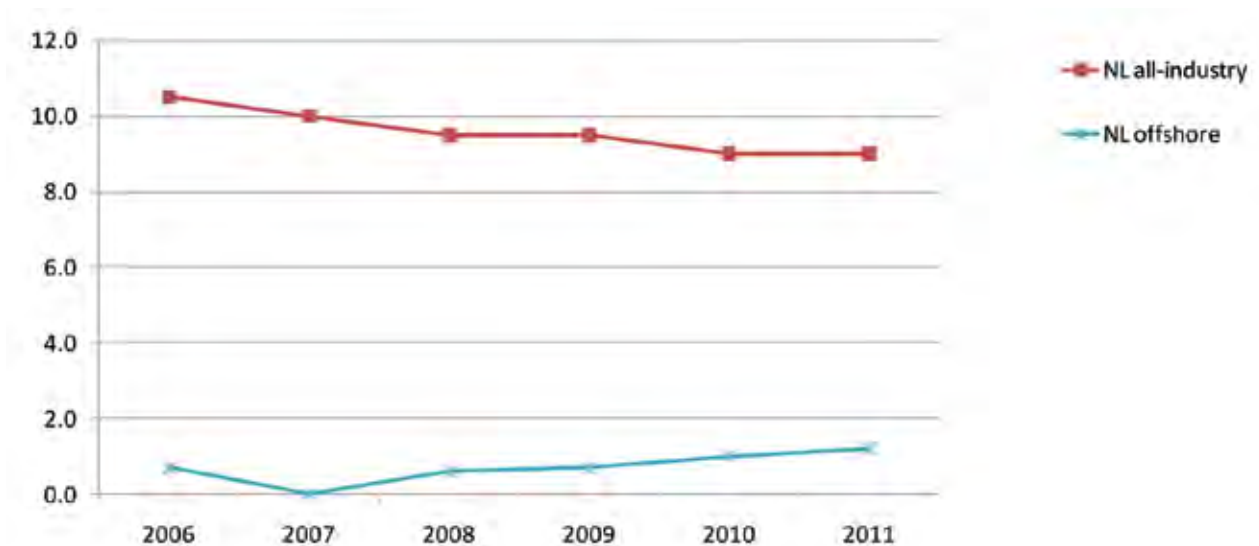


Figure 1, provides a comparison of the Newfoundland and Labrador provincial average Lost Time Injury (LTI) rate with the Offshore LTI rate. LTIs for the offshore oil industry are 80 percent lower than the provincial average.

Source for all-industry rate: Workplace Health, Safety and Compensation Commission (WHSCC) of Newfoundland and Labrador, rate of workplace injuries resulting in lost-time compensation claims.

In addition to reviewing the Offshore JOHS Committee meeting minutes and meeting with the committees during offshore inspections and audits, the C-NLOPB holds two annual Offshore JOHS Committee workshops. The purpose of these workshops is to engage committee members from each installation operating in the Offshore Area on current occupational health and safety topics and best practices. The C-NLOPB held these workshops with Offshore JOHS Committees in November and December of 2011. Discussion topics included Search and Rescue coordination in Atlantic Canada, upgrades at the Marine Institute's Offshore Safety and Survival Centre, an update from Sikorsky on upgrades to the S-92A helicopter, the implementation of recommendations from the OHSI and a presentation on upcoming safety initiatives at Transocean.



The Safety Department has a process to deal with all health and safety related complaints. Any person who has a complaint related to safety in offshore petroleum operations may contact one of the Safety Officers by telephone, in writing or in person. Anonymous complaints may also be submitted. A Safety Officer is assigned to assess each complaint, conducts a review of the facts surrounding the event, takes or recommends action as necessary and responds to the complainant once the review is complete. During 2011-12, the C-NLOPB processed seven complaints. At the end of the reporting period, one safety complaint was still under review.

The C-NLOPB received two applications in 2011-12 for authorization to conduct diving and construction programs in the Offshore Area. HMDC was authorized to conduct a diving program with the support vessel *DSV Wellservicer* and the construction vessel *Deep Constructor*. The goal of the program was to replace the Offshore Loading Systems on Hibernia in support of the Hibernia South Extension project.

Suncor Energy was also authorized to conduct a diving and construction program with the *DSV Wellserver* and *Deep Constructor* for flow-line replacement in the Terra Nova Field.

During 2011-12, the Safety Department issued Interpretation Note 12-01 – Flame Resistant and High Visibility Work Wear and Interpretation Note 12-02 – Lifeboat Release Systems. At the end of the reporting period, an update to the C-NLOPB/CNSOPB Guideline for the Reporting and Investigation of Incidents was underway.

An update of Interpretation Note 11-01 – Supplementary Guidance to the Drilling and Production Guidelines was also completed during this time by both the Safety and Environment Departments of the C-NLOPB.

International Regulators Forum

The International Regulators Forum (IRF) held an offshore safety summit conference in Stavanger, Norway on October 4 and 5, 2011. Major topics included the Montara and Macondo disasters, blowout preventers (BOPs), well control and integrity, standards development, safety culture, and fitness to operate.

Offshore Helicopter Safety Inquiry Implementation

The C-NLOPB created the OHSI Implementation process which has captured the attention of the international offshore oil industry. The C-NLOPB engaged offshore workers, Operators and experts in the review of recommendations and formulation of advice to the Board. An Advising Document was developed for each recommendation. Each Advising Document was posted to the C-NLOPB website following approval or approval in principle by the Board. Because of the extraordinary commitment given to improving offshore helicopter passenger safety, the C-NLOPB has become a world leader for this area and our expertise has been sought out in conferences, seminars and meetings. The C-NLOPB participated in the following:

- In 2011, the CEO and four members of the multi-stakeholder OHSI Implementation Team, including workforce representation, attended the CHC Safety and Quality Summit in Vancouver, BC. In 2012, it was attended by the CEO, the C-NLOPB Aviation Advisor and members of the Helicopter Operations Safety Committee (HOSC);
- The CEO and CSO participated in the Helicopter Ditching, Water Impact and Survivability Workshop in Cologne, Germany;
- The CEO participated in the Oil and Gas UK Aviation Seminar in Aberdeen, Scotland;



- The CEO and C-NLOPB Aviation Advisor visited Augusta Westland's plant in Yeovil, UK;
- The CEO and C-NLOPB Aviation Advisor visited the Norway Civil Aviation Authority (CAA) to exchange information;
- The CEO and C-NLOPB Aviation Advisor, along with representatives of the Operators and the offshore workforce participated in a visit to Sikorsky's plant in Connecticut, US; and
- By invitation, the C-NLOPB is now a full member of the UK CAA's Helicopter Safety Research Management Committee (along with the UK, Norway, Denmark, and Sweden). As part of this work, the C-NLOPB hosted the UK's CAA Flight Operations Research Manager who helped further the work on a local study into helicopter side floatation. He also gave a presentation to local stakeholders on the work of the HSRMC.

OHSI Recommendation Implementation Status

The C-NLOPB OHSI Implementation Team formed working groups to conduct detailed assessments of the recommendations. The Team worked with training institutes, the Department of National Defense (DND), Operators, service providers, doctors, human factors experts, safety management experts and other specialists as necessary when developing Advising Documents for each recommendation.

The table below illustrates the C-NLOPB's progress in implementing the OHSI recommendations.

During 2011-12, the Helicopter Operations Safety Committee was created in response to the Advising Document for

Table 2: OHSI Recommendation Implementation Status

Recommendation		System Safety Deficiency Identified	Strategy Developed	Advising Document Prepared	Board Briefed	Action Plan Developed by C-NLOPB	Implementation Initiated	Recommendation Implemented
1	First Response Helicopter							
2	First Response Goals							
3	First Response Dispatch							
4	DND/Cougar Protocol							
5	Worker Familiarization							
6	Personal Accountability							
7	Communication of Incident Reports, etc.							
8	Pilot Briefings							
9	Operational Requirements							
10	On-Board Safety & Equipment							
11	Helicopter Fleet Size							
12	Night Flight							
13	Safety Training Goals							
14	Worker Fitness							
15	Pilot Helmets							
16	Additional Personal Protection Equipment							
17	Risk Management Assessment							
18	Ongoing Verification of Risk Management							
19	Safety Culture							
20	Worker/Pilot Involvement							
21	C-NLOPB/CAPP Relationship							
22	Aviation Expertise							
23	Aviation Oversight							
24	Aviation Safety Audits							
25	Safety Forums							
26	Safety Conferences							
27	Research and Development							
28	Formal Document Review							
29b	Separate Safety Department within the C-NLOPB							

LEGEND

- Completed
- In Progress
- Not Applicable

Recommendation 20. The HOSC is comprised of representatives from offshore workers, Operators, the helicopter service provider and other stakeholders. The HOSC held four meetings during the reporting period to discuss offshore helicopter safety issues.

Additional developments stemming from the implementation of the OHSI recommendations in the past year include:

- The construction of a new, dedicated Search and Rescue helicopter hangar in St. John's;
- The development of a formal communication protocol between DND and Cougar Helicopters;
- The development of criteria necessary to initiate night flying;
- The first semi-annual safety forum; and
- C-NLOPB involvement in the HSRMC, a Joint UK CAA and UK Oil and Gas initiative to fund helicopter safety research, including the current "side flotation" for helicopters initiative.

Following advice from the Implementation Team, the C-NLOPB is developing action plans for recommendations that are not fully implemented. Eleven recommendations have been implemented.

The OHSI Phase II Report (the final phase) was submitted to the C-NLOPB in August 2011. Phase II was a review of the Transportation Safety Board (TSB) Report into the crash of Cougar Flight 491 and contained four recommendations. The C-NLOPB completed its review and accepted the first recommendation regarding Alert Service Bulletins – the only recommendation to be addressed directly to the C-NLOPB. The remaining three recommendations were referred to the appropriate parties: Recommendations 2 and 3 regarding helicopter passenger suits and implementation of the TSB Report

recommendations, respectively, were referred to Transport Canada. Recommendation 4 regarding an independent offshore safety regulator was referred to the Government of Canada and the Government of Newfoundland and Labrador.

C-NLOPB Safety Forum

The OHSI recommended that the C-NLOPB hold safety forums. The first semi-annual safety forum was held from October 31 – November 1, 2011 and focused on helicopter safety. The goals of the Forum are:

- To encourage proactive identification of safety issues;
- To highlight areas where the risks of incidents can be reduced to a level as low as reasonably practicable;
- To share safety information and best practices across the Newfoundland and Labrador oil and gas industry and around the world; and
- To assist the C-NLOPB in setting goals and to identify possible improvements.

Forum presentations consisted of:

- OHSI recommended implementation progress;
- An introduction to the HOSC;
- Cougar's safety management system;
- Helicopter passenger transport suits; and
- An update on Operator initiatives.

The Forum agenda was designed to include presentations, round-table discussions and open-mic sessions. For each open-mic session questions were directed at a panel which consisted of the C-NLOPB's Chair and CEO, CSO, Aviation Advisor and the HOSC Chair.

During the 2011-12 reporting period, three EPPs were reviewed as part of the OA process. These were for:

- Statoil Canada's offshore exploratory drilling program in the Flemish Pass/North Central Ridge area;
- Suncor Energy's application for renewal of its OA in the Terra Nova Field; and
- Husky Energy's application for renewal of its OA for the White Rose/North Amethyst projects.

Oil Spill Response Planning

The C-NLOPB continued to work with Operators during the fiscal year to review and improve oil spill response plans.

An internal team comprised of senior managers completed a review of the US National Commission on the BP *Deepwater Horizon* Oil Spill and Offshore Drilling recommendations. The team also reviewed the report by Captain Mark Turner, entitled *Review of Offshore Oil Spill Prevention and Remediation Requirements and Practices in Newfoundland and Labrador*, which was released in April 2011 by the Government of Newfoundland and Labrador. Once these reviews were completed, the C-NLOPB's Chief Conservation Officer (CCO) finalized his response to a report submitted by the three producing Operators evaluating their collective oil spill response capability.

During 2011-12, the C-NLOPB also supported the initiation of a study through the Environmental Studies Research Funds of the biodegradation of natural and chemically dispersed Grand Banks crude oils. The study, led by Fisheries and Oceans Canada's Centre for Offshore Oil, Gas and Energy Research, will seek to apply lessons learned in monitoring Macondo crude in the Gulf of Mexico to potential spills of crude oils produced in the Offshore Area.

Environmental Assessment

The C-NLOPB is the lead agency for the EA of proposed exploration and production activities in the Offshore Area under the *Atlantic Accord*, the *Atlantic Accord Implementation Acts*, and the *Canadian Environmental Assessment Act (CEAA)*. The C-NLOPB, in accordance with the *CEAA*, must undertake an EA of certain petroleum exploration and production works or activities proposed for the Offshore Area. The C-NLOPB also assesses the potential environmental effects of projects and activities that are not covered by the *CEAA*. These can include controlled source electromagnetic surveys and aeromagnetic surveys using a magnetometer.

During 2011-12, the C-NLOPB completed screening for the following projects in accordance with the *CEAA*:

- Statoil Canada's 2011-12 Jeanne d'Arc and North Ridge/Flemish Pass Basin Geophysical Program;
- Multi Klient Invest AS's (MKI) 2011-13 Offshore Labrador 2D Seismic Program;
- Chevron Canada's Northern Grand Banks Regional Seismic Program; and
- Chevron Canada's Labrador Seismic Program.

The Comprehensive Study of ExxonMobil Canada Properties Hebron Development was initiated in 2009 and concluded in December 2011. The Comprehensive Study Report (CSR) was forwarded by the C-NLOPB to the Canadian Environmental Assessment Agency and the Minister of the Environment on September 30, 2011. The Agency made it available for a 30 day public comment period. The Minister of the Environment issued his EA decision on December 22, 2011, stating that the project is not likely to cause significant adverse environmental effects and that the mitigation measures and follow-up

mediator or review panel.

On August 15, 2011, the Minister of the Environment replied to the C-NLOPB that he had decided the EA should continue as a screening level assessment with enhanced public consultation and recommended that the C-NLOPB update its 2005 Western Newfoundland and Labrador Offshore Area Strategic Environmental Assessment and its 2007 Western Newfoundland and Labrador Offshore Area Strategic Environmental Assessment Amendment.

- In consideration of the Minister's recommendation for extensive public consultation during the screening, the C-NLOPB engaged an Independent Reviewer, Mr. Bernard Richard, to consult with the public upon submission of the EA report by Corridor Resources. Corridor Resources submitted the EA report and supporting documents in late October. The C-NLOPB conducted a completeness review of the submission and on November 10, 2011, requested further information from Corridor Resources. Corridor Resources submitted a revised EA report and supporting documents on December 20, 2011.

On January 20, 2012, the C-NLOPB received a request from Corridor Resources to issue a prohibition order under the *Atlantic Accord* legislation, which would prohibit Corridor Resources from commencing or continuing any work or activity on EL 1105 and would freeze the licence period. On February 28, 2012, the Board dismissed this application, but decided to complete the update of the Western Newfoundland and Labrador Offshore Area Strategic Environmental Assessment prior to finalizing the project specific EA of Corridor Resources' proposed exploration well. The C-NLOPB subsequently terminated the Independent Review by Mr. Richard. As of March 31, 2012, the C-NLOPB had received technical commentary on the EA report from most departments and agencies and was preparing to transmit consolidated technical comments to Corridor Resources.

- ConocoPhillips Canada's 3D and 2D Seismic Program in the Laurentian Subbasin;
- Deer Lake Oil and Gas' Western Newfoundland and Labrador 2D Seismic; and
- Ptarmigan Resources Ltd. Western Newfoundland 2D/3D Seismic Program.

ExxonMobil Canada withdrew the EA for a Geotechnical Program in support of the Hebron Development Project as the activity was assessed in the Hebron CSR.

Environmental Assessment of a Proposed Exploration Well on Licence EL 1105 (Old Harry)

Corridor Resources Inc. is the interest owner in EL 1105 (known as Old Harry) which is situated in the Gulf of St. Lawrence. The company submitted a project description to the C-NLOPB in February 2011. The project description was used to draft a scoping document for the EA which was made available for public comment. Based on the level and nature of public comments received on the draft scoping document, the C-NLOPB referred the EA to the Minister of the Environment on June 3, 2011, recommending referral of the project for review by a

Strategic Environmental Assessment

Strategic Environmental Assessment (SEA) is a broad-based approach to EA that examines the environmental effects that may be associated with a plan, program or policy proposal and that allows for the incorporation of environmental considerations at the earliest stages of program planning. SEA typically involves a broader-scale EA that considers the larger ecological setting, rather than a project-specific EA that focuses on site-specific issues with defined boundaries. The C-NLOPB decided in 2002 to conduct a SEA of portions of the Offshore Area that may have the potential for offshore oil and gas exploration activity, but that were not subject to recent SEAs nor to recent and substantial site-specific assessments.

The C-NLOPB initiated the update for the Western Newfoundland and Labrador Offshore Area SEA during the reporting period. A 17 person Working Group consisting of non-governmental organizations and federal and provincial government agencies from the Atlantic Provinces and Quebec was formed. A draft scoping document was developed by the C-NLOPB with assistance of the Working Group and made available for public comment. Comments were received in early 2012 and considered for inclusion in the scoping document. A request for proposals was issued on March 2, 2012, requesting proposals by March 26, 2012. Proposals were being reviewed by the Working Group at the end of the reporting period.

Compliance and Enforcement

Operators must report all pollution incidents (petroleum spills, unauthorized and/or unplanned discharges and releases and problems with effluent quality) for all offshore installations. The C-NLOPB reviews these reports and investigates as required.

The investigation by the C-NLOPB into the spill of 26,400



litres of synthetic-based drilling mud (SBM) from the Mobile Offshore Drilling Unit (MODU) *Henry Goodrich* which occurred on March 28, 2011, at the Suncor Energy operated Ballicaters M-96Z exploration well, was ongoing during the 2011-12 fiscal year. An investigation report was completed and submitted to the Public Prosecution Service of Canada in late August 2011.

In March 2012, the C-NLOPB issued a notice of non-compliance to HMDC for an exceedance of the 30-Day Volume Weighted Rolling Average oil-in-water concentration in the produced water discharge from the Hibernia GBS that occurred from November 29, 2011, to December 5, 2011. Follow-up work on this notice of non-compliance will occur into the next fiscal year.

In October 2011, a C-NLOPB Conservation Officer and an Enforcement Officer from Environment Canada conducted an audit of the *SeaRose FPSO* for compliance with the Federal Halocarbon Regulations.

Of the 21 petroleum spills reported in 2011-12, nine were one litre or less. A summary of spill information for the 2011-12 fiscal year is provided in Table 3.

Table 3: Summary of Spill Information

Component	Litres	Percentage of Annual Total	Number of Incidents
Synthetic Based Mud	4851.00	96.23	5
Crude Oil	34.53	0.69	6
Hydraulic and Lubricating Oil	154.47	3.06	8
Other Petroleum	0.88	0.02	2

Of the 4851 litres of synthetic based mud spilled during the reporting period, 4000 litres were spilled from the mud system on the *GSF Grand Banks*, operated by Husky Energy on September 20, 2011. The C-NLOPB reviewed Husky Energy's investigation of this event and determined that the investigation did not sufficiently address a number of underlying causes and management system issues. This spill was one of the events reviewed by C-NLOPB Conservation Officers in relation to the notice of non-compliance issued to Operators in January 2012 and the C-NLOPB has requested that Husky Energy complete further investigation into this event.

Environmental Effects Monitoring

Environmental Effects Monitoring (EEM) is used to determine the effects of ongoing industrial activity on the natural environment. In the Offshore Area, EEM has been undertaken for development drilling and production operations because of the greater variety and volume of their regulated discharges, such as produced water and the length of time they operate in the Offshore Area. EEM surveys are initiated during the first full year of offshore development drilling and are executed annually for at least two additional years, becoming biennial thereafter. The C-NLOPB and federal and provincial environment and fisheries departments review the design of each EEM program and the detailed reports from each survey. Completed EEM reports are available in hard copy from the C-NLOPB, with more recent reports available through the C-NLOPB website.

Husky Energy submitted the 2010 White Rose Environmental Effects Monitoring Program report in May 2011. Husky Energy has received comments from the C-NLOPB and reviewing agencies and is preparing a response.

Comments by the C-NLOPB and advisory agencies on the Hibernia Production Phase Environmental Effects Monitoring Program – Year Seven (2009) Report were forwarded to HMDC in April 2011. HMDC provided a response to these comments in March 2012 which was subsequently forwarded to reviewers for consideration.

In July 2011 HMDC submitted proposed revisions to its EEM program design to incorporate the Southern Extension Drill Centre. Comments by the C-NLOPB and advisory agencies were forwarded to HMDC and a response was submitted to the C-NLOPB in February 2012. This was forwarded to reviewers for consideration.

Suncor Energy submitted the proposed water quality monitoring revision to the Terra Nova EEM program design. The revision was sufficient to meet the intent of the OA condition. The 2010 Terra Nova Environmental Effects Monitoring Program – Year Seven Report was submitted by Suncor Energy in November 2011. Comments by the C-NLOPB and advisory agencies were forwarded to Suncor Energy in February 2012.





Drilling activity was suspended as the *GSF Grand Banks* was towed to the Halifax shipyard to conduct repairs and undertake scheduled maintenance. In late February 2012 the *GSF Grand Banks* returned to the field and resumed activities.

Suncor Energy

Suncor Energy drilled and tested an exploration well. The well was then plugged and abandoned. The Operator re-entered and completed another well.

Statoil Canada Limited

Statoil Canada drilled a delineation well and an exploration well.

The *Henry Goodrich* was towed off location to shipyard to conduct planned maintenance where it remained at the end of the reporting period.

Dragon Lance Management Corporation

Dragon Lance drilled an onshore to offshore exploration well in the Western Newfoundland offshore region. The well was suspended in August 2011 and reentered in January 2012. Dragon Lance commenced drilling the sidetrack well within the reporting period.

The C-NLOPB and the provincial government are working co-operatively to regulate the drilling of this onshore to offshore well. At the end of the reporting period, operations were still ongoing.

Well Barrier Workshop

On November 22, 2011, the C-NLOPB hosted a workshop on well barrier envelopes, well barrier elements, and well barrier impairment as they apply throughout the entire life cycle of a well through the examination of the Norwegian NORSOK D-010 standard. This workshop was supported by North Sea personnel involved in maintaining the standard and was attended by drilling, completions and production personnel from local Operators, drilling contractors and Certifying Authorities.

Review of International Blowout Incidents

The Operations Department follow-up of the *Deepwater Horizon* accident in 2010 in the Gulf of Mexico and the Montara blowout off Australia in 2009 continues to be vital in determining the priorities and actions of the Department.

Certificates of Fitness

During 2011-12, the activities of the Certifying Authority were monitored by the Operations Department for the following installations operating in the Offshore Area:

Table 4: Certificates of Fitness

Installation Name	Installation Type	Certifying Authority
Hibernia	Production	Lloyd's Register North America Inc
<i>SeaRose FPSO</i>	Production	Det Norske Veritas Classification A/S
<i>Terra Nova FPSO</i>	Production	Lloyd's Register North America Inc
<i>DSV Wellservicer</i>	Diving	Det Norske Veritas Classification A/S
<i>Henry Goodrich</i>	Drilling	Det Norske Veritas Classification A/S
<i>GSF Grand Banks</i>	Drilling	Det Norske Veritas Classification A/S



Regulatory Queries

The CSO and/or the CCO 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 to that provided by the legislation. During 2011-12, the C-NLOPB received 38 applications for deviations from the regulations. Decisions were made on 20 regulatory deviations which were posted to the C-NLOPB website. Five applications were withdrawn and eight were not considered deviations from the regulations. As of March 31, 2012, six applications were under consideration.



RIGHTS MANAGEMENT

Status of Licences

The C-NLOPB issues land rights in the form of exploration licences (ELs), significant discovery licences (SDLs) and production licences (PLs). Four ELs, two SDLs and two PLs were issued in the 2011-12 fiscal year. There was one exploration licence consolidation (ELs 1097, 1098, 1103 and 1104) resulting in EL 1097R. As of March 31, 2012, there were 33 ELs, 52 SDLs and 10 PLs in the Offshore Area (see pages 40 and 41).

Calls for Bids

Call for Bids NL11-01 (Area “B” - Western Newfoundland and Labrador Offshore Region) closed on November 15, 2011. Successful bids were received on both parcels offered, totalling \$2,002,000 in work expenditure commitments. Call for Bids NL11-02 (Area “C” - Flemish Pass/North

Central Ridge) closed on November 15, 2011. Successful bids were received for both EL parcels offered, totalling \$347,774,664 in work expenditure commitments. Call for Bids NL11-03 (Area “C” - Labrador Offshore Region) closed on November 15, 2011. There were no bids received for the four EL parcels offered in that Call. These successful bids represent the expenditures that the bidders commit to make in exploring the parcels during period one of a nine-year EL.

Call for Bids NL12-01 (Area “C” - Laurentian Subbasin) was issued on March 9, 2012, offering six parcels in the Laurentian Subbasin. This Call will close on November 1, 2012.

Operating Licences

Any person wishing to undertake any petroleum related work or activity in the Offshore Area must obtain an Operating Licence (OL). Table 5 shows the 18 OLs issued by the C-NLOPB during the 2011-12 fiscal year.

Table 5: Operating Licences Issued 2011-12

(April 1, 2011 - March 31, 2012)		
1.	OL 1101	Husky Oil Operations Limited
2.	OL 1102	ExxonMobil Canada Ltd.
3.	OL 1103	ExxonMobil Canada Ltd., as Managing Partner for ExxonMobil Canada Properties
4.	OL 1104	Chevron Canada Limited
5.	OL 1105	Chevron Canada Limited, as Managing Partner for Chevron Canada Resources
6.	OL 1106	Imperial Oil Resources Ventures Limited
7.	OL 1107	Imperial Oil Resources Limited
8.	OL 1108	Hibernia Management and Development Company Ltd.
9.	OL 1109	Encana Corporation
10.	OL 1110	Corridor Resources Inc.
11.	OL 1111	Suncor Energy Inc.
12.	OL 1112	Schlumberger Canada Ltd., as Managing Partner of WesternGeco Canada
13.	OL 1113	Statoil Canada Ltd.
14.	OL 1114	Shell Canada Limited
15.	OL 1115	Dragon Lance Management Corporation
16.	OL 1116	ConocoPhillips Canada Resources Corp.
17.	OL 1117	Multi Klient Invest AS
18.	OL 1118	Ptarmigan Energy Inc.

Exploration Commitments

As of March 31, 2012, there was \$1,068,197,388 in exploration commitments to be undertaken by interest owners, secured by deposits valued at \$264,449,347.

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 further facilitate 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 2011-12, \$13,621,708.33

was collected and remitted to the Receiver General for Canada (see Table 6). Some of these funds are for deposit to the Newfoundland and Labrador Offshore Petroleum Resources Revenue Fund. Since its inception, the C-NLOPB has collected \$186,761,872.33 on behalf of the Crown.

Table 6: Funds Collected on Behalf of the Receiver General for Canada

Fiscal Year 2011-12	
Rentals	\$211,245.00
Forfeitures (Security Deposits)	\$8,909,253.33
Operating Licences	\$450.00
Registry Fees	\$715.00
Access to Information Requests	\$45.00
Forfeitures (Drilling Deposits)	\$4,500,000.00
Total	\$13,621,708.33



MANAGEMENT OF RESOURCES

Data Storage and Research

The C-NLOPB's Core Storage and Research Centre (CSRC) archives core, cuttings, fluid samples, petrographic slides, biostratigraphic slides, and other geological material derived from wells drilled in the Offshore Area. The CSRC provides access once material is released to the public in accordance with legislation and regulations. Currently there are over 5000 boxes of cuttings samples, 8000 metres (m) of core, 7500 sidewall core samples, 40,000 geological slides and 200 fluid samples from over 370 wells available at the CSRC. During the reporting period, the CSRC received approximately 300 m of core and 310 boxes of cuttings.

Geophysical / Geological Programs

The C-NLOPB reviewed and approved six applications for authorization to conduct exploration-related work in the Offshore Area in 2011-12.

During the reporting period, the C-NLOPB approved three wellsite (surficial) surveys. Husky Energy was authorized to conduct two wellsite surveys on the Grand Banks in the Jeanne d'Arc Basin. Both surveys utilized the *M/V Chignecto*. Statoil Canada acquired Remotely Operated Vehicle (ROV) data across ELs 1112 and 1124 in the Flemish Pass Basin using the *M/V Scandi Vega*.

Three exploration seismic programs were recorded during the reporting period. Multi Klient Invest AS (MKI) acquired a 2D seismic survey using the vessel, *M/V Sanco Spirit*. The program collected 5144 line km of

seismic data across the Labrador Shelf. Two 3D seismic surveys were conducted in the Flemish Pass Basin in 2011. The first program was conducted using the vessel *M/V WG Tasman*. This survey collected 6122 line km of seismic data. The second program was acquired by Statoil Canada using the vessel *M/V WG Amundsen*, with collection of 3573 line km of seismic data.

The geophysical programs conducted in 2011-12 account for 9695 km of 3D seismic and 5144 km of 2D seismic data recorded in the Offshore Area. Since 1964, 2.1 million km of seismic data has been recorded in the Offshore Area.

Table 7: Geophysical Programs Approved and Conducted

Operator	Program	Area	Coverage (Line km)
Chevron Canada	3D Seismic	Flemish Pass Basin	6122 km
Husky Energy	Surficial Survey	Jeanne d'Arc Basin	149 km
Husky Energy	Surficial Survey	Jeanne d'Arc Basin	71 km
MKI	2D Seismic	Labrador Shelf	5144 km
Statoil Canada	3D Seismic	Flemish Pass Basin	3573 km
Statoil Canada	Surficial Survey	Flemish Pass Basin	N/A

Guideline Updates

The Geophysical, Geological, Environmental and Geotechnical Program Guidelines were revised in 2011-12. Changes include enhanced environmental activity reporting, additional safety requirements for personnel transfers at sea and certification of support vessels for seismic programs. The fee schedule for program applications under these guidelines was also reviewed and updated.

Several sections of guidance that support the *Drilling and Production Regulations* were also revised. Both the Measurement Guidelines and the Guidelines Respecting Monthly Production Reporting for Producing Fields in the Newfoundland and Labrador Offshore Area were updated to account for changes in technology.

The Data Acquisition and Reporting Guidelines have been updated to reflect lessons learned from their use. These guidelines, which in the past had been issued jointly with the Canada - Nova Scotia Offshore Petroleum Board, are now issued separately and apply

specifically to operations in the Newfoundland and Labrador Offshore Area.

Also during 2011-12, new Drilling and Production Guidelines were published. These guidelines were initially issued on December 31, 2009 in draft form for use on a one-year trial basis. Based on feedback received from various stakeholders and experience with their use, a number of improvements were made and the guidelines were re-published on May 31, 2011. The updates took into consideration the special oversight measures implemented for deep water operations as well as a review of initiatives taken in other jurisdictions. Further updates to the Drilling and Production Guidelines are anticipated. In future updates, the C-NLOPB will take into account its review of the OHSI Implementation Team Advisory Documents, the Provincial Government's Review of Offshore Oil-spill Prevention and Remediation Requirements and Practices in Newfoundland and Labrador and the US National Commission on the BP *Deepwater Horizon* Oil Spill and Offshore Drilling report.

Resource Assessment and Production

The C-NLOPB's most recent reserve/resource estimates and production totals are provided in Table 8.

Table 8: Resource Assessment and Production

Petroleum Reserves ¹ and Resources ² - Newfoundland and Labrador Offshore Area				
Field	Initial Estimate	Oil	Gas	NGLs ⁶
	<i>MMbbls³</i>	<i>Produced⁴</i> <i>MMbbls</i>	<i>BCF⁵</i>	<i>MMbbls</i>
Grand Banks				
Reserves				
Hibernia	1395	792		
Terra Nova	419	332		
White Rose ⁷	229	169		
North Amethyst	68	19		
Subtotal	2111	1312		
Resources				
Hibernia	-		1984	225
Terra Nova ⁸	86		53	4
White Rose ⁷	76		3023	96
North Amethyst	-		315	-
Hebron	581		-	-
Mizzen	102		-	-
Ben Nevis	114		429	30
West Ben Nevis	36		-	-
West Bonne Bay	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
Subtotal	1134		6804	379
Labrador Shelf				
North Bjarne	-		2247	82
Gudrid	-		924	6
Bjarne	-		863	31
Hopedale	-		105	2
Snorri	-		105	2
Subtotal	0		4244	123
Total	3245		11,048	502
Produced		1312	0	0
Remaining	1933		11,048	502

Notes for Table 8

¹Reserves 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. Oil reported for Hibernia, Terra Nova, White Rose (South Avalon Pool and Southern Extension) and North Amethyst fields are classified as reserves.

²Resources are volumes of hydrocarbons, expressed at 50% probability, assessed to be technically recoverable that have not been delineated and have unknown economic viability. The classification of resources includes gas, NGLs⁶, and oil in pools and fields that have not yet been developed or approved by the C-NLOPB.

³MMbbls = million barrels.

⁴Produced oil reserve volumes as of March 31, 2012. This also includes a small quantity of NGLs⁶.

⁵BCF = billion cubic feet.

⁶Natural 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.

*NGL estimates have not been updated since 2006.

⁷White Rose reserves include the South Avalon Pool and the Southern Extension Pool. White Rose resources include the West Avalon Pool, North Avalon Pool and Hibernia Reservoir.

⁸Terra Nova resources include the West Flank.

Hibernia

The Hibernia Field, discovered in 1979, consists of two principal reservoirs: Hibernia and Ben Nevis/Avalon. This Field is operated by HMDC and is produced using the Hibernia GBS. Total oil production for 2011-12 was 56.3 million barrels (MMbbls) with a daily average of 154,187 barrels (bbls). The C-NLOPB estimates oil reserves and resources at Hibernia to be 1395 MMbbls of which 792.4 MMbbls were produced as of March 31, 2012.

Table 9: Hibernia Field Production Statistics

		2011-12	Cumulative to March 31, 2012
Production			
Oil	MMbbls	56.28	792.36
Gas	Bscf	98.01	1182.67
Water	MMbbls	34.56	347.31
Gas Disposition			
Flared	Bscf	1.60	80.77
Fuel	Bscf	5.78	76.16
Injected	Bscf	90.63	1025.74
Water Injected	MMbbls	89	1092

Conversion factors:

1 m³ oil = 6.2898106 bbls

1 m³ gas = 35.49370 cu. ft.

Terra Nova

The Terra Nova Field, discovered in 1984 and operated by Suncor Energy, consists of one reservoir: the Jeanne d'Arc. Total production for 2011-12 at the Terra Nova Field reached 16.5 MMbbls. The *Terra Nova FPSO* produced an average of 44,933 bbls/day during the past fiscal year. The C-NLOPB estimates oil reserves at Terra Nova to be 419 MMbbls, of which 331.9 MMbbls were produced as of March 31, 2012. During the reporting period, an extension was made to the Terra Nova K-08 SDL resulting in the addition of 86 MMbbls of resources.

Table 10: Terra Nova Field Production Statistics

		2011-12	Cumulative to March 31, 2012
Production			
Oil	MMbbls	16.45	331.87
Gas	Bscf	49.87	464.20
Water	MMbbls	24.64	171.98
Gas Disposition			
Flared	Bscf	2.36	47.38
Fuel	Bscf	4.75	43.33
Injected	Bscf	42.76	373.48
Lift	Bscf	12.87	49.39
Water Injected	MMbbls	39	479

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 the White Rose Field for the reporting period was 12.29 MMbbls. The White Rose Field averaged 33,681 bbls/day. The C-NLOPB estimates oil reserves and resources at the White Rose Field 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. Of this, 168.6 MMbbls have been produced as of March 31, 2012.

During 2011-12, production from the West White Rose Pilot Project began. Production from the West White Rose Pool totalled 1.24 MMbbls as of March 31, 2012. Once the pilot project is completed, the resource estimate for this Field will be re-assessed by the C-NLOPB.

Table 11: White Rose Field Production Statistics

		2011-12	Cumulative to March 31, 2012
Production			
Oil	MMbbls	12.29	168.59
Gas	Bscf	13.18	142.91
Water	MMbbls	21.23	66.24
Gas Disposition			
Flared	Bscf	1.23	26.91
Fuel	Bscf	2.34	18.14
Injected	Bscf	9.61	96.25
Lift	Bscf	15.37	34.06
Water Injected	MMbbls	42	322

North Amethyst

The North Amethyst Field, discovered in 2006, is a satellite field adjacent to the White Rose development, operated by Husky Energy and produced using the *SeaRose FPSO*. Reserves in the North Amethyst Field are contained in a single reservoir, the Ben Nevis/Avalon and are estimated by the C-NLOPB at 68 MMbbls. Of this, 18.9 MMbbls have been produced as of March 31, 2012. Total production at the North Amethyst Field for 2011-12 was 12.3 MMbbls and average daily production was 33,734 bbls/day.

During 2011-12, the C-NLOPB received an application for a Development Plan Amendment to allow development of the Hibernia reservoir at North Amethyst. This application is currently under review.

Table 12: North Amethyst Field Production Statistics

		2011-12	Cumulative to March 31, 2012
Production			
Oil	MMbbls	12.34	18.88
Gas	Bscf	8.00	12.39
Water	MMbbls	4.21	4.49
Gas Disposition			
Flared	Bscf	0.77	1.26
Fuel	Bscf	1.42	2.15
Injected	Bscf	5.81	8.97
Lift	Bscf	0.36	0.36
Water Injected	MMbbls	22	32

Note: North Amethyst gas injection goes into White Rose storage area.

Hebron

The Hebron asset, discovered in 1981, consists of three fields; Hebron, Ben Nevis and West Ben Nevis. These undeveloped fields are located north of the Terra Nova Field. A Development Plan was filed with the C-NLOPB during 2011-12 and was under review at the end of the reporting period.

Mizzen

Mizzen is a hydrocarbon discovery in the Flemish Pass Basin. As a result of recent delineation drilling, resources for the Mizzen O-16 SDL have been estimated at 102 MMbbls.



In 2011-12, the industrial benefits activities associated with offshore exploration and production continued to be monitored for compliance with the approved benefits plan provisions in relation to contracting and employment, supply of goods and services, diversity, research and development (R&D) and education and training (E&T).

benefits plan respecting the development and production phases of the project commenced.

A public review of the Hebron benefits plan, in accordance with the requirements of the legislation was initiated. The Board appointed Mr. Miller Ayre to conduct the public review. The Commissioner's report was filed with the Board in February 2012 and included a number of recommendations related to the benefits plan and the socio-economic impact analysis. The C-NLOPB's assessment of the benefits plan, together with an assessment of the results of the public review process was ongoing as of March 31, 2012.

Consistent with the Board's transparency initiative, all Operators are to report industrial benefits accomplishments, achievements and inputs to the public on a quarterly and annual basis commencing in 2012.

Exploration benefits plans for programs in the Orphan Basin, offshore Labrador, and Flemish Pass were approved in 2011-12.

Economic Impact of the Oil Industry

In 2011, hydrocarbon production from the Offshore Area accounted for approximately 32% of Canada's total conventional light crude production, with an estimated market value of approximately \$10.7 billion. The sector directly accounted for 30% of the province's nominal Gross Domestic Product (GDP) for 2010. Since production commenced in 1997, provincial real GDP has grown by almost 60% through 2010 with about half the growth attributed directly to the oil and gas sector.

During 2011 Operators reported expenditures of \$2.36 billion related to work in the Offshore Area. Since 1966, cumulative expenditures total \$31.03 billion.

As of December 31, 2011, 5153 persons were working in direct support of petroleum-related activity in the Offshore Area.

During 2011, \$385.5 million was spent on exploration programs generating more than 2631 person-months of employment.

On-going production activities accounted for expenditures of \$1.52 billion in 2011, of which 59% of annual expenditures occurred in Newfoundland and Labrador and a further 23% in the rest of Canada.

Tables 13, 14, and 15 summarize the participation of Newfoundland and Labrador residents and other Canadians in the production phase at Hibernia, Terra Nova and White Rose projects respectively. A Newfoundland and Labrador resident is a Canadian citizen or Permanent Resident who has resided in the Province for the preceding six-month period prior to time of hire.

Hibernia

HMDC reported expenditures of \$704 million for the 2011-12 fiscal year, with 80% Canadian content including 56% Newfoundland and Labrador content. As of March 31, 2012, total direct employment in the province in support of the Hibernia project was 1696 persons. Of this amount, 88% of the workers were Newfoundland and Labrador residents at the time of hire, and 6% were other Canadian residents.

Table 13: Hibernia Operations Phase Employment as of March 31, 2012

Location	Residency			Total
	Newfoundland & Labrador	Other Canadians	Non-Canadians	
Onshore Operations	811	67	95	973
Offshore Operations	680	33	10	723
Total	1491	100	105	1696

Terra Nova

Suncor Energy reported expenditures of \$440 million for the fiscal year 2011-12, with 75% Canadian content including 58% Newfoundland and Labrador content. As of March 31, 2012, total employment in support of the Terra Nova project was 1187 persons. At the time of hire, 90% of this total were Newfoundland and Labrador residents and 8% were other Canadian residents.

Table 14: Terra Nova Operations Phase Employment as of March 31, 2012

Location	Residency			Total
	Newfoundland & Labrador	Other Canadians	Non-Canadians	
Onshore Operations	669	70	27	766
Offshore Operations	396	25	0	421
Total	1065	95	27	1187

White Rose

Husky Energy reported expenditures of \$378 million for the fiscal year 2011-12, with 87% Canadian content including 73% Newfoundland and Labrador content. As of March 31, 2012, total employment in support of the White Rose project was 965 persons. At the time of hire, 91% of this total were Newfoundland and Labrador residents and 6% were other Canadian residents.

Table 15: White Rose Operations Phase Employment as of March 31, 2012

Location	Residency			Total
	Newfoundland & Labrador	Other Canadians	Non-Canadians	
Onshore Operations	458	32	17	507
Offshore Operations	422	30	6	458
Total	880	62	23	965

NORTH AMETHYST

Husky Energy reported expenditures of \$170 million for the fiscal year 2011-12, with 88% Canadian content including 52% Newfoundland and Labrador content. As of March 31, 2012, due to limited activity on the North Amethyst project Husky Energy did not report any personnel information.

Hebron

The front end engineering design of the Hebron installation was complete as of March 31, 2012. During this reporting period the proponent reported that a total of 453 Expressions of Interest and 263 tenders were invited and 221 contracts had been awarded in respect of the Hebron Project. Consistent with the provisions of its Benefits Plan and the Province's Benefits Agreement, the proponent and the GBS and Topsides contractors have posted the status of Hebron procurement forecasts and activities on their websites.

As a window on the procurement process, the C-NLOPB has designated approximately 10 percent of the procurement packages forecasted to date for review at the pre-qualification, bid list, and award stages. In accordance with the provisions of the Province's Benefits Agreement, the C-NLOPB also monitors the proponent's compliance with the agreement as requested by the Provincial Minister of Natural Resources. Consistent with the reporting provisions of the agreement, the proponent is required to provide quarterly updates of its progress in achieving compliance.

Research and Development, Education and Training

The C-NLOPB continued to monitor industry's obligations to carry out R&D and E&T in the province. Actual Expenditures for the 2010 calendar year were reviewed to determine eligibility with the C-NLOPB's guidelines. Based on a review of expenditure reports, it was determined that approximately \$32.6 million was spent on R&D and E&T during 2010, bringing the total to approximately \$132 million since the C-NLOPB's guidelines came into effect on April 1, 2004. Expenditures for the 2011 calendar year are required to be reported by March 31, 2012 and will be presented in the 2012-13 C-NLOPB annual report.

A breakdown of 2010 expenditures for each project is provided in Table 16:

Table 16: Project Expenditures (\$ millions)

Project	R&D	E&T	Total
Hibernia	10.35	5.75	16.10
Terra Nova	6.01	2.78	8.79
White Rose	2.79	2.30	5.09
North Amethyst	0.90	1.75	2.65
Total	20.05	12.58	32.63

The C-NLOPB continued to advise Operators of their annual expenditure obligations using the benchmarks established in C-NLOPB guidelines. Reconciliation of expenditures versus obligations is undertaken prior to the renewal of an OA. This normally occurs every three years, which is the length of a typical authorization term.

During 2010-11 a reconciliation process for the Terra Nova project was undertaken prior to the October 1, 2011, OA renewal. The reconciliation process for the White Rose and North Amethyst OAs was also completed for renewal on March 30, 2012.

Policy and Regulatory Coordination

The Policy and Regulatory Coordination Division provides administrative and policy support to the C-NLOPB by taking responsibility for the coordination of Development Plan Application (DPA) reviews and authorizations and approvals. This allows the C-NLOPB's technical staff to focus on matters in support of the C-NLOPB's mandate.

The Division also provides advice to Operators with respect to the filing of regulatory documents and interpretation of C-NLOPB policy. The Division is also responsible for providing government advice on regulatory development, establishment of memorandums of understanding and other initiatives as required.

During 2011-12, the Division coordinated the review of the Hebron Project and North Amethyst (Hibernia Formation) DPAs.

Three OAs and three GPAs were issued during the reporting period. A list of authorizations issued by the C-NLOPB during this time is provided in Table 17.

Table 17: Authorizations Issued by the C-NLOPB

Authorization Type	Operator	Installation/Vessel
Diving Program Authorization	HMDC	<i>DSV Wellservicer</i>
Diving Program Authorization	Suncor Energy	<i>DSV Wellservicer</i>
Geophysical Program Authorization	Statoil Canada	<i>M/V Amundsen</i>
Geophysical Program Authorization	Chevron Canada	<i>M/V Tasman</i>
Geophysical Program Authorization	Multi Klient Invest AS	<i>M/V Sanco Spirit</i>
Operations Authorization	Suncor Energy	<i>Terra Nova FPSO/Henry Goodrich</i>
Operations Authorization	Statoil Canada	<i>Henry Goodrich</i>
Operations Authorization	Husky Energy	<i>SeaRose FPSO/Henry Goodrich/GSF Grand Banks</i>



Support Services

During 2011-12, the C-NLOPB received 409 requests for information from external parties through its Information Resources Centre. These requests primarily related to access to non-privileged offshore petroleum technical data provided to the C-NLOPB by Operators. These did not require formal applications under the *Access to Information Act*.

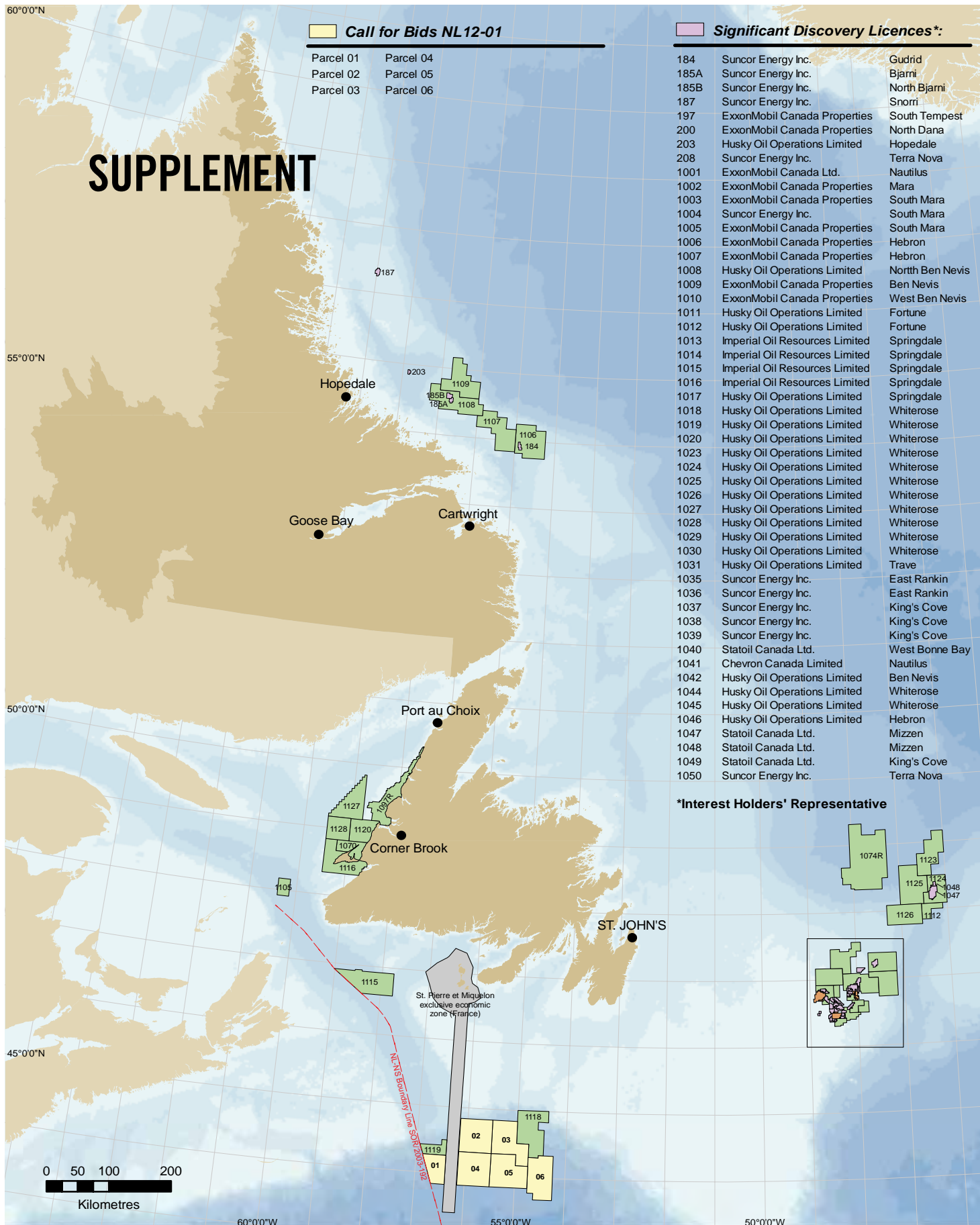
The C-NLOPB received eight formal requests under the *Access to Information Act* during 2011-12. In 2010-11, as a result of an Access to Information Request, the C-NLOPB was a respondent to an appeal to the Federal Court of Canada by a third party who has sought to prevent the C-NLOPB from releasing documents to a requestor. This was not resolved during the 2011-12 fiscal year.

In 2011-12 the C-NLOPB received confirmation from the Federal Auditor General's Office that they would begin a performance audit on certain aspects of C-NLOPB operations. The Federal Auditor General provided an

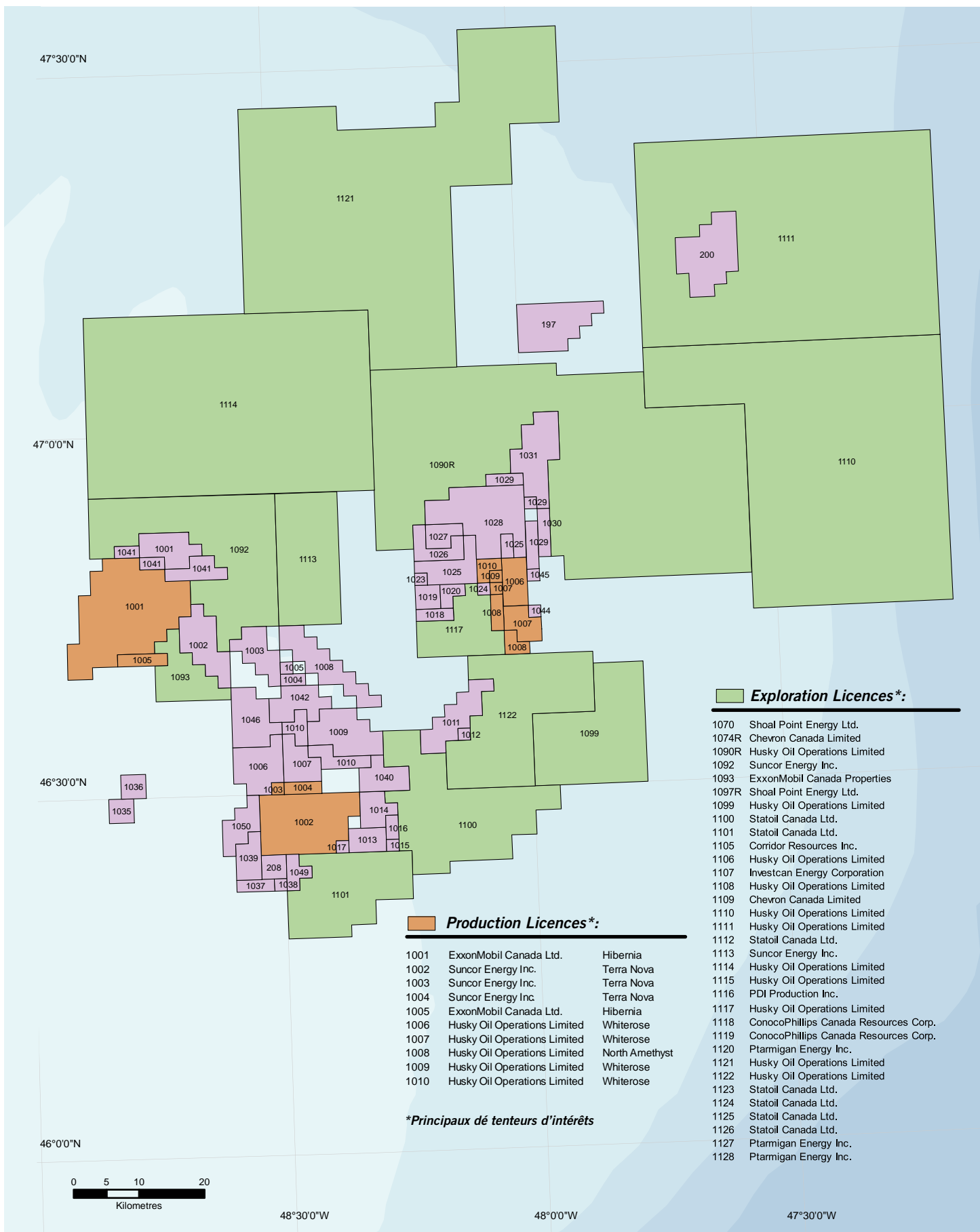
undertaking which enabled the C-NLOPB to provide unrestricted access to information that is privileged under the legislation. As a result, the C-NLOPB provided all requested information to the Federal Auditor General. The Provincial Auditor General indicated he wished to audit the C-NLOPB but would not provide the same undertaking and has abandoned a plan to audit the C-NLOPB.

The C-NLOPB provided administrative support to establish the offices of the Hebron Public Review Commission and the Old Harry Independent Reviewer. This involved acquiring office space, purchasing computer equipment and financial and information processes support. As of March 31, 2012, both offices had been decommissioned.

During the fiscal year, the C-NLOPB adopted new accounting standards to meet the requirements of the Canadian Accounting Standards Board and the Public Sector Accounting Standards Board (PSAB). The 2011-12 Financial Statements have been prepared pursuant to the *Other Government Organization Accounting Standard* using the PSAB Handbook (without the PS4200 Standards).



SUPPLEMENT



Exploration Licences*:

1070	Shoal Point Energy Ltd.
1074R	Chevron Canada Limited
1090R	Husky Oil Operations Limited
1092	Suncor Energy Inc.
1093	ExxonMobil Canada Properties
1097R	Shoal Point Energy Ltd.
1099	Husky Oil Operations Limited
1100	Statoil Canada Ltd.
1101	Statoil Canada Ltd.
1105	Corridor Resources Inc.
1106	Husky Oil Operations Limited
1107	Investcan Energy Corporation
1108	Husky Oil Operations Limited
1109	Chevron Canada Limited
1110	Husky Oil Operations Limited
1111	Husky Oil Operations Limited
1112	Statoil Canada Ltd.
1113	Suncor Energy Inc.
1114	Husky Oil Operations Limited
1115	Husky Oil Operations Limited
1116	PDI Production Inc.
1117	Husky Oil Operations Limited
1118	ConocoPhillips Canada Resources Corp.
1119	ConocoPhillips Canada Resources Corp.
1120	Ptarmigan Energy Inc.
1121	Husky Oil Operations Limited
1122	Husky Oil Operations Limited
1123	Statoil Canada Ltd.
1124	Statoil Canada Ltd.
1125	Statoil Canada Ltd.
1126	Statoil Canada Ltd.
1127	Ptarmigan Energy Inc.
1128	Ptarmigan Energy Inc.

Production Licences*:

1001	ExxonMobil Canada Ltd.	Hibernia
1002	Suncor Energy Inc.	Terra Nova
1003	Suncor Energy Inc.	Terra Nova
1004	Suncor Energy Inc.	Terra Nova
1005	ExxonMobil Canada Ltd.	Hibernia
1006	Husky Oil Operations Limited	Whiterose
1007	Husky Oil Operations Limited	Whiterose
1008	Husky Oil Operations Limited	North Amethyst
1009	Husky Oil Operations Limited	Whiterose
1010	Husky Oil Operations Limited	Whiterose

***Principaux détenteurs d'intérêts**



Financial Statements

Canada-Newfoundland and Labrador
Offshore Petroleum Board

March 31, 2012



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Statement of responsibility

The accompanying financial statements are the responsibility of the management of the Canada-Newfoundland and Labrador Offshore Petroleum Board (the “Board”) and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The Board met with management and its external auditors to review a draft of the financial statements and to discuss any significant financial reporting or internal control matters prior to their approval of the finalized financial statements.

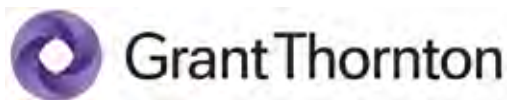
Grant Thornton LLP, as the Board’s appointed external auditors, have audited the financial statements. The auditor’s report is addressed to the Directors of the Board and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position and results of the Board in accordance with Canadian public sector accounting standards.



Chair



Director



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Independent auditors' report

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

We have audited the accompanying financial statements of Canada-Newfoundland and Labrador Offshore Petroleum Board, which comprise the statement of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010 and the statement of operations, statement of net debt and changes in cash flows for the years ended March 31, 2012 and March 31, 2011 and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

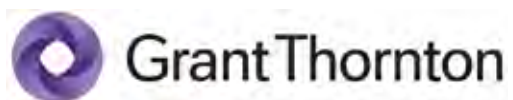
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit • Tax • Advisory

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canada-Newfoundland and Labrador Offshore Petroleum Board as at March 31, 2012, March 31, 2011 and April 1, 2010 and its financial performance, net debt and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with Canadian public sector accounting standards.

St. John's, Newfoundland and Labrador
May 29, 2012

Grant Thornton LLP

Chartered Accountants

Audit • Tax • Advisory

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Canada-Newfoundland and Labrador Offshore Petroleum Board

Statement of Financial Position

(Note 3)

April 1

March 31

2012

2011

2010

Financial assets

Cash and cash equivalents	\$ 6,399,970	\$ 7,461,793	\$ 10,276,831
Receivables	940,955	3,840,482	295,785
	<u>7,340,925</u>	<u>11,302,275</u>	<u>10,572,616</u>

Liabilities

Payables and accruals (Note 4)	5,286,031	9,562,647	9,173,526
Deferred revenue	-	-	26,568
Accrued employee future benefit obligation (Note 5)	4,225,700	3,881,900	3,515,400
	<u>9,511,731</u>	<u>13,444,547</u>	<u>12,715,494</u>

Net debt

\$ (2,170,806)	\$ (2,142,272)	\$ (2,142,878)
----------------	----------------	----------------

Non-financial assets

Prepays	\$ 457,806	\$ 429,272	\$ 380,078
Tangible capital assets (Page 59)	3,492,243	4,435,742	3,935,714
	<u>3,950,049</u>	<u>4,865,014</u>	<u>4,315,792</u>

Accumulated surplus (Note 6)

\$ 1,779,243	\$ 2,722,742	\$ 2,172,914
--------------	--------------	--------------

Commitments (Note 7)

On behalf of the Board



Chair



Director

See accompanying notes to the financial statements.

Canada-Newfoundland and Labrador Offshore Petroleum Board

Statement of Operations

		(Note 9)	(Note 3)
Year Ended March 31	Actual 2012	Budget 2012	Actual 2011
Revenue			
Operating grants			
Government of Canada	\$ 7,443,395	\$ 7,956,000	\$ 7,728,759
Government of Newfoundland and Labrador	<u>7,443,395</u>	<u>7,956,000</u>	<u>7,728,759</u>
	14,886,790	15,912,000	15,457,518
Add:			
Costs recovered from industry	11,165,093	11,634,000	11,593,138
Interest and other	<u>91,763</u>	<u>31,237</u>	<u>94,362</u>
	26,143,646	27,577,237	27,145,018
Less:			
Costs recoveries refunded to governments	<u>(11,165,093)</u>	<u>(11,634,000)</u>	<u>(11,593,138)</u>
Net revenue	<u>14,978,553</u>	<u>15,943,237</u>	<u>15,551,880</u>
Expenses (Pages 60 and 61)			
Board	\$ 2,136,225	\$ 2,074,516	\$ 2,012,620
Data management	-	-	284,310
Environmental Affairs	752,745	822,663	713,182
Exploration	985,329	1,028,657	882,414
Helicopter Inquiry implementation	1,302,158	1,812,000	298,065
Industrial Benefits, Policy and Regulatory Co-ordination	770,197	791,599	637,394
Legal and Land	375,349	377,495	355,351
Operations	671,259	680,476	1,549,621
Resource Management	2,005,221	2,093,949	1,921,781
Safety	922,021	1,105,284	-
Support Services	5,063,874	4,756,598	4,718,588
Offshore Helicopter Safety Inquiry	<u>477,506</u>	<u>400,000</u>	<u>1,628,726</u>
	15,461,884	15,943,237	15,002,052
Annual (deficit) surplus before the following	<u>(483,331)</u>	<u>-</u>	<u>549,828</u>
Public Review Commissions			
Costs recovered			
Hebron Public Review	1,487,466	1,533,000	-
Old Harry Public Review	-	1,274,685	-
	<u>1,487,466</u>	<u>2,807,685</u>	
Expenses (Page 62)			
Hebron Public Review	<u>1,487,466</u>	<u>1,533,000</u>	<u>-</u>
Old Harry Public Review	<u>460,168</u>	<u>1,274,685</u>	<u>-</u>
	<u>1,947,634</u>	<u>2,807,685</u>	<u>-</u>
Annual (deficit) surplus	<u>\$ (943,499)</u>	<u>\$ -</u>	<u>\$ 549,828</u>

See accompanying notes to the financial statements.

Canada-Newfoundland and Labrador Offshore Petroleum Board Statement of Changes in Accumulated Surplus

	Actual	Budget	(Note 3)
Year Ended March 31	2012	2012	Actual 2011
Accumulated surplus, beginning of year	\$ 2,722,742	\$ -	\$ 2,172,914
Annual (deficit) surplus	<u>(943,499)</u>	<u>-</u>	<u>549,828</u>
Accumulated surplus, end of year	<u>\$ 1,779,243</u>	<u>\$ -</u>	<u>\$ 2,722,742</u>

See accompanying notes to the financial statements.

Canada-Newfoundland and Labrador Offshore Petroleum Board Statement of Net Debt

Year Ended March 31	Actual 2012	Budget 2012	Actual 2011
Annual (deficit) surplus	\$ (943,499)	\$ -	\$ 549,828
Acquisition of tangible capital assets	(129,471)	(427,200)	(1,667,409)
Amortization of tangible capital assets	1,072,970	-	1,167,381
Increase in prepaids	<u>(28,534)</u>	<u>-</u>	<u>(49,194)</u>
(Increase) decrease in net debt	(28,534)	(427,200)	606
Net debt, beginning of year	<u>(2,142,272)</u>	<u>(2,142,272)</u>	<u>(2,142,878)</u>
Net debt, end of year	<u>\$ (2,170,806)</u>	<u>\$ (2,569,472)</u>	<u>\$ (2,142,272)</u>

See accompanying notes to the financial statements.

Canada-Newfoundland and Labrador Offshore Petroleum Board

Statement of Cash Flows

Year Ended March 31	2012	2011
Increase (decrease) in cash and cash equivalents		
Operating		
Annual (deficit) surplus	\$ (943,499)	\$ 549,828
Change in non-cash items		
Accrued employee future benefit obligation	343,800	366,500
Amortization of capital assets	1,072,970	1,167,381
Receivables	2,899,527	(3,544,697)
Prepays	(28,534)	(49,194)
Payables and accruals	(4,276,616)	389,121
Deferred revenue	-	(26,568)
Cash used for operating transactions	<u>(932,352)</u>	<u>(1,147,629)</u>
Capital		
Cash used to acquire tangible capital assets	<u>(129,471)</u>	<u>(1,667,409)</u>
Decrease in cash and cash equivalents	(1,061,823)	(2,815,038)
Cash and cash equivalents, beginning of year	<u>7,461,793</u>	<u>10,276,831</u>
Cash and cash equivalents, end of year	<u>\$ 6,399,970</u>	<u>\$ 7,461,793</u>

See accompanying notes to the financial statements.

Canada-Newfoundland and Labrador Offshore Petroleum Board

Notes to the Financial Statements

March 31, 2012

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

Basis of presentation

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants and reflect the following significant accounting policies.

Use of estimates

In preparing the Board's financial statements in conformity with Canadian public sector accounting standards, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of capital assets, estimated accrued severance, rates of amortization and impairment of assets.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. 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.

Notes to the Financial Statements

March 31, 2012

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

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives generally extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual deficit, provides the change in net debt for the year.

Tangible capital assets

Tangible capital assets are recorded at cost. Depreciation is provided annually at rates calculated to write off the assets over their estimated useful life as follows, except in the year of acquisition when one half of the rate is used.

Building	4%, declining balance
Leasehold improvements	5 years, straight line
Furniture and equipment	4 years, straight line
Data management system	3 years, straight line
Computer software	1 year, straight line
Computer equipment	3 years, straight line

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.

Capital grants

Federal and provincial grants received for annual capital expenditures are recognized as revenue in the year in which they are received.

Employee future benefits

The Board contributes 100% of the premiums for medical and dental benefits, and 50% for life 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 period of the active members expected to receive benefits under the plan (13 years).

Notes to the Financial Statements

March 31, 2012

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

Financial instruments

The Board considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Board accounts for the following as financial instruments:

- cash and cash equivalents;
- receivables; and
- payables and accruals.

A financial asset or liability is recognized when the Board becomes party to contractual provisions of the instrument.

The Board initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Board subsequently measures its financial assets and financial liabilities at cost or amortized cost, except for derivatives and equity securities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in annual surplus.

Financial assets measured at fair value include cash and cash equivalents and financial assets measured at cost include receivables. Financial liabilities measured at cost include payables and accruals.

The Board removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in net annual surplus.

Adoption of new accounting policies

During the year, the Board transitioned to PSAB standards. As part of this transition, the Board has also early adopted the new standards included in PS 3410 Government Transfers and PS 3450 Financial Instruments. The Public Standards Accounting Board encouraged early adoption of these standards in the year of transition to PSAB.

Canada-Newfoundland and Labrador Offshore Petroleum Board

Notes to the Financial Statements

March 31, 2012

3.. Impact of the change in the basis of accounting

These financial statements are the first financial statements for which the Board has applied Canadian public sector accounting standards ("PSAB"). The financial statements for the year ended March 31, 2012 were prepared in accordance with PSAB. Comparative period information presented for the year ended March 31, 2011 was prepared in accordance with PSAB and the provisions set out in Section *PS 2125 First-time adoption by government organizations*.

The date of transition to PSAB is April 1, 2010. The Board's transition from generally accepted accounting principles (previously "GAAP") to PSAB resulted in a restatement of deferred capital grants, accrued employee future benefit obligation and opening accumulated surplus as at April 1, 2010. The adoption of the standards also resulted in a restatement of the Statement of Operations for the year ended March 31, 2011 as well as the deferred capital grants, accrued employee future benefit obligation and accumulated surplus as of March 31, 2011. These changes are as follows:

(a) Adjustment to the statement of financial position as at April 1, 2010:

	As previously reported	Effect of transition	As restated
Liabilities			
Deferred capital grants	\$ 3,935,714	\$ (3,935,714)	\$ -
Accrued employee future benefit obligation	1,752,600	1,762,800	3,515,400
	<u>\$ 5,688,314</u>	<u>\$ 2,172,914</u>	<u>\$ 3,515,400</u>
Accumulated surplus	<u>\$ -</u>	<u>\$ 2,172,914</u>	<u>\$ 2,172,914</u>

(b) Reconciliation of previously reported excess of revenue over expenses for March 31, 2011 with the annual surplus for March 31, 2011 shown in the financial statements:

	2011
Excess of revenue over expenses, as previously reported at March 31, 2011	\$ -
Adjustment related to deferred capital grants	500,028
Adjustment related to accrued employee future benefit obligation	<u>49,800</u>
Annual surplus, as adjusted at March 31, 2011	<u>\$ 549,828</u>

Upon transition, Canadian public sector accounting standards permits certain exemptions from full retrospective application. The Board has applied the mandatory exceptions and has applied the following available optional exemption:

- The Board has elected to recognize its unamortized actuarial gains and losses including unamortized transitional obligation and past service cost in the amount of \$963,000 in opening accumulated surplus at the date of transition.

Notes to the Financial Statements

March 31, 2012

4. Payables and accruals	March 31 2012	March 31 2011	April 1 2010
Trade	\$ 1,432,195	\$ 1,729,289	\$ 1,982,666
Government of Canada	1,926,918	3,916,679	3,886,930
Government of Newfoundland and Labrador	1,926,918	3,916,679	3,303,930
	<u>\$ 5,286,031</u>	<u>\$ 9,562,647</u>	<u>\$ 9,173,526</u>

5. Accrued employee future benefit obligation

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, 2012.

	2012	2011
Accrued benefit obligation		
Balance, beginning of year	\$ 3,588,600	\$ 3,515,400
Current service cost	262,500	246,500
Interest cost	152,600	159,200
Benefits paid	(48,700)	(39,200)
Actuarial loss (gain)	991,800	(293,300)
Balance, end of year	<u>\$ 4,946,800</u>	<u>\$ 3,588,600</u>
Plans assets	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of funded status		
Funded status - deficit	\$ (4,946,800)	\$ (3,588,600)
Unamortized net actuarial gain (loss)	721,100	(293,300)
Accrued benefit liability	<u>\$ (4,225,700)</u>	<u>\$ (3,881,900)</u>
Net benefit expense		
Current service cost	\$ 262,500	\$ 246,500
Amortization of actuarial (gain) loss	(22,600)	-
Interest cost	152,600	159,200
	<u>\$ 392,500</u>	<u>\$ 405,700</u>

Notes to the Financial Statements

March 31, 2012

5. Accrued employee future benefit obligation (cont'd.)

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

	<u>2012</u>	<u>2011</u>
Discount rate	3.00%	4.13%
Rate of increase in compensation levels	4.00%	4.00%
Dental inflation rate	4.50%	4.50%
Medical inflation rate	4.50%	4.50%

6. Accumulated surplus	<u>March 31 2012</u>	<u>March 31 2011</u>	<u>April 1 2010</u>
Accumulated surplus, beginning of year	\$ 2,722,742	\$ 2,172,914	\$ -
Adjustments due to transition to PSAB			
Recognition of deferred capital grants (net)	-	500,028	3,935,714
Changes to accrued employee future benefit obligation	-	49,800	(1,762,800)
Capital funding received	129,471	-	-
Amortization of capital assets	(1,072,970)	-	-
Accumulated surplus, end of year	<u>\$ 1,779,243</u>	<u>\$ 2,722,742</u>	<u>\$ 2,172,914</u>

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, 2013	\$ 988,839
March 31, 2014	\$ 954,929
March 31, 2015	\$ 954,929
March 31, 2016	\$ 1,033,714
March 31, 2017	\$ 1,040,876

8. Offshore Helicopter Safety Inquiry expenditures

On April 8, 2009, the Offshore Helicopter Safety Inquiry was established by the Board. The purpose of the Inquiry was to determine and recommend improvements for the safety of workers in the offshore industry of Newfoundland and Labrador with respect to helicopter transportation. The Inquiry office was decommissioned on October 28, 2011.

Notes to the Financial Statements

March 31, 2012

9. Budget figures

The 2012 budget figures presented in the statement of operations are provided by management and have not been audited.

10. Financial instruments

The Board's financial instruments consist of cash and cash equivalents, receivables and payables and accruals. The book value of cash and cash equivalents, receivables and payables and accruals approximate fair value due to their short term maturity date.

Risks and concentrations

The Board is exposed to various risks through its financial instruments. The following analysis provides a measure of the Board's risk exposure and concentrations at March 31, 2012.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Board is exposed to this risk mainly in respect of its payables and accruals. The Board reduces its exposure to liquidity risk by monitoring its cash flows and ensuring that it has sufficient cash available to meet its obligations and liabilities. In the opinion of management the liquidity risk exposure to the Board is low and not material.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Board's credit risk is attributable to receivables. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote.

Canada-Newfoundland and Labrador Offshore Petroleum Board

Schedule of Tangible Capital Assets

Year Ended March 31, 2012

	Land and Parking Lot	Buildings	Leasehold Improvements	Furniture and Fixtures	Data Management System	Computer Software	Computer Equipment	2012	2011
Cost									
Cost, beginning of year	\$ 281,187	\$ 3,317,089	\$ 402,141	\$ 704,448	\$ 1,359,271	\$ 668,182	\$ 1,643,116	\$ 8,375,434	\$ 6,756,849
Additions during the year	-	-	-	71,763	-	-	57,708	129,471	1,667,409
Disposals during the year	-	-	-	-	-	-	(137,863)	(137,863)	(48,824)
Cost, end of year	<u>\$ 281,187</u>	<u>\$ 3,317,089</u>	<u>\$ 402,141</u>	<u>\$ 776,211</u>	<u>\$ 1,359,271</u>	<u>\$ 668,182</u>	<u>\$ 1,562,961</u>	<u>\$ 8,367,042</u>	<u>\$ 8,375,434</u>
Accumulated Amortization									
Accumulated amortization, beginning of year	\$ -	\$ 832,514	\$ 331,058	\$ 455,961	\$ 553,363	\$ 523,448	\$ 1,243,348	\$ 3,939,692	\$ 2,821,135
Amortization	-	99,383	47,335	108,146	453,090	144,734	220,282	1,072,970	1,167,381
Reversal of accumulated amortization relating to disposals	-	-	-	-	-	-	(137,863)	(137,863)	(48,824)
Accumulated amortization, end of year	<u>-</u>	<u>931,897</u>	<u>378,393</u>	<u>564,107</u>	<u>1,006,453</u>	<u>668,182</u>	<u>1,325,767</u>	<u>4,874,799</u>	<u>3,939,692</u>
Net book value of tangible capital assets	<u>\$ 281,187</u>	<u>\$ 2,385,192</u>	<u>\$ 23,748</u>	<u>\$ 212,104</u>	<u>\$ 352,818</u>	<u>\$ -</u>	<u>\$ 237,194</u>	<u>\$ 3,492,243</u>	<u>\$ 4,435,742</u>

Canada-Newfoundland and Labrador Offshore Petroleum Board

Schedule of Expenses

March 31	2012	2011
Board		
Consultants fees	\$ 372,985	\$ 269,887
Miscellaneous	41,598	35,431
Travel	73,011	61,545
Wages and benefits	<u>1,648,631</u>	<u>1,645,757</u>
	<u>\$ 2,136,225</u>	<u>\$ 2,012,620</u>
Data management		
Consultants fees	\$ -	\$ 153,220
Computer software	-	16,821
Miscellaneous	-	3,258
Wages and benefits	<u>-</u>	<u>111,011</u>
	<u>\$ -</u>	<u>\$ 284,310</u>
Environmental Affairs		
Miscellaneous	\$ 2,086	\$ 2,556
Travel	1,589	5,135
Wages and benefits	<u>749,070</u>	<u>705,491</u>
	<u>\$ 752,745</u>	<u>\$ 713,182</u>
Exploration		
Miscellaneous	\$ 2,552	\$ 2,286
Travel	815	-
Wages and benefits	<u>981,962</u>	<u>880,128</u>
	<u>\$ 985,329</u>	<u>\$ 882,414</u>
Helicopter Inquiry implementation		
Computer software	\$ 3,876	
Consultants fees	633,540	\$ 128,295
Miscellaneous	677	138
Travel	99,251	10,994
Wages and benefits	<u>564,814</u>	<u>158,638</u>
	<u>\$ 1,302,158</u>	<u>\$ 298,065</u>
Industrial Benefits, Policy and Regulatory Co-ordination		
Miscellaneous	\$ 2,431	\$ 2,886
Travel	1,534	10,265
Wages and benefits	<u>766,232</u>	<u>624,243</u>
	<u>\$ 770,197</u>	<u>\$ 637,394</u>

Canada-Newfoundland and Labrador Offshore Petroleum Board

Schedule of Expenses

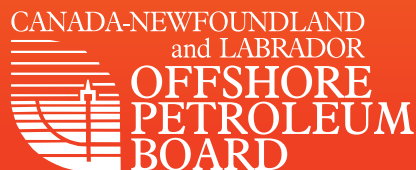
March 31	2012	2011
Legal and Land		
Miscellaneous	\$ 1,746	\$ 2,004
Travel	-	3,022
Wages and benefits	373,603	350,325
	<u>\$ 375,349</u>	<u>\$ 355,351</u>
Operations		
Miscellaneous	\$ 2,610	\$ 4,406
Travel	27,061	30,925
Wages and benefits	641,588	1,514,290
	<u>\$ 671,259</u>	<u>\$ 1,549,621</u>
Resource Management		
Miscellaneous	\$ 8,404	\$ 7,203
Travel	13,200	-
Wages and benefits	1,983,617	1,914,578
	<u>\$ 2,005,221</u>	<u>\$ 1,921,781</u>
Safety		
Miscellaneous	\$ 2,145	\$ -
Travel	7,265	-
Wages and benefits	912,611	-
	<u>\$ 922,021</u>	<u>\$ -</u>
Support Services		
Amortization of capital assets	\$ 1,030,139	\$ 1,110,127
Computer support and maintenance	714,767	669,057
General office and maintenance	504,990	431,328
Rent	1,185,431	980,743
Travel	1,458	-
Wages and benefits	1,627,089	1,527,333
	<u>\$ 5,063,874</u>	<u>\$ 4,718,588</u>
Offshore Helicopter Safety Inquiry		
Administration	\$ 98,044	\$ 96,804
Audio visual	5,026	25,685
Communications	58,556	120,797
Consultants fees	1,065	288,305
Information technology	5,421	18,827
Material and supplies	12,242	32,289
Premises	41,153	73,242
Professional services	255,999	886,007
Transcription services	-	57,768
Travel	-	29,002
	<u>\$ 477,506</u>	<u>\$ 1,628,726</u>
Total expenses	<u>\$ 15,461,884</u>	<u>\$ 15,002,052</u>

Canada-Newfoundland and Labrador Offshore Petroleum Board

Schedule of Expenses

March 31	2012	2011
Public Review Commissions		
Hebron Public Review		
Computer support and maintenance	\$ 51,798	\$ -
Consultants fees	1,275,508	-
Miscellaneous	63,314	-
Public hearings	45,682	-
Rent	51,164	-
	<u>\$ 1,487,466</u>	<u>\$ -</u>
Old Harry Public Review		
Computer support and maintenance	\$ 41,652	\$ -
Consultants fees	232,687	-
Miscellaneous	19,425	-
Public hearings	145,288	-
Rent	13,285	-
Travel	7,831	-
	<u>\$ 460,168</u>	<u>\$ -</u>
Total expenses	\$ 1,947,634	\$ -

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