

Guidelines Respecting Financial Requirements

**June 1, 2023
(amended)**

Table of Contents

1.	Introduction	4
2.	Application	6
3.	Financial Requirements Overview	6
	(a) <i>Absolute Liability</i>	7
	(b) <i>Financial Responsibility</i>	7
	(c) <i>Financial Resources</i>	7
4.	Proof of Financial Responsibility	8
4.1	Letter of Credit (also referred to by some banks as an “Irrevocable Guarantee”)	8
4.2	Bank Letter of Guarantee	9
4.3	Indemnity Bond	10
4.4	Other Forms of Financial Responsibility	10
4.5	Pooled Fund	10
4.6	Limitations	12
5.	Proof of Financial Resources	12
5.1	Statement of Net Assets or Funding Arrangements	13
5.2	Substantiating Documents	13
5.2(a)	Audited Financial Statements & Credit Rating	14
5.2(b)	Promissory Note	14
5.2(c)	Insurance Policy or Certificate of Insurance	15
5.2(d)	Escrow Agreement	18
5.2(e)	Letter of Credit (also referred to by some banks as an “Irrevocable Guarantee”)	18
5.2 (f)	Line of Credit	18
5.2(g)	Guarantee Agreement	18
5.2(h)	A Security Bond or Pledge Agreement or an Indemnity Bond or Suretyship Agreement	19
6.	Proportionate Shares	19
7.	Increasing or Decreasing Financial Requirements	20
7.1	Increasing Financial Requirements	20
7.2	Decreasing Financial Requirements	20
7.3	Risk Assessment	21

8.	Extended Obligation.....	23
9.	Decommissioning and Abandonment of a Development.....	23
10.	Submission of Proof and Approval.....	24
	Appendix 1 – Financial Requirements for the CER or respective Offshore Board.....	25
	Appendix 2 - Statement of Net Assets or Funding Arrangements.....	30
	Appendix 3 – List of Board Contacts	36
	Appendix 4 (a) – Irrevocable Letter of Credit or Irrevocable Guarantee Template	37
	Appendix 4 (b) – Irrevocable Letter of Credit or Irrevocable Guarantee Template (Co-Venturer/Interest Holder).....	40
	Appendix 5 - Bank Letter of Guarantee Template	52
	Appendix 6 (a) – Indemnity Bond Template for Applicant	54
	Appendix 6 (b) – Indemnity Bond Template for Co-Venturer/Interest Holder	57
	Appendix 7 – Promissory Note Template	60
	Appendix 8 – Insurance Certificate Template.....	61
	Appendix 9 - Escrow Agreement Template	64
	Appendix 10 - A Guarantee Agreement Template	69
	Appendix 11 – Submission of Proof of Financial Requirements	72
	Appendix 12 - Proof of Financial Requirements for Work Authorization Form	73
	Appendix 13 – Operator’s Undertaking.....	75

1. Introduction

Background

In February 2016, new financial requirements came into force through legislative amendments and new subordinate legislation at which time, the original version of these companion Guidelines was developed. Since that time, the National Energy Board has been succeeded by the Canada Energy Regulator (CER) and learnings respecting third party insurance and financial evidence have been realized, prompting this update to the original Guidelines respecting Financial Requirements (Guidelines).

The legislation in relation to which these Guidelines apply is as follows (collectively referred to hereafter as the “Acts”¹):

- *Canada Oil and Gas Operations Act (COGOA)*
- *Canada Petroleum Resources Act (CPRA)*
- *Canada-Newfoundland and Labrador Atlantic Accord Implementation Act (C-NLAAIA)*
- *Canada-Newfoundland and Labrador Atlantic Accord Implementation Newfoundland and Labrador Act (C-NLAAINLA)*
- *Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Act (CNOSPRAIA)*
- *Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation (Nova Scotia) Act (CNSOPRAI(NS)A)*

(the latter four Acts are collectively referred to as the “Accord Acts” – references herein are to these statutes as amended)

The subordinate legislation in relation to which these Guidelines apply is as follows (collectively referred to hereafter as the “Regulations”):

- *Canada Oil and Gas Operations Financial Requirements Regulations*
- *Canada-Newfoundland and Labrador Offshore Petroleum Financial Requirements Regulations (Federal)*
- *Canada-Newfoundland and Labrador Offshore Petroleum Financial Requirements Regulations (Provincial)*
- *Canada-Nova Scotia Offshore Petroleum Financial Requirements Regulations (Federal)*
- *Canada-Nova Scotia Offshore Petroleum Financial Requirements Regulations (Provincial)*

The Acts and Regulations can be found on the websites of the CER or respective Offshore Board:

¹ Specific References to Accord Acts and Regulations in these Guidelines will note the Federal version.

Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB) - www.cnlopb.ca

Canada-Nova Scotia Offshore Petroleum Board (CNSOPB) - www.cnsopb.ns.ca

Canada Energy Regulator - www.cer-rec.gc.ca

Purpose of the Guidelines

While the CER and the CNSOPB and C-NLOPB (the latter two collectively referred to as the Offshore Boards) worked cooperatively to develop the Guidelines, each regulator has a unique mandate which is reflected in the Guidelines and attached Appendices.

The Guidelines explain the proof that an Applicant seeking an authorization² with respect to each work or activity proposed to be carried on (Authorization) should provide to demonstrate how it meets the financial requirements set out in *COGOA* or the *Accord Acts*. The CER or respective Offshore Board will assess each application on a case by case basis. These Guidelines may be amended from time to time by the CER and Offshore Boards as necessary. The Guidelines do not re-state all of the particular requirements of the *Acts* and the *Regulations* and each Applicant or Operator is responsible for ensuring familiarity and compliance with those foundational documents.

Definitions

The following terms are defined for the purposes of these Guidelines only.

- **“Applicant”** – the person seeking an Authorization
- **“Incident”** – a spill or the unauthorized discharge, emission or escape of petroleum or debris
- **“Investment Policy Statement”** – a document provided in relation to the pooled fund describing the investment goals, objectives, strategies, risk tolerances, and liquidity requirements of the fund, among other factors.
- **“Operator”** – the holder of the Authorization and operating licence
- **“Regulated Areas”** - all geographic areas in Canada where one of the *Acts* applies.

For greater certainty, all monetary values referenced in the Guidelines are in Canadian dollars, unless otherwise specified.

² *COGOA* paragraph 5(1)(b), *C-NLAAIA* paragraph 138 (1)(b), *CNSOPRAIA* paragraph 142(1)(b)

2. Application

The Guidelines apply to all Applicants and Operators in the geographic areas set out in the *Acts*. The Guidelines apply in a manner that is supplementary to the requirements of the *Acts* and the *Regulations*. Each Applicant or Operator must demonstrate to the CER or respective Offshore Board that its approach satisfies all statutory requirements. In the event of any inconsistency or discrepancy between the Guidelines and the *Acts* and/or the *Regulations*, the *Acts* and the *Regulations* will prevail over the Guidelines.

3. Financial Requirements Overview

Prior to obtaining an Authorization in the Regulated Areas, an Applicant must demonstrate to the CER or respective Offshore Board that it is capable of acting in a responsible manner for the life of the proposed work or activity.

The basic objectives of the financial requirements include:

- (a) the Applicant has the ability to respond to an Incident to pay for all actual losses or damages incurred by any person as a result of the Incident, which includes loss of income, future loss of income and, with respect to any Indigenous peoples of Canada, loss of hunting, fishing and gathering opportunities³; and
- (b) the payment of any costs and expenses reasonably incurred by any person, including the CER or respective Offshore Board.

In the event of an Incident, the Operator must clean up the spill and debris as well as pay out all claims as appropriate. In the event an Operator fails in these duties, the *Acts* provide that the CER or respective Offshore Board may manage and control that work or activity and take all reasonable measures in relation to the spill and pay out claims for damages as prescribed⁴.

The legislative regime sets out three (3) components of financial requirements:

- [absolute liability](#),
- [financial responsibility](#), and
- [financial resources](#).

These components of financial requirements reflect the polluter pays principle, which is consistent with the notion that liability is unlimited for an Operator who is at fault for an Incident.

³ It does not include loss of income recoverable under subsection 42(3) of the *Fisheries Act*

⁴ *COGOA section 25, C-NLAAIA section 161, CNSOPRAIA section 166*

(a) Absolute Liability

The *Acts* establish that Operators undertaking work or activities in relation to the drilling for, or development or production of petroleum, as well as other authorized activities in the Regulated Areas are liable for the loss or damage that they may cause as a result of an Incident in accordance with *COGOA* and the *Accord Acts*. The *Acts*, and where applicable the Inuvialuit Final Agreement, further state that Operators are liable, regardless of negligence or fault, for losses or damages up to certain limits. This is known as *absolute liability*. [Appendix 1](#) sets out the absolute liability limits for each Regulated Area.

(b) Financial Responsibility

The *Acts* require that Applicants provide proof of financial responsibility to the CER or respective Offshore Board when applying to conduct a work or activity. The *Acts* also require that each Operator shall ensure that proof of financial responsibility remains in force for the duration of the work or activity for which the Authorization was issued, or in certain circumstances for a longer period as the CER or respective Offshore Board may direct.⁵

The following instruments may be acceptable to the CER or respective Offshore Board as proof of financial responsibility⁶:

- [Letter of Credit \(also referred to by some banks as an “Irrevocable Guarantee”\);](#)
- [Bank Letter of Guarantee;](#)
- [Indemnity Bond;](#)
- [Proof of participation in a pooled fund \(for offshore drilling, development or production activities\);](#) and/or,
- [Any other form that is satisfactory to the CER or respective Offshore Board.](#)

The amount of the financial responsibility required by an Applicant for each Regulated Area is set out in [Appendix 1](#).

(c) Financial Resources

The *Acts* require that an Applicant provide proof that it has the financial resources necessary to pay the absolute liability limit applicable to the work or activity. The *Acts* also require that each Operator shall ensure that proof of financial resources remains in force for the duration of the work or activity for which the Authorization was issued, or in certain circumstances for a longer period as the CER or respective Offshore Board may direct.⁷

The *Regulations* set out the acceptable forms of financial resources. The *Regulations* state that an Applicant will provide, to the satisfaction of the CER or respective Offshore Board, a Statement of Net Assets or Funding Arrangements more particularly described in [Section 5.1](#)

⁵ *COGOA* subsection 27(1.2), *C-NLAAIA* subsection 163.(1.2) and *CNSOPRAIA* subsection 168 (1.2)

⁶ *COGOA* subsection 27(1), *C-NLAAIA* subsection 163(1) and *CNSOPRAIA* subsection 168(1)

⁷ *COGOA* subsection 26.1(5), *C-NLAAIA* subsection 162.1(5) and *CNSOPRAIA* subsection 167.1(5)

and [Appendix 2](#). The Statement of Net Assets or Funding Arrangements shall be accompanied by one (1) or more of the following Financial Resource documents (see [Section 5.2](#) for more detail):

- [Most recent audited financial statements and credit rating](#);
- [Promissory note](#);
- [An insurance policy or a certificate of insurance](#);
- [An escrow agreement](#);
- [A letter of credit \(also referred to by some banks as an “Irrevocable Guarantee”\)](#);
- [A line of credit](#);
- [A guarantee agreement](#); or,
- [A security bond or pledge agreement or an indemnity bond or suretyship agreement](#).

4. Proof of Financial Responsibility

If an Applicant for an Authorization is not a participant in a [pooled fund](#), the Applicant shall provide proof of financial responsibility through one of the following forms set out below.⁸

The CER or respective Offshore Board reserves the right to engage an external financial expert regarding the acceptability of this proof. The cost for such advice may be recovered from the Applicant (for example through the *Cost Recovery Regulations* for the respective Offshore Board).

4.1 Letter of Credit (also referred to by some banks as an “Irrevocable Guarantee”)

Should the letter of credit meet the following requirements, the CER or respective Offshore Board would likely consider it to be satisfactory:

- **Beneficiary:** The beneficiary must be identified as the respective Board for the Offshore Boards or in the case of the CER - “Her Majesty the Queen in Right of Canada as represented by the Canada Energy Regulator”.
- **Duration:** The CER or respective Offshore Board may permit or require the letter of credit to automatically renew on an annual basis without notice or amendment, and without a maximum number of renewals unless otherwise accepted by the CER or respective Offshore Board.
- **Issuer:** The issuer of the letter of credit must be a Canadian chartered bank set out in Schedule I⁹ of the *Bank Act*.

⁸ COGOA subsection 27(1), C-NLAAIA subsection 163(1) and CNSOPRAIA subsection 168(1)

⁹ The CER or respective Offshore Board may, at its discretion, accept proof from a Canadian chartered bank set out in Schedule II of the *Bank Act*.

- **Access to Funds:** The full amount of the letter of credit must be payable within five (5) days to the beneficiary on demand upon presentation of the letter of credit at the bank's main branch in the city where the head office of the CER or respective Offshore Board is located.
- **Notification:** The beneficiary must be notified by the Issuer by way of courier or registered mail (to the attention of the CER or respective Offshore Board employee identified in [Appendix 3](#)) at least ninety (90) days before the letter of credit may be cancelled, not renewed or expires. Upon notification, the beneficiary must be entitled to draw the entire amount of the letter of credit.
- **Additional terms:** The letter of credit must be irrevocable, non-transferable and non-assignable.

A template for an irrevocable letter of credit is provided in [Appendix 4 \(a\)](#) herein. **A template for an irrevocable letter of credit for a co-venturer/interest holder** is provided in [Appendix 4\(b\)](#) herein. (For the C-NLOPB, refer to [Appendix 4\(a\)NL](#), [4\(b\)NL](#) and [4\(c\)NL](#))

4.2 Bank Letter of Guarantee

The CER or respective Offshore Board may accept a bank letter of guarantee from an Applicant as proof of financial responsibility. The CER or respective Offshore Board will not accept a corporate affiliate or a parent company guarantee as required proof of financial responsibility. A corporate affiliate or a parent company guarantee may be considered as proof of financial resources as noted below in [Section 5](#).

Should the bank letter of guarantee meet the following requirements, the CER or respective Offshore Board would likely consider it to be satisfactory:

- **Beneficiary:** The beneficiary must be identified as the respective Offshore Board or in the case of the CER - "Her Majesty the Queen in Right of Canada as represented by the Canada Energy Regulator".
- **Promissory Note:** The bank letter of guarantee should be accompanied by a promissory note from the Applicant, which may be required by the bank.
- **Duration:** At the discretion of the CER or respective Offshore Board, the bank letter of guarantee may automatically renew on an annual basis without notice or amendment, and without a maximum number of renewals unless otherwise accepted by the CER or respective Offshore Board.
- **Issuer:** The issuer of the bank letter of guarantee must be a Canadian chartered bank set out in Schedule I¹⁰ of the *Bank Act*.
- **Access to Funds:** The full amount of the bank letter of guarantee must be payable within five (5) days to the beneficiary on demand upon presentation of the bank letter of guarantee at the bank's main branch in the city where the head office of the CER or respective Offshore Board is located.

¹⁰ The CER or respective Offshore Board may, at its discretion, accept proof from a Canadian chartered bank set out in Schedule II of the *Bank Act*.

- **Notification:** The beneficiary must be notified by courier or registered mail (to the attention of the CER or respective Offshore Board employee identified in [Appendix 3](#)) at least ninety (90) days before the bank letter of guarantee may be cancelled, not renewed or expires. Upon notification, the beneficiary must be entitled to draw the entire amount of the bank letter of guarantee.
- **Additional terms:** The bank letter of guarantee must be irrevocable, non-transferable and non-assignable.

A template for a bank letter of guarantee is found in [Appendix 5](#).

4.3 Indemnity Bond

The CER or respective Offshore Board may consider an indemnity bond as proof of financial responsibility on the condition that it provides the CER or respective Offshore Board with funds payable on demand; the funds are sufficiently liquid; and the CER or respective Offshore Board is satisfied with the financial capacity and creditworthiness of the guarantor. An Applicant who is proposing to rely on an indemnity bond as proof of financial responsibility should file the draft indemnity bond with the CER or respective Offshore Board no later than one hundred and twenty (120) days in advance of the anticipated commencement of the Authorization.

A template for an indemnity bond for an Applicant is found in [Appendix 6\(a\)](#).

A template for an indemnity bond for a co-venturer/interest holder is found in [Appendix 6\(b\)](#).

4.4 Other Forms of Financial Responsibility

The CER or respective Offshore Board may consider other forms of financial responsibility on a case by case basis; however, the instrument must provide the CER or respective Offshore Board with readily available access to the funds.

An Applicant who is proposing to rely on any other instrument as proof of financial responsibility should notify the CER or respective Offshore Board and file the proposed instrument with the CER or respective Offshore Board no later than one hundred and twenty (120) days in advance of the anticipated commencement of the Authorization.

4.5 Pooled Fund

An Applicant may provide proof of its participation in a pooled fund¹¹ only where an Authorization is being sought in connection with the drilling for, or the development or production of, petroleum in one (1) or more of the offshore regulated areas.

¹¹COGOA subsection 27(1.01) , C-NLAAIA subsection 163(1.01) and CNSOPRAIA subsection 168(1.01)

Criteria for the Pooled Fund

Should the pooled fund meet the following requirements, the CER or respective Offshore Board would likely consider it to be satisfactory:

- Funds must be maintained in a segregated account and not be commingled with the Applicant's¹² general funds;
- The administrator of the fund must be an independent, third party;
- Funds must be protected from creditors;
- Funds must be protected from misuse or use for a purpose other than proof of financial responsibility;
- The pooled fund shall only be used for the purpose of meeting the financial responsibility requirements and shall not otherwise be encumbered;
- Funds must be liquid and payable to the CER or respective Offshore Board within five (5) days of the CER or respective Offshore Board's demand
- The process for replenishing the funds within seven (7) days of a draw down must be clearly set out for the pooled fund participants;
- The pooled fund must be located and administered in Canada;
- The pooled fund must identify the offshore regulated area(s) for which it applies. To the extent the Applicant(s) wants to rely on the pooled fund in one or more of the offshore regulated areas, the pooled fund must be satisfactory to each of the CER or respective Offshore Board of the Regulated Areas; and,
- The Applicant shall provide a certificate from the administrator stating that the pooled fund satisfies the requirements set out in the respective *Acts* and *Regulations*.

Should the CER or respective Offshore Board make a demand for funds, a pooled fund faces the potential for immediate and sudden fund withdrawals. Therefore, investments in the fund must appropriately reflect this reality by allowing only liquid, high quality, low volatility investments. The CER or respective Offshore Board may require an Applicant to file the pooled fund's Investment Policy Statement to verify to the CER or respective Offshore Board's satisfaction that the investment strategy provides sufficient liquidity and availability of funds.

Although a letter of credit in itself cannot constitute a pooled fund, letter(s) of credit may be relied upon as the source of the \$250 million to be administered in the pooled fund in accordance with this criteria and that outlined in [Section 4.1](#). The CER or respective Offshore Board may request at any time an accounting of the instruments which constitute the pooled fund or request copies of such documents.

It is the responsibility of the administrator to¹³:

¹² For the purposes of this section, Applicant may include a parent, proportionate interest holder, co-venturer etc. satisfactory to the Board

¹³ Paragraph 3(c) of the *Regulations*

- i. provide the CER or respective Offshore Board on an annual basis, with independently audited financial statements that demonstrate that the pooled fund has been maintained at a minimum of \$250 million;
- ii. notify the CER or respective Offshore Board within twenty-four (24) hours of any change to the participants in the pooled fund or of any change in the amount of the pooled fund, other than one that is solely attributable to an interest charge or a banking fee;
- iii. notify the CER or respective Offshore Board of a contravention by a participant in the pooled fund of their obligation under the Act(s)¹⁴ within twenty-four (24) hours of becoming aware of the contravention; and
- iv. provide the CER or respective Offshore Board with the phone number, email address and mailing address of the administrator of the pooled fund.

Where a payment is made from the pooled fund to the CER or respective Offshore Board, the Operator shall reimburse the pooled fund in the amount that is paid out of that fund, within seven (7) days after the date in which such payment is made¹⁵.

4.6 Limitations

An Applicant cannot rely on one instrument valued at \$100 million as proof of financial responsibility in support of multiple drilling, development, or production Authorizations. Nevertheless, on a case by case basis, there may be circumstances where the CER or respective Offshore Board may permit an Applicant to use that same instrument as proof for other activities (e.g., diving).

The CER or respective Offshore Board could, at its discretion, accept a single instrument from the Applicant in a combined value in support of multiple Authorizations for drilling, production or development. For example, where there are two (2) Authorizations for drilling, production or development, the CER or respective Offshore Board may accept a single instrument in the amount of \$200 million.

5. Proof of Financial Resources

The Applicant must provide proof of financial resources¹⁶ as part of its financial requirements package. Updates must also be provided annually or more frequently as requested by the CER or respective Offshore Board or when there is a material adverse change¹⁷ in financial position. The CER or respective Offshore Board reserves the right to engage an external financial expert regarding the acceptability of this proof. The cost for such advice may be recovered from the

¹⁴ COGOA subsection 27(1.1), (1.2) or (5); C-NLAAIA subsection 163(1.1), (1.2) or (5); CNSOPRAIA subsection 168(1.1), (1.2) or (5)

¹⁵ Section 4 of the *Regulations*

¹⁶ Section 2 of the *Regulations*

¹⁷ Material adverse changes means an adverse change in the business, operations or affairs of the provider of the proof that would be considered important by a reasonable person and would include a change in funding arrangements

Applicant (for example through the *Cost Recovery Regulations* for the respective Offshore Board).

5.1 Statement of Net Assets or Funding Arrangements

A Statement of Net Assets or Funding Arrangements must accompany every application for financial requirements. The statement must demonstrate how the Applicant's net assets or funding arrangements are sufficient to meet the amount of financial resources required by the legislative regime¹⁸. This statement must be submitted annually or more frequently as requested, and must include:

- Total assets and liabilities of the Applicant;
- A signature of the authorized financial officer of Applicant;
- A description of the corporate structure of the Applicant, and if applicable, any affiliates or parent companies, including an organizational chart, which sets out the relationship between the parties;
- A summary description of monies available via funding arrangements, including those items listed in paragraphs 2 (b), (c), (d), (e), (f), (g), and (h) of the *Regulations* and credit facilities in place for accessing funds; and
- A summary and overview of the manner in which it intends to satisfy any financial liability which could arise from the proposed work or activity. This should include sufficient detail to identify the means or options which the Applicant will exercise in obtaining sufficient funds to satisfy these liabilities, including the timing for mobilization of funds.

The CER or respective Offshore Board may require the Applicant to: (1) retain a qualified independent auditor to audit this Statement; and (2) provide the Board with a report of the audit, signed by the auditor, to confirm such review has been conducted¹⁹. The cost of the auditor will be paid by the Applicant.

See [Appendix 2](#) for a template of a Statement of Net Assets or Funding Arrangements.

5.2 Substantiating Documents

The Statement of Net Assets or Funding Arrangements must be accompanied by one or more of the following documents that substantiate it to the satisfaction of the CER or respective Offshore Board²⁰:

- [Most recent audited financial statements and credit rating](#);
- [Promissory note](#);
- [An insurance policy or a certificate of insurance](#);

¹⁸ Subsection 2(1) of the *Regulations*

¹⁹ Subsection 2(3) of the *Regulations*

²⁰ Subsection 2(2) of the *Regulations*

- [An escrow agreement](#);
- [A letter of credit \(also referred to by some banks as an “Irrevocable Guarantee”\)](#);
- [A line of credit](#);
- [A guarantee agreement](#); and/or,
- [A security bond or pledge agreement or an indemnity bond or suretyship agreement](#).

5.2(a) Audited Financial Statements & Credit Rating

Audited Financial Statements

In the event an Applicant submits audited financial statements as proof of financial resources, the following requirements must be met:

- The financial statements must be that of the Applicant²¹;
- The financial statements are independently audited and are the most recent available²²;
- Audited financial statements shall include a balance sheet, statement of profit and loss, statement of changes in equity, statement of cash flows and explanatory notes and be in a format consistent with generally accepted accounting principles²³. An audited financial statement may be provided as part of an annual report; and,
- The most recent quarterly financial statements must also be filed in support of the annual financial statements.

Credit Ratings

Where applicable²⁴, the Applicant must include its most recent credit rating report(s) from all of the following internationally recognized credit rating agencies:

- Standard and Poor’s;
- Moody’s;
- DBRS; and,
- Fitch.

5.2(b) Promissory Note

Should a promissory note meet the following requirements, the CER or respective Offshore Board would likely consider it to be satisfactory:

- be dated;

²¹ If the Applicant intends to depend on financial statements of another entity, that entity must also submit a Guarantee Agreement as described in subsection 4.2(g)).

²² For the CER depending on the type of authorization sought (for example: onshore) the CER may consider unaudited financial statements if audited statements are unavailable.

²³ United States Generally Accepted Accounting Principles or International Financial Reporting Standards

²⁴ If the Applicant has been given a credit rating by a credit rating agency that is current at the time the application is made, the Applicant must provide this credit rating.

- be identified as a non-interest bearing, non-negotiable demand promissory note;
- be unconditional;
- be on company letterhead;
- be executed by authorized signing officer(s) of a company;
- be payable to the CER or respective Offshore Board;
- be explicit as to the amount; and,
- if a promissory note is provided by an entity other than the Applicant or a chartered bank set out in Schedule I or Schedule II of the *Bank Act*, it must be accompanied by the most recent audited financial statements as well as any subsequently completed quarterly statements and, if available, the most recent credit rating reports pertaining to that entity. The financial statements will only be relied on for the amount of the promissory note.

A template for a Promissory Note is found in [Appendix 7](#).

5.2(c) Insurance Policy or Certificate of Insurance

If an Applicant chooses to provide insurance as proof of financial resources, the CER or respective Offshore Board may request either the certificate(s) of insurance or seek to review the insurance policy(s) to ensure the proof of insurance is satisfactory for meeting the financial resource requirements in relation to the applied for work or activity.

Should insurance meet the following requirements, the CER or respective Offshore Board will likely consider it to be satisfactory:

- Depending on the complexity of the proof of insurance to be provided to the CER or respective Offshore Board, the Applicant or Operator may be required to submit a detailed insurance plan prior to filing proof of the necessary financial requirements.;
- The Applicant or Operator, at its expense, shall place all of the insurance policies which are customary among international petroleum exploration or production companies and in accordance with the requirements of this section, and maintain them throughout the entire period of the Authorization.
- The insurance policies should be arranged in line with Canadian laws and regulations with recognized insurance companies, ranked "A-" or higher by Standard and Poor's, or equivalent rating from a similar international ratings company.
- Insurance arranged with a wholly owned insurance subsidiary of the Applicant and/or Operator ("captive") insurance company may be taken out as long as the "captive" or its reinsurers are rated "A-" or higher by Standard and Poor's, or equivalent rating from a similar international ratings company or insurance rating agency and otherwise meets the requirements of this section. Captives which do not meet this test or other significant self-insurance arrangements will be considered by the CER or respective Offshore Board on a case by case basis.

- v. The insurance policies shall have conditions suitable to cover the scope of operations of the Applicant or Operator and apply to the exposures involved in its activities, and shall include coverage of, at least, the following risks and coverage as applicable to the Authorization (but shall not be limited to them):
- Control of the well, and any other contamination or environmental damage caused as a result of any petroleum exploration drilling for, or development or production or other petroleum-related activities, onshore or offshore, as applicable.
 - The cost of redrilling and/or recompleting the well to the condition it was in prior to the Incident.
 - The cost of removal of and cleanup operations required as a result of an Incident occurring in the course of petroleum exploration drilling for, or development or production or other petroleum-related activities, onshore or offshore, as applicable.
 - Loss or damage to property or bodily injury caused to any third party during any petroleum exploration drilling for, or development or production or other petroleum-related activities, onshore or offshore, as applicable.
 - Protection and Indemnity.
 - Hull and Machinery.
 - Comprehensive General Liability.
 - Provisions for offshore terrorism.
 - Any other proof of insurance acceptable to the CER or respective Offshore Board.
- vi. The Applicant or Operator should ensure that all contractors performing operations carry insurance to cover the risks of property damage to and liabilities arising from their own assets and equipment used to perform their services. Such insurance should be consistent with items listed in (v) above. The Applicant or Operator should also provide the CER or respective Offshore Board with proof of these insurance policies placed by the subcontractor. The Applicant or Operator should ensure any subcontractors have their insurers include a waiver of subrogation toward the CER or respective Offshore Board and any one of its authorities in the policies covering the contractors' liabilities, if any.
- vii. At the discretion of the CER or respective Offshore Board, the Applicant or Operator should ensure that the policies under any proof of insurance includes the CER or respective Offshore Board as an additional insured party, covering its liability for any act and/or omission by the Applicant or Operator, and that it is stated in each of the policies that the policy may not be cancelled unless notice has been given to the CER or respective Offshore Board by the Applicant or Operator or by the insurer or insurance broker, at least thirty (30) days (or less for war) prior to the date of cancellation, and that the insurance company in the policies covering the Applicant or Operator, if any, has waived the right of subrogation towards the CER or respective Offshore Board and any of its authorities.

- viii. The Applicant or Operator shall submit to the CER or respective Offshore Board any subsequent renewals of the insurance provided in support of financial resources during the term of the Authorization. Such renewals should be consistent with the requirements of this section. Further, the CER or respective Offshore Board may require confirmation from the insurance company, or from an insurance broker to the satisfaction of the CER or respective Offshore Board, stating that the policies have been placed and premiums paid in accordance with the provisions of these Guidelines.
- ix. To preclude doubt, providing copies of the policies to the CER or respective Offshore Board shall in no way lessen the Applicant or Operator's responsibility with regard to its duty to maintain the accepted level of insurance as stated in this section.
- x. The Applicant or Operator is expected to submit at the CER or respective Offshore Board's request a technical justification based on international best practice, justifying the sums insured for Operators' extra expense and third party liability insurances.
- xi. Without derogating from the above, the CER or respective Offshore Board may determine and add instructions regarding the Application of the insurance, type of insurance, scope and liabilities thereunder, after giving the Applicant or Operator an opportunity to present its arguments. Should such instructions be determined, the Applicant or Operator must act in accordance with the CER or respective Offshore Board's instructions. It is clarified that these determinations shall be minimum determinations, and the Applicant or Operator would adapt the scope and application of the insurance to that required.
- xii. The Applicant or Operator shall comply with all requirements and conditions of the insurance contracts.
- xiii. Should notice of cancellation of insurance be issued by insurers, the Applicant or Operator shall act to remove the reason for cancellation, or shall act immediately to obtain alternative insurance, and shall inform the CER or respective Offshore Board of the actions taken to this end.
- xiv. In the event that the Applicant or Operator does not comply with the requirements of the insurance in accordance with these Guidelines, or that the insurance has been cancelled or has expired for any reason whatsoever, including failure to pay the insurance premium, and the Applicant or Operator has not arranged a new alternate insurance, the CER or respective Offshore Board may, at its sole option, should it see fit, pay the premium instead of the Applicant or Operator.
- xv. Upon the CER or respective Offshore Board's demand, the Applicant or Operator shall provide the CER or respective Offshore Board with:
- Explanations with regard to the content of the insurance, type of insurance, scope, conditions and liabilities thereunder.

- Assessments with regard to the type and extent of risks involved in the actions of the Applicant or Operator.
- Any other information relating to insurance under this section which is necessary in the CER or respective Offshore Board's opinion at its discretion.

For drilling and/or production authorizations, Applicants should note that CER or the respective Offshore Board will not accept the insurance policies of an Applicant's (or its co-venturers' / interest holders') third party contractors as a means of meeting the proof of financial resources obligation. For example, policies of insurance maintained by a drilling company hired by an Applicant are not an acceptable form of proof of an Applicant's financial resources.

A template for Insurance Certificate is annexed at [Appendix 8](#).

5.2(d) Escrow Agreement

The CER or respective Offshore Board and the Applicant may enter into an escrow agreement with an escrow agent mutually acceptable to the CER or respective Offshore Board and Applicant. Such agreement would acknowledge receipt of the requisite amount of financial resources that would be established in an escrow fund. The escrow fund would be managed and governed in accordance with the terms and conditions of the escrow agreement.

A template for an Escrow Agreement is annexed at [Appendix 9](#).

5.2(e) Letter of Credit (also referred to by some banks as an "Irrevocable Guarantee")

The letter of credit requirements are generally the same as those found in [Section 4.1](#) of these Guidelines.

5.2 (f) Line of Credit

Should the line of credit meet the following requirements, the CER or respective Offshore Board would likely consider it to be satisfactory:

- Issued by a bank acceptable to the CER or respective Offshore Board;
- Be explicit as to the amount of financial resources covered; and,
- Contains a description of the structure of the line of credit including notice of cancellation, secured/unsecured, total amount, undrawn portion.

5.2(g) Guarantee Agreement

A guarantee agreement provides proof that there are sufficient funds to cover the financial resources for the respective Authorization. This guarantee agreement must be accompanied by the most recent audited financial statements, as well as any subsequently completed unaudited quarterly statements and, if available, the most recent credit rating reports from the guarantor.

The financial statements will only be relied on for the amount of the guarantee agreement. A parental or corporate affiliate guarantee may be acceptable to the CER or respective Offshore Board as such proof.

A Template for a Guarantee Agreement is found in [Appendix 10](#).

5.2(h) A Security Bond or Pledge Agreement or an Indemnity Bond or Suretyship Agreement

Should the surety bond meet the following requirements, the CER or respective Offshore Board would likely consider it to be satisfactory:

- The surety must be regulated by the Office of the Superintendent of Financial Institutions;
- The obligee must be identified as the respective Offshore Board or in the case of the CER - “Her Majesty the Queen in Right of Canada as represented by the Canada Energy Regulator”.
- The term of the bond must be indefinite. The bond may have a form of evergreen provision that automatically renews the bond unless notice of termination is given;
- The bond must be terminable by the surety providing sixty (60) days’ notice, with the obligee then having a further sixty (60) day period to make a written demand of the surety;
- At the discretion of the CER or respective Offshore Board, the bond must be structured as an on demand instrument. This may be accomplished by requiring the surety to pay the bond amount upon receiving a written demand of the obligee;
- The bond must reference the underlying regulatory obligations of the principal; and,
- The surety may fulfill its obligations under the bond by: (i) remedying the default of the principal, (ii) completing the principal’s obligations under the relevant legislation, or (iii) paying the bond balance to the CER or respective Offshore Board. If these options are set out in the bond, then the CER or respective Offshore Board must have the discretion to choose among them.

An Applicant who is proposing to rely on one or more of the following instruments: security bond, pledge agreement, indemnity bond or any other form of suretyship agreement, should file the draft instruments with the CER or respective Offshore Board no later than one hundred and twenty (120) days in advance of the anticipated commencement of the Authorization.

6. Proportionate Shares

At the discretion of the CER or respective Offshore Board, all or a part of the proof of financial responsibility or financial resources may be submitted by the Applicant on a proportionate share basis in relation to the shares of each co-venturer/interest holder, provided such proof is consistent with the Guidelines and is otherwise satisfactory to the CER or respective Offshore

Board. In such circumstances, a CER or respective Offshore Board may require the Applicant to demonstrate through contractual means, such as a guarantee, that funds of the co-venturer /interest holder will be available in the event of an Incident. The circumstances under which this could be done may vary; therefore, the Applicant should consult with the CER or respective Offshore Board at its earliest possible opportunity but no later than thirty (30) days prior to the submission date of the draft financial requirements to determine and confirm such possibility.

In such circumstances, requests for replacement proof of financial responsibility or financial resources or renewals of the associated documents will be sent to the Operator, not the co-venturers/interest holders. It is the Operator's responsibility to communicate with its co-venturers to ensure the requisite proof is effective at all times.

For the Offshore Boards, Operators are required to submit, as part of the Financial Requirements submission provided to the Board for approval, a signed Operator's Undertaking following the template provided at [Appendix 13](#). This is to acknowledge responsibility for 100% of the financial requirements obligations as prescribed by the *Accord Acts* and the obligation to ensure that the proof provided, or substitute proof acceptable to the respective Offshore Board, will remain in place for the requisite period of time appropriate to the authorization involved.

7. Increasing or Decreasing Financial Requirements

The CER or respective Offshore Board may, at its discretion, make public some of the information filed by an Applicant with respect to increasing or decreasing the financial requirements, subject to the privilege provisions set out in the *Acts*.

7.1 Increasing Financial Requirements

With respect to financial resources and financial responsibility for any Authorization, the CER or respective Offshore Board may require an amount greater than those specified in [Appendix 1](#) based on the financial circumstances of the Applicant or increased risk of the applied-for work or activity²⁵. The CER or respective Offshore Board would consider an increase on a case by case basis, and may require the Applicant to provide a risk assessment as per [Section 7.3](#). That Board will notify the Applicant if a greater amount of financial resources and/or financial responsibility may be required as early as practicable prior to the proposed start of the activity.

7.2 Decreasing Financial Requirements

Where certain offshore activities may pose significantly less risk, the Federal Minister and for each respective Offshore Board, the applicable Provincial Minister, may, on the recommendation of the CER or respective Offshore Board, approve a lesser amount of absolute

²⁵ *COGOA* subsections 26.1(1) and 27(1)(a), *C-NLAAIA* subsections 162.1(1) and 163(1)(a) and *CNSOPRAIA* subsections 167.1(1) and 168(1)(a)

liability or financial responsibility²⁶. Where a lesser amount of absolute liability is approved, the corresponding amount of financial resources will be reduced accordingly. The CER or respective Offshore Board may consider such requests from Applicants or an Operator on these matters on a case by case basis.

For such requests, the Applicant or Operator should provide sufficient time for the CER or respective Offshore Board and Minister to review. The Applicant must include the following information:

- i. The estimated total of the losses, damages, costs and expenses expected to result from an Incident;
- ii. The Applicant's/Operator's recommended amount for financial responsibility and absolute liability;
- iii. A summary of the reasons for the recommendation; and,
- iv. A risk assessment per [Section 7.3](#), acceptable to the CER or respective Offshore Board, for the proposed work or activity.

7.3 Risk Assessment

As discussed in [Section 7.2](#), if an Applicant wishes any of the CER or respective Offshore Board to consider an amount of financial resources or financial responsibility less than those listed in [Appendix 1](#), the Applicant must provide a risk assessment that demonstrates that the potential loss or damage that could occur would be less than the absolute liability amount. Alternatively, the CER or respective Offshore Board could require the Applicant to provide a risk assessment for the purposes of its consideration under [Section 7.1](#). The Applicant should consider the following three categories, as applicable, when completing its risk assessment:

- cost of containing each Incident;
- cost of cleaning up the environment; and,
- cost of compensating affected third parties.

The list of factors below is meant to be a starting point for relevant considerations and should be customized for the nature, magnitude, and scale of the proposed work or activity. The list is intended to be illustrative and not exhaustive:

- Detailed cost estimates for stopping any flow of hydrocarbons into the environment as well as containing any spill or debris;
- The potential worst case scenario of an incident;
- The well type, i.e. exploration, delineation or development and the expected hydrocarbon type(s), e.g. oil, natural gas, condensate;
- Information on expected well pressures and temperatures;

²⁶ COGOA section 27.1, C-NLAAIA section 163.1 and CNSOPRAIA section 168.1

- Any special oversight measures relating to the activity;
- The type, scale, timing, and location of the proposed activity and the marine installation or structure and equipment involved, including any subsea infrastructure;
- Key response strategies and methods for spill containment and debris removal, monitoring, tracking recovery, and clean-up on surface water, the subsurface, shoreline, ice, and ice-infested waters, as applicable;
- Information on resulting impacts to navigation and potential navigation hazards;
- Information respecting water depth, sea floor formation and subsea hazards;
- The rates of release, volume and properties of the product that could be released in the event of an Incident;
- Required support systems, including vessels and ice-breakers;
- All factors that can cause harm to the proposed activities, and how such risk factors could be managed;
- Environmental, logistic, and geographic factors that affect stopping, containing and cleaning up the released product;
- Estimated costs for environmental clean-up of Incidents that could occur as well as a rationale for how those costs were derived;
- Spill fluid characteristics (physical and chemical properties such as flow rates, volume, oil properties such as API²⁷ gravity, grade, viscosity, hydrocarbons constituent components, and wax content);
- Physical environment of the event (e.g., onshore or offshore, water depth, surface or sub-surface spill and debris, presence and make-up of ice, currents, waves, time of year, air temperature, and periods of low visibility such as during foggy conditions and at night);
- Effectiveness and efficacy of the proposed spill countermeasures in the operations time period (and possibly beyond the season as spill and debris clean-up may continue after the end of an effective operating period);
- Availability of suitable infrastructure, skilled and capable personnel, and adequate and appropriate equipment;
- Spill monitoring and spill trajectory models for effective deployment of spill countermeasures;
- Information on ecological, cultural, traditional use, commercial, and other significant areas or sites;
- Estimates of the cost for compensating potential third parties in the event of an Incident;
- Proximity of the authorized activities to communities and fishing areas;

²⁷ American Petroleum Institute

- Extent of Indigenous peoples' dependence on fishing or, for onshore CER applications, hunting, traditional lifestyle and livelihood; and,
- Loss of Indigenous peoples' actual and future income generated from fishing and, for onshore CER applications, hunting and gathering (actual loss or damage does not include loss of income recoverable under section 42(3) of the *Fisheries Act*).

Canada Energy Regulator

In addition to the list above, a risk assessment for the Canada Energy Regulator should include the following, as applicable:

- A discussion of whether additional security is being held by another governmental organization (if so provide details);
- Value of the land to the cultural aspects of the northern people and communities;
- Obligations and responsibilities under land claim settlement agreements; and,
- Cost to replace a community's water and food sources/intakes.

8. Extended Obligation

For Authorizations respecting the offshore drilling for, or development or production of petroleum, proof of financial responsibility and financial resources must remain in force for a period of one (1) year beginning on the day on which the CER or respective Offshore Board notifies the Operator that it has accepted a report submitted by the Operator indicating the date the last well is abandoned (the CER or respective Offshore Board may reduce that period and it may further decide to lessen the amount of financial responsibility and proof of financial resources that are in place for that Operator during that period).²⁸

9. Decommissioning and Abandonment of a Development

The financial requirements for the decommissioning and abandonment of a development and associated infrastructure will be determined on a case by case basis. An application by an Operator may include the following information as applicable:

- the projected cost associated with the decommissioning and abandonment of the development;
- the manner and form in which the Operator will ensure that the decommissioning and abandonment costs will be paid;
- in the event that entire removal is not required, the manner, form and costs associated with maintaining the decommissioned production installation;

²⁸ COGOA subsection 27(1.2), C-NLAAIA subsection 163(1.2) and CNSOPRAIA subsection 168(1.2)

- the manner and form in which any post abandonment event will be dealt with by the Operator in the event of any subsequent claims, such as damages attributable to the Operator's work or activity, that arise after the decommissioning and abandonment occurs; and,
- such other information as the CER or respective Offshore Board may consider necessary.

10. Submission of Proof and Approval

The process for filing the proof of the necessary financial requirements and for seeking approval of the financial requirements by the CER or respective Offshore Board can be found in [Appendix 11](#).

Once preliminary matters, as set out in [Appendix 11](#), have been dealt with, the Applicant must submit to the CER or respective Offshore Board the draft documentation which evidences the required proof of financial requirements. For the Offshore Boards, this is done using the Proof of Financial Requirements for Work Authorization form, attached hereto as [Appendix 12](#). For the CER, this is done by way of a letter addressed to CER contact listed in [Appendix 3](#). **THIS SUBMISSION SHOULD BE MADE IN A TIMELY MANNER SUFFICIENTLY IN ADVANCE AND NO LATER THAN SIXTY (60) DAYS IN ADVANCE OF THE ANTICIPATED COMMENCEMENT OF THE AUTHORIZATION. IN THE EVENT THAT THE PROOF IS AN INDEMNITY BOND, SECURITY BOND, PLEDGE AGREEMENT, OR SURETYSHIP AGREEMENT OR ANY OTHER FORMS OF PROOF FOR FINANCIAL RESPONSIBILITY PURSUANT TO [SECTION 4.4](#), THE SUBMISSION SHOULD BE NO LATER THAN ONE HUNDRED AND TWENTY (120) DAYS IN ADVANCE.**

An Applicant shall consult the CER or respective Offshore Board on the form and manner of required documentation.

Following submission of the required documentation, the CER or respective Offshore Board will determine whether the submitted documentation is acceptable, and when necessary may request further information from the Applicant. For example, where an Applicant chooses not to rely upon insurance as proof of financial resources, the CER or respective Offshore Board may nevertheless request the Applicant to provide documentation respecting insurance coverage for informational purposes. In such circumstances, the Applicant could provide documentation which may vary from the types of insurance or criteria described in [Section 5.2\(c\)](#).

AN AUTHORIZATION WILL NOT BE ISSUED UNTIL THE NECESSARY PROOF OF FINANCIAL REQUIREMENTS HAVE BEEN SUBMITTED AND THE SUBMITTED INFORMATION IS SATISFACTORY TO THE CER OR RESPECTIVE OFFSHORE BOARD.

Appendix 1 – Financial Requirements for the CER or respective Offshore Board

Canada Energy Regulator

The onshore and offshore charts set out the most commonly applied for Authorizations. The CER has provided a general range of the amount of financial responsibility and financial resources that it is likely to require for each activity. While the ranges set out below will provide Applicants with more certainty as to the CER's expectations, each application will continue to be assessed on a case by case basis. Subject to *COGOA*, the CER may increase or decrease the financial resource or responsibility requirements set out below, depending on the specific facts and scope of each application.

The list below is meant to be illustrative and not exhaustive. Applicants that are applying for an Authorization for an activity that is not listed below are encouraged to contact the CER to request a pre-application meeting to discuss the process requirements for filing the necessary proof of financial resources and financial responsibility.

ONSHORE ACTIVITIES:

Applied-for Oil and Gas Activity	Absolute Liability ²⁹	Financial Resources Range	Financial Responsibility
Geophysical Activity	\$10M or \$25M depending on location of applied for work or activity	\$250,000 to \$500,000	Determined on a case by case basis
Exploration Drilling OIL/GAS	\$10M or \$25M depending on location of applied for work or activity	\$50M or \$125M (5X times Financial Responsibility)	\$10M or \$25M depending on location of applied for work or activity Equal to absolute liability limits
Development Drilling OIL	\$10M or \$25M depending on location of applied for work or activity	\$40M or \$100M (4X Financial Responsibility)	\$10M or \$25M depending on location of applied for work or activity Equal to absolute liability limits
Development Drilling GAS	\$10M or \$25M depending on location of applied for work or activity	\$30M or \$75M (3X Financial Responsibility)	\$10M or \$25M depending on location of applied for work or activity Equal to absolute liability limits

²⁹ See *COGOA* para.26(2.2)(b) and (c)-the limit of absolute liability for any work or activity within the regulated area of the Northwest Territories or Nunavut covered by or located a distance of 200 metres or less from any river, stream, lake or body of inland water is \$25 million. The limit of absolute liability in respect of any other area within the regulated area of the Northwest Territories or Nunavut is \$10 million.

Production Facilities OIL	\$10M or \$25M depending on location of applied for work or activity	\$20M or \$50M (2X Financial Responsibility)	\$10M or \$25M depending on location of applied for work or activity Equal to absolute liability limits
Production Facilities GAS	\$10M or \$25M depending on location of applied for work or activity	\$10M or \$25M (1X Financial Responsibility)	\$10M or \$25M depending on location of applied for work or activity Equal to absolute liability limits
Other Authorizations i.e. geotechnical and geological surveys; pipeline facilities; re-entry into suspended or abandoned wells etc.	\$10M or \$25M depending on location of applied for work or activity	Determined on a case by case basis	Determined on a case by case basis

OFFSHORE ACTIVITIES:

Applied-for Oil and Gas Activity	Absolute Liability	Financial Resources	Financial Responsibility
Geophysical Activity	\$1B	Determined on a case by case basis	Determined on a case by case basis
Drilling for or development or production of oil or gas	\$1B	\$1B (if the CER considers it necessary, it may determine a greater amount and require proof that the Applicant has the financial resources to pay that greater amount)	\$100M (or if the CER considers it necessary, in a greater amount that it determines) ³⁰ or provide proof of participation in a pooled fund that is maintained at a minimum of \$250M

³⁰ See *COGOA* para.27(1)(a)

Canada-Newfoundland and Labrador Offshore Petroleum Board

The C-NLOPB may, subject to its respective *Accord Acts*, increase or decrease the financial resource or responsibility requirements set out below, depending on the specific facts and scope of each application.

The list below is meant to be illustrative and not exhaustive. Applicants that are applying for an Authorization for work or activity in the Canada-Newfoundland and Labrador offshore area that is not listed below are encouraged to contact the C-NLOPB to request a pre-application meeting to discuss the process requirements for filing the necessary proof of financial resources and financial responsibility.

Applied-for Oil and Gas Activity	Absolute Liability	Financial Resources	Financial Responsibility
Geophysical, geological, environmental and geotechnical program activities with field work	\$1B	Determined on a case by case basis	Proof of financial responsibility must remain in place for a period of 30 days after the expiry date of the program's authorization, unless otherwise determined by the Board.
Drilling for or development or production of oil or gas (includes Authorizations in relation to construction, tow out, well intervention)	\$1B	\$1B (if the Board considers it necessary, it may determine a greater amount and require proof that the Applicant has the financial resources to pay that greater amount)	\$100M (or if the Board considers it necessary, in a greater amount that it determines) ³¹ or provide proof of participation in a pooled fund that is maintained at a minimum of \$250M
Decommissioning and Abandonment	\$1B	\$1B (if the Board considers it necessary, it may determine a greater amount and require proof that the Applicant has the financial resources to pay that greater amount)	Determined on a case by case basis
Diving Program Authorization	\$1B	Determined on a case by case basis	\$30M if the diving program is being conducted in the safety zone

³¹ See C-NLAAIA subsection 163(1)(a)

Canada-Nova Scotia Offshore Petroleum Board

The CNSOPB may, subject to the *Accord Acts*, increase or decrease the financial resource or responsibility requirements set out below, depending on the specific facts and scope of each application.

The list below is meant to be illustrative and not exhaustive. Applicants that are applying for an Authorization for work or activity in the Canada-Nova Scotia offshore area that is not listed below are encouraged to contact the CNSOPB to request a pre-application meeting to discuss the process requirements for filing the necessary proof of financial resources and financial responsibility.

Applied-for Oil and Gas Activity	Absolute Liability	Financial Resources	Financial Responsibility
Geophysical, geological, environmental and geotechnical program activities with field work	\$1B	Determined on a case by case basis	Proof of financial responsibility must remain in place for a period of 30 days after the expiry date of the program's authorization, unless otherwise determined by the Board.
Drilling for or development or production of oil or gas	\$1B	\$1B (if the Board considers it necessary, it may determine a greater amount and require proof that the Applicant has the financial resources to pay that greater amount)	\$100M (or if the Board considers it necessary, in a greater amount that it determines) ³² or provide proof of participation in a pooled fund that is maintained at a minimum of \$250M
Decommissioning and Abandonment	\$1B	\$1B (if the Board considers it necessary, it may determine a greater amount and require proof that the Applicant has the financial resources to pay that greater amount)	Determined on a case by case basis
Diving Program Authorization	\$1B	Determined on a case by case basis ³⁶	Determined on a case by case basis

³² See *CNSOPRAIA* subsection 168 (1)(a)

Applied-for Oil and Gas Activity	Absolute Liability	Financial Resources	Financial Responsibility
Geotechnical/Geological/Engineering/Environmental Program Authorization	\$1B	Determined on a case by case basis ³⁶	Determined on a case by case basis

Appendix 2 - Statement of Net Assets or Funding Arrangements

Overview

Net Assets is defined as Shareholders' Equity (total assets minus total liabilities).

Applicant to provide its complete set of financial statements for:

1. Latest fiscal year (audited)
2. Latest quarter (unaudited)

Applicant will convert all amounts reported below to Canadian dollars based on the published Bank of Canada foreign exchange rate data published once a day for the relevant date for certain foreign currencies. If the relevant date is not a Canada business day, the prior business day's exchange rate will be used. For foreign currencies other than those for which the Bank of Canada publishes rates as described above, Applicant will convert to Canadian dollars for the relevant date based upon readily available rates in real time.

Applicant will provide a description of the corporate structure of the Applicant and if applicable any affiliates or parent companies, including an organizational chart, which sets out the relationship between the parties.

Applicant will describe the manner in which it intends to satisfy any financial liability which could arise from the proposed work or activity. This should include sufficient detail to identify the means or options which the Applicant will exercise in obtaining sufficient funds to satisfy these liabilities, including the timing for mobilization of funds (both funding arrangements and net assets) described in the statement below.

Applicant will also provide current credit rating report(s), if available, from all of the following rating agencies:

1. Moody's Investors Service
2. Standard & Poor's
3. DBRS
4. Fitch

Applicant Full Legal Name and Business Address:

Responsible Financial Officer (name, position, date, signature):

Applicant's Credit Ratings:

	Long Term Debt Rating	Issuer Rating
Moody's		
Standard & Poor's		
DBRS		
Fitch		

Date of Applicant financial statements for latest fiscal year:

Date of Applicant financial statements for latest quarter:

Applicant's Net Assets from Financial Statements:

	Latest Fiscal Year End	Latest Quarter End
Current Assets		
Intangible Assets		
Total Assets		
Current Liabilities		

Total Liabilities		
Shareholders' Equity		
Shareholders' Equity less Intangible Assets		

Applicant's Funding Arrangements (if being relied upon):

	Amount (CAD)	Provider(s)	Timing to Mobilize
Promissory note			
Insurance			
Escrow agreement			
Letter of credit or irrevocable guarantee			
Line of credit			
Guarantee agreement			
Security bond, pledge agreement, indemnity bond or suretyship agreement			

Total Available funding from Net Assets and Funding Arrangements:

	Latest Fiscal Year End	Latest Quarter End
Shareholders' Equity		
Funding Arrangements		
Total Net Assets and Funding Arrangements		

Information regarding Funding Arrangements (if being relied upon):

Funding Arrangements may take the form of a Promissory Note, Insurance Policy or Certificate of Insurance, Escrow Agreement, Letter of Credit, Line of Credit, Guarantee Agreement, Security Bond, Indemnity Bond, Pledge Agreement or Suretyship Agreement (“Funding Arrangement”):

1. In the form specified in this Guidance, and
2. Issued by a corporation or financial institution acceptable to the Board (“Funding Arrangement Provider”).

Attach a draft unexecuted copy of each proposed Funding Arrangement for review and approval by the CER or respective Offshore Board.

Funding Arrangement Provider Full Legal Name and Business Address:

Form of Funding Arrangement:

Notional amount of Funding Arrangement (CAD):

Effective date of Funding Arrangement:

Termination date of Funding Arrangement:

Relationship of Funding Arrangement Provider to Applicant:

Funding Arrangement Provider will also provide current credit rating report(s), if available, from all of the following rating agencies:

1. Moody’s Investors Service
2. Standard & Poor’s
3. DBRS
4. Fitch

Funding Arrangement Provider Credit Ratings:

	Long Term Debt Rating	Issuer Rating
Moody’s		

Standard & Poor's		
DBRS		
Fitch		

Funding Arrangement Provider Additional information:

For **parental or corporate affiliate guarantees, promissory notes, or any other funding arrangement** where the Funding Arrangement Provider is not a chartered bank set out in Schedule I or an acceptable bank set out in Schedule II of the *Bank Act*, an insurance company meeting the ratings criteria set out in [Section 5.2\(c\)](#), or a surety company regulated by the Office of the Superintendent of Financial Institutions, the Applicant must provide the following information (for each Funding Arrangement Provider):

1. Complete financial statements for latest fiscal year (audited)
2. Complete financial statements for latest quarter (unaudited)
3. Summary table as follows:

Funding Arrangement Provider	Latest Fiscal Year End	Latest Quarter End
Current Assets		
Intangible Assets		
Total Assets		
Current Liabilities		
Total Liabilities		
Shareholders' Equity		
Shareholders' Equity less Intangible Assets		

Date of Funding Arrangement Provider financial statements for latest fiscal year:

Date of Funding Arrangement Provider financial statements for latest quarter:

Funding Arrangement Provider Net Assets from Financial Statements:

Funding Arrangement Provider will convert all amounts to Canadian dollars based on the published Bank of Canada foreign exchange rate data published once a day for the relevant date for certain foreign currencies. If the relevant date is not a Canada business day, the prior business day's exchange rate will be used. For foreign currencies other than those for which the Bank of Canada publishes rates as described above, Funding Arrangement Provider will convert to Canadian dollars for the relevant date based upon readily available rates in real time.

Appendix 3 – List of Board Contacts

Canada-Newfoundland and Labrador Offshore Petroleum Board

240 Waterford Bridge Road
The Tower Corporate Campus - West Campus Hall
Suite 7100
St. John's, NL A1E 1E2

Attention: Senior Legal Counsel
E-Mail: lgibbons@cnlopb.ca
Phone: 709-778-1430
Fax: 709-778-1473

Canada-Nova Scotia Offshore Petroleum Board

27-201 Brownlow Avenue
Dartmouth, NS B3B 1W2

Attention: General Counsel
E-Mail: fradmin@cnsopb.ns.ca
Phone: 902-422-5588
Fax: 902-422-1799

Canada Energy Regulator

Suite 210, 517 Tenth Ave SW
Calgary, AB T2R 0A8

Attention: Secretary of the Commission
Phone: 403-292-4800
Toll Free: 1-800-899-1265
Fax: 403-292-5503
Toll Free Fax: 1-877-288-8803

Appendix 4 (a) – Irrevocable Letter of Credit or Irrevocable Guarantee Template

BANK LETTERHEAD

[NOTE: THE FOLLOWING IS A PROFORMA TEMPLATE OF A LETTER OF CREDIT WHICH SHOULD BE USED AS A GUIDE. PLEASE CONSULT THE CER OR RESPECTIVE OFFSHORE BOARD REGARDING ANY VARIATION OF THE WORDING WHICH THE CER OR RESPECTIVE OFFSHORE BOARD MAY DESIRE IN ORDER TO SATISFY THE CIRCUMSTANCES RELEVANT TO THE WORK OR ACTIVITY.]

ISSUING BANK: (NAME & ADDRESS)

DATE OF ISSUE: (...)

REFERENCE NUMBER: (...)

EXPIRY DATE:

APPLICANT: (NAME OF APPLICANT)

BENEFICIARY: (NAME AND ADDRESS OF CER OR RESPECTIVE OFFSHORE BOARD) ("THE BOARD")

AMOUNT: (AMOUNT AND CURRENCY)

IRREVOCABLE STANDBY LETTER OF CREDIT NO:

WHEREAS [..... NAME OF CER OR RESPECTIVE OFFSHORE BOARD] (HEREINAFTER REFERRED TO AS 'THE BOARD') INTENDS TO GRANT (NAME AND ADDRESS OF APPLICANT) (HEREINAFTER REFERRED TO AS 'THE APPLICANT') A (NAME OF AUTHORIZATION) (HEREINAFTER REFERRED TO AS THE 'AUTHORIZATION');

AND WHEREAS THE APPLICANT DESIRES TO SATISFY CERTAIN FINANCIAL RESPONSIBILITY REQUIREMENTS SPECIFIED IN THE: [CITE APPLICABLE ACT(S) CANADA-NEWFOUNDLAND AND LABRADOR ATLANTIC ACCORD IMPLEMENTATION ACT (C-NLAAIA); THE CANADA-NEWFOUNDLAND AND LABRADOR ATLANTIC ACCORD IMPLEMENTATION NEWFOUNDLAND AND LABRADOR ACT (C-NLAAINLA); THE CANADA-NOVA SCOTIA OFFSHORE PETROLEUM RESOURCES ACCORD IMPLEMENTATION ACT (C-NSOPRAIA); AND THE CANADA-NOVA SCOTIA OFFSHORE PETROLEUM RESOURCES ACCORD IMPLEMENTATION (NOVA SCOTIA) ACT (C-NSOPRAI(NS)A); CANADA OIL AND GAS OPERATIONS ACT (COGOA)] WITH RESPECT TO THE CONDUCT OF THE WORK OR ACTIVITY ASSOCIATED WITH THE AUTHORIZATION;

AND WHEREAS THE BOARD REQUIRES THE APPLICANT TO FURNISH EVIDENCE OF FINANCIAL RESPONSIBILITY IN THE AMOUNT OF [AMOUNT WRITTEN OUT] CANADIAN DOLLARS (\$_____) IN A FORM ACCEPTABLE TO THE BOARD IN COMPLIANCE WITH THE AFOREMENTIONED LEGISLATION.

NOW THEREFORE [..... ISSUING BANK NAME & ADDRESS] (HEREINAFTER REFERRED TO AS 'THE BANK') HEREBY AGREES TO THE FOLLOWING:

1. AT THE REQUEST AND FOR THE ACCOUNT OF THE APPLICANT, THE BANK HEREBY ESTABLISHES AN IRREVOCABLE STANDBY LETTER OF CREDIT IN FAVOUR OF THE BOARD IN THE AMOUNT OF [AMOUNT WRITTEN OUT] CANADIAN DOLLARS (\$_____)]
2. THIS STANDBY LETTER OF CREDIT IS AVAILABLE BY PAYMENT AGAINST THE BOARD'S WRITTEN DEMAND ADDRESSED TO [ISSUING BANK NAME & ADDRESS] BEARING THE CLAUSE: "DRAWN UNDER IRREVOCABLE STANDBY LETTER OF CREDIT NO. ISSUED BY [ISSUING BANK NAME AND ADDRESS]" SIGNED BY AN AUTHORISED REPRESENTATIVE OF THE CER OR RESPECTIVE OFFSHORE BOARD. THE RESPECTIVE OFFSHORE BOARD MAY ALSO SPECIFY:

A) A CLAIM FOR WHICH THE BENEFICIARY BELIEVES PROCEEDINGS MAY BE, OR HAVE BEEN INSTITUTED UNDER SECTION XXX OF THE CANADA-NEWFOUNDLAND AND LABRADOR ATLANTIC ACCORD IMPLEMENTATION ACT AND SECTION XXX OF THE CANADA-NEWFOUNDLAND AND LABRADOR ATLANTIC ACCORD IMPLEMENTATION NEWFOUNDLAND AND LABRADOR ACT, OR OF THE CANADA-NOVA SCOTIA OFFSHORE PETROLEUM RESOURCES ACCORD IMPLEMENTATION ACT; AND THE CANADA-NOVA SCOTIA OFFSHORE PETROLEUM RESOURCES ACCORD IMPLEMENTATION (NOVA SCOTIA) ACT IN RESPECT OF THE AUTHORIZATION.

B) COSTS AND EXPENSES WHICH THE BOARD HAS INCURRED OR MAY INCUR IN ORDER TO ENSURE THAT THE SITE WHERE THE WORK OR ACTIVITY WAS CONDUCTED IS LEFT IN A SATISFACTORY CONDITION.

[OTHER CONDITIONS TO BE DETERMINED BY THE CER OR RESPECTIVE OFFSHORE BOARD AS APPLICABLE]

3. THE BANK HEREBY UNDERTAKES THAT THE BOARD'S WRITTEN DEMAND WILL BE DULY HONOURED WITHIN FIVE (5) DAYS OF RECEIPT BY THE BANK OF THE ABOVE DOCUMENT WITHOUT ENQUIRING WHETHER THE BOARD HAS A RIGHT BETWEEN ITSELF AND THE APPLICANT TO MAKE SUCH PRESENTATION AND WITHOUT RECOGNIZING ANY CLAIM OF THE APPLICANT, PROVIDED THAT THE TERMS AND CONDITIONS [IF ANY] OF THIS STANDBY LETTER OF CREDIT ARE COMPLIED WITH.
4. IT IS UNDERSTOOD THAT THE BANK IS OBLIGED UNDER THIS LETTER OF CREDIT FOR PAYMENT OF MONIES ONLY.
5. PARTIAL AND MULTIPLE DRAWINGS ARE PERMITTED.
6. THIS STANDBY LETTER OF CREDIT SHALL EXPIRE ON [1 YEAR FROM DATE OF ISSUE] (THE 'EXPIRY DATE'); IT IS A CONDITION OF THIS STANDBY LETTER OF CREDIT THAT IT SHALL BE DEEMED TO BE AUTOMATICALLY EXTENDED WITHOUT AMENDMENT FOR ONE YEAR FROM THE PRESENT OR ANY FUTURE EXPIRATION DATE HEREOF, UNLESS AT LEAST NINETY (90) DAYS PRIOR TO ANY SUCH DATE, THE BANK NOTIFIES THE BOARD IN WRITING BY REGISTERED MAIL OR COURIER (THE 'NOTICE') THAT THE BANK ELECTS NOT TO CONSIDER THIS LETTER OF CREDIT EXTENDED FOR ANY SUCH ADDITIONAL PERIOD.
7. NOTWITHSTANDING THE AUTO-RENEWAL CLAUSE MENTIONED HEREIN ABOVE, IT IS A CONDITION OF THIS STANDBY LETTER OF CREDIT THAT IT SHALL NOT BE AUTO-RENEWED BEYOND [INSERT DATE] OR SUCH DATE UPON WHICH THE WORK OR ACTIVITY ASSOCIATED WITH THE AUTHORIZATION HAS BEEN COMPLETED TO THE WRITTEN SATISFACTION OF THE BOARD (THE 'FINAL EXPIRY DATE') AND ANY LIABILITY FOR PAYMENT BY

THE BANK UNDER THIS LETTER OF CREDIT WILL BE EXTINGUISHED WITH RESPECT TO ANY CLAIMS THEREAFTER.

8. THIS STANDBY LETTER OF CREDIT MAY ALSO BE CANCELLED BY THE BOARD PRIOR TO THE EXPIRY DATE UPON OUR RECEIPT AT OUR ABOVE-NOTED ADDRESS OF THE ORIGINAL OF THIS STANDBY LETTER OF CREDIT AND THE BOARD'S SIGNED LETTER ADDRESSED TO US REQUESTING CANCELLATION OF THE STANDBY LETTER OF CREDIT.
9. EXCEPT AS OTHERWISE EXPRESSLY STATED THIS STANDBY LETTER OF CREDIT IS ISSUED SUBJECT TO INTERNATIONAL STANDBY PRACTICES (ISP98), ICC PUBLICATION NO. 590.
10. **FOR THE OFFSHORE BOARDS:** FOR MATTERS NOT GOVERNED BY ISP98, THIS STANDBY LETTER OF CREDIT SHALL BE GOVERNED BY THE LAWS OF THE PROVINCE OF THE BOARD'S HEAD OFFICE AND SHALL BE DEALT WITH BY THE COURTS WITHIN THAT JURISDICTION.

(NAME OF BANK)

AUTHORISED SIGNATURE
NAME AND TITLE

AUTHORISED SIGNATURE
NAME AND TITLE

Appendix 4 (b) – Irrevocable Letter of Credit or Irrevocable Guarantee Template (Co-Venturer/Interest Holder)

BANK LETTERHEAD

[NOTE: THE FOLLOWING IS A PROFORMA TEMPLATE OF A LETTER OF CREDIT WHICH SHOULD BE USED AS A GUIDE. PLEASE CONSULT THE CER OR RESPECTIVE OFFSHORE BOARD REGARDING ANY VARIATION OF THE WORDING WHICH THE CER OR RESPECTIVE OFFSHORE BOARD MAY DESIRE IN ORDER TO SATISFY THE CIRCUMSTANCES RELEVANT TO THE WORK OR ACTIVITY.]

ISSUING BANK: (NAME & ADDRESS)

DATE OF ISSUE: (...)

REFERENCE NUMBER: (...)

EXPIRY DATE:

COMPANY: (NAME OF Company)

BENEFICIARY: (NAME AND ADDRESS OF CER OR RESPECTIVE OFFSHORE BOARD)
("THE BOARD")

AMOUNT: (AMOUNT AND CURRENCY)

IRREVOCABLE STANDBY LETTER OF CREDIT NO:

WHEREAS [..... NAME OF CER OR RESPECTIVE OFFSHORE BOARD] (HEREINAFTER REFERRED TO AS 'THE BOARD') INTENDS TO GRANT (NAME AND ADDRESS OF APPLICANT) (HEREINAFTER REFERRED TO AS 'THE APPLICANT') A (NAME OF AUTHORIZATION) (HEREINAFTER REFERRED TO AS THE 'AUTHORIZATION') IN RELATION TO ;

AND WHEREAS THE APPLICANT DESIRES TO SATISFY CERTAIN FINANCIAL RESPONSIBILITY REQUIREMENTS SPECIFIED IN THE: [CITE APPLICABLE ACT(S) CANADA-NEWFOUNDLAND AND LABRADOR ATLANTIC ACCORD IMPLEMENTATION ACT (C-NLAAIA); THE CANADA-NEWFOUNDLAND AND LABRADOR ATLANTIC ACCORD IMPLEMENTATION NEWFOUNDLAND AND LABRADOR ACT (C-NLAAINLA); THE CANADA-NOVA SCOTIA OFFSHORE PETROLEUM RESOURCES ACCORD IMPLEMENTATION ACT (C-NSOPRAIA); AND THE CANADA-NOVA SCOTIA OFFSHORE PETROLEUM RESOURCES ACCORD IMPLEMENTATION (NOVA SCOTIA) ACT (C-NSOPRAI(NS)A); CANADA OIL AND GAS OPERATIONS ACT (COGOA)] WITH RESPECT TO THE CONDUCT OF THE WORK OR ACTIVITY ASSOCIATED WITH THE AUTHORIZATION ON [insert licence # and type (ex. Exploration Licence EL 0000)];

AND WHEREAS THE BOARD REQUIRES THE APPLICANT TO FURNISH EVIDENCE OF FINANCIAL RESPONSIBILITY IN THE AMOUNT OF [AMOUNT WRITTEN OUT] CANADIAN DOLLARS (\$_____) IN A FORM ACCEPTABLE TO THE BOARD IN COMPLIANCE WITH THE AFOREMENTIONED LEGISLATION;

AND WHEREAS [insert name of co-venturer/interest holder contributing proportionate share] (HEREINAFTER REFERRED TO AS THE 'COMPANY') IS AN INTEREST HOLDER IN [insert licence # and type (ex. Exploration Licence EL 0000)] AS TO A __% PARTICIPATING INTEREST;

AND WHEREAS THE COMPANY HAS AGREED TO PROVIDE SEPARATELY FOR ITS RESPECTIVE PROPORTIONATE SHARE OF THE REQUIRED PROOF OF FINANCIAL RESPONSIBILITY;

NOW THEREFORE [..... ISSUING BANK NAME & ADDRESS] (HEREINAFTER REFERRED TO AS 'THE BANK') HEREBY AGREES TO THE FOLLOWING:

1. AT THE REQUEST AND FOR THE ACCOUNT OF THE COMPANY, THE BANK HEREBY ESTABLISHES AN IRREVOCABLE STANDBY LETTER OF CREDIT IN FAVOUR OF THE BOARD IN THE AMOUNT OF [AMOUNT WRITTEN OUT] CANADIAN DOLLARS (\$_____)]
2. THIS STANDBY LETTER OF CREDIT IS AVAILABLE BY PAYMENT AGAINST THE BOARD'S WRITTEN DEMAND ADDRESSED TO [ISSUING BANK NAME & ADDRESS] BEARING THE CLAUSE: "DRAWN UNDER IRREVOCABLE STANDBY LETTER OF CREDIT NO. ISSUED BY [ISSUING BANK NAME AND ADDRESS]" SIGNED BY AN AUTHORISED REPRESENTATIVE OF THE CER OR RESPECTIVE OFFSHORE BOARD. THE RESPECTIVE OFFSHORE BOARD MAY ALSO SPECIFY:

A) A CLAIM FOR WHICH THE BENEFICIARY BELIEVES PROCEEDINGS MAY BE, OR HAVE BEEN INSTITUTED UNDER SECTION XXX OF THE *CANADA-NEWFOUNDLAND AND LABRADOR ATLANTIC ACCORD IMPLEMENTATION ACT* AND SECTION XXX OF THE *CANADA-NEWFOUNDLAND AND LABRADOR ATLANTIC ACCORD IMPLEMENTATION NEWFOUNDLAND AND LABRADOR ACT*, OR OF THE *CANADA-NOVA SCOTIA OFFSHORE PETROLEUM RESOURCES ACCORD IMPLEMENTATION ACT*; AND *THE CANADA-NOVA SCOTIA OFFSHORE PETROLEUM RESOURCES ACCORD IMPLEMENTATION (NOVA SCOTIA) ACT* IN RESPECT OF THE AUTHORIZATION.

B) COSTS AND EXPENSES WHICH THE BOARD HAS INCURRED OR MAY INCUR IN ORDER TO ENSURE THAT THE SITE WHERE THE WORK OR ACTIVITY WAS CONDUCTED IS LEFT IN A SATISFACTORY CONDITION.

[OTHER CONDITIONS TO BE DETERMINED BY THE CER OR RESPECTIVE OFFSHORE BOARD AS APPLICABLE]

3. THE BANK HEREBY UNDERTAKES THAT THE BOARD'S WRITTEN DEMAND WILL BE DULY HONoured WITHIN FIVE (5) DAYS OF RECEIPT BY THE BANK OF THE ABOVE DOCUMENT WITHOUT ENQUIRING WHETHER THE BOARD HAS A RIGHT BETWEEN ITSELF AND THE COMPANY TO MAKE SUCH PRESENTATION AND WITHOUT RECOGNIZING ANY CLAIM OF THE COMPANY, PROVIDED THAT THE TERMS AND CONDITIONS [IF ANY] OF THIS STANDBY LETTER OF CREDIT ARE COMPLIED WITH.
4. IT IS UNDERSTOOD THAT THE BANK IS OBLIGED UNDER THIS LETTER OF CREDIT FOR PAYMENT OF MONIES ONLY.
5. PARTIAL AND MULTIPLE DRAWINGS ARE PERMITTED.

6. THIS STANDBY LETTER OF CREDIT SHALL EXPIRE ON [1 YEAR FROM DATE OF ISSUE] (THE 'EXPIRY DATE'); IT IS A CONDITION OF THIS STANDBY LETTER OF CREDIT THAT IT SHALL BE DEEMED TO BE AUTOMATICALLY EXTENDED WITHOUT AMENDMENT FOR ONE YEAR FROM THE PRESENT OR ANY FUTURE EXPIRATION DATE HEREOF, UNLESS AT LEAST NINETY (90) DAYS PRIOR TO ANY SUCH DATE, THE BANK NOTIFIES THE BOARD IN WRITING BY REGISTERED MAIL OR COURIER (THE 'NOTICE') THAT THE BANK ELECTS NOT TO CONSIDER THIS LETTER OF CREDIT EXTENDED FOR ANY SUCH ADDITIONAL PERIOD.
7. NOTWITHSTANDING THE AUTO-RENEWAL CLAUSE MENTIONED HEREIN ABOVE, IT IS A CONDITION OF THIS STANDBY LETTER OF CREDIT THAT IT SHALL NOT BE AUTO-RENEWED BEYOND [INSERT DATE] OR SUCH DATE UPON WHICH THE WORK OR ACTIVITY ASSOCIATED WITH THE AUTHORIZATION HAS BEEN COMPLETED TO THE WRITTEN SATISFACTION OF THE BOARD (THE 'FINAL EXPIRY DATE') AND ANY LIABILITY FOR PAYMENT BY THE BANK UNDER THIS LETTER OF CREDIT WILL BE EXTINGUISHED WITH RESPECT TO ANY CLAIMS THEREAFTER.
8. THIS STANDBY LETTER OF CREDIT MAY ALSO BE CANCELLED BY THE BOARD PRIOR TO THE EXPIRY DATE UPON OUR RECEIPT AT OUR ABOVE-NOTED ADDRESS OF THE ORIGINAL OF THIS STANDBY LETTER OF CREDIT AND THE BOARD'S SIGNED LETTER ADDRESSED TO US REQUESTING CANCELLATION OF THE STANDBY LETTER OF CREDIT.
9. EXCEPT AS OTHERWISE EXPRESSLY STATED THIS STANDBY LETTER OF CREDIT IS ISSUED SUBJECT TO INTERNATIONAL STANDBY PRACTICES (ISP98), ICC PUBLICATION NO. 590.
10. **FOR THE OFFSHORE BOARDS:** FOR MATTERS NOT GOVERNED BY ISP98, THIS STANDBY LETTER OF CREDIT SHALL BE GOVERNED BY THE LAWS OF THE PROVINCE OF THE BOARD'S HEAD OFFICE AND SHALL BE DEALT WITH BY THE COURTS WITHIN THAT JURISDICTION.

(NAME OF BANK)

AUTHORISED SIGNATURE
NAME AND TITLE

AUTHORISED SIGNATURE
NAME AND TITLE

Appendix 4(a)(NL) - Irrevocable Letter of Credit or Irrevocable Guarantee Template (Operator with Proportionate Shares)

ISSUING BANK: (NAME & ADDRESS)

DATE OF ISSUE: (...)

REFERENCE NUMBER: (...)

EXPIRY DATE: (...)

APPLICANT: (NAME OF APPLICANT)

BENEFICIARY: CANADA-NEWFOUNDLAND AND LABRADOR OFFSHORE PETROLEUM BOARD
240 WATERFORD BRIDGE ROAD
THE TOWER CORPORATE CAMPUS – WEST CAMPUS HALL
SUITE 7100
ST. JOHN'S, NL A1E 1E2

("THE BOARD")

AMOUNT: (AMOUNT AND CURRENCY)

IRREVOCABLE STANDBY LETTER OF CREDIT NO:

WHEREAS THE CANADA-NEWFOUNDLAND AND LABRADOR OFFSHORE PETROLEUM BOARD (HEREINAFTER REFERRED TO AS 'THE BOARD') INTENDS TO GRANT (NAME AND ADDRESS OF APPLICANT) (HEREINAFTER REFERRED TO AS 'THE APPLICANT') A (NAME OF AUTHORIZATION) (HEREINAFTER REFERRED TO AS THE 'AUTHORIZATION');

AND WHEREAS THE APPLICANT IS THE OPERATOR FOR THE AUTHORIZATION AND DESIRES TO SATISFY CERTAIN FINANCIAL RESPONSIBILITY REQUIREMENTS SPECIFIED IN THE CANADA-NEWFOUNDLAND AND LABRADOR ATLANTIC ACCORD IMPLEMENTATION ACT (C-NLAAIA) AND THE CANADA-NEWFOUNDLAND AND LABRADOR ATLANTIC ACCORD IMPLEMENTATION NEWFOUNDLAND AND LABRADOR ACT (C-NLAAINLA) WITH RESPECT TO THE CONDUCT OF THE WORK OR ACTIVITY ASSOCIATED WITH THE AUTHORIZATION;

AND WHEREAS THE BOARD REQUIRES THE APPLICANT TO FURNISH EVIDENCE OF FINANCIAL RESPONSIBILITY IN THE AMOUNT OF [AMOUNT WRITTEN OUT] CANADIAN DOLLARS (\$ _____ CDN) IN A FORM ACCEPTABLE TO THE BOARD IN COMPLIANCE WITH THE AFOREMENTIONED LEGISLATION.

AND WHEREAS THE BOARD HAS AGREED TO PERMIT ALL OR A PART OF THE EVIDENCE OF FINANCIAL RESPONSIBILITY TO BE PROVIDED BY THE APPLICANT TO BE SUBMITTED ON A PROPORTIONATE SHARE BASIS IN RELATION TO THE SHARES OF EACH CO-VENTURER/INTEREST HOLDER, INCLUDING THE PROPORTIONATE SHARE OF THE APPLICANT.

NOW THEREFORE [..... ISSUING BANK NAME & ADDRESS] (HEREINAFTER REFERRED TO AS 'THE BANK')
HEREBY AGREES TO THE FOLLOWING:

1. AT THE REQUEST AND FOR THE ACCOUNT OF THE APPLICANT, THE BANK HEREBY ESTABLISHES AN IRREVOCABLE STANDBY LETTER OF CREDIT IN FAVOUR OF THE BOARD IN THE AMOUNT OF [AMOUNT WRITTEN OUT] CANADIAN DOLLARS (\$_____)]
2. PAYMENT UNDER THIS STANDBY LETTER OF CREDIT SHALL BE AVAILABLE TO THE BOARD AT SIGHT AGAINST AN AUTHENTICATED SWIFT FROM THE ADVISING BANK STATING AS FOLLOWS: 'WE HAVE RECEIVED A WRITTEN DEMAND FOR PAYMENT BEARING THE CLAUSE: 'DRAWN UNDER IRREVOCABLE STANDBY LETTER OF CREDIT NO. ISSUED BY [ISSUING BANK NAME AND ADDRESS] ', PURPORTEDLY SIGNED BY A DULY AUTHORIZED REPRESENTATIVE OF THE BOARD, ACCOMPANIED BY A CERTIFICATION PURPORTEDLY SIGNED BY A DULY AUTHORIZED REPRESENTATIVE OF THE BOARD STATING:

A) A CLAIM FOR WHICH THE BENEFICIARY BELIEVES PROCEEDINGS MAY BE, OR HAVE BEEN INSTITUTED UNDER SECTION 162 OF THE C-NLAAIA AND SECTION 157 OF THE C-NLAAINLA IN RESPECT OF THE AUTHORIZATION.

B) COSTS AND EXPENSES WHICH THE BOARD HAS INCURRED OR MAY INCUR IN ORDER TO ENSURE THAT THE SITE WHERE THE WORK OR ACTIVITY WAS CONDUCTED IS LEFT IN A SATISFACTORY CONDITION.

[OTHER CONDITIONS TO BE DETERMINED BY THE BOARD AS APPLICABLE]

3. IT IS A CONDITION OF THIS STANDBY LETTER OF CREDIT THAT THE BOARD'S CLAIM FOR PAYMENT MUST BE PRESENTED THROUGH THE ADVISING BANK VIA AUTHENTICATED SWIFT. THE DOCUMENTS WILL BE SUBMITTED TO THE ADVISING BANK ELECTRONICALLY IN PDF FORMAT AND SHALL BE CONSIDERED AS ORIGINAL FOR DOCUMENT EXAMINATION PURPOSES. THERE WILL BE NO PAPER ORIGINAL FOR THIS STANDBY LETTER OF CREDIT AND ALL COMMUNICATIONS WILL BE DONE ELECTRONICALLY. THE ADVISING BANK WILL QUOTE THE STATEMENT AS STATED IN THE BOARD'S CERTIFICATION IN THEIR AUTHENTICATED SWIFT FOR PAYMENT. THE ADVISING BANK WILL ACT AS A PRESENTING BANK ONLY.
4. THE BANK HEREBY UNDERTAKES THAT THE BOARD'S WRITTEN DEMAND WILL BE DULY HONoured WITHIN FIVE (5) DAYS OF RECEIPT BY THE BANK OF THE ABOVE DOCUMENT WITHOUT ENQUIRING WHETHER THE BOARD HAS A RIGHT BETWEEN ITSELF AND THE APPLICANT TO MAKE SUCH PRESENTATION AND WITHOUT RECOGNIZING ANY CLAIM OF THE APPLICANT, PROVIDED THAT THE TERMS AND CONDITIONS [IF ANY] OF THIS STANDBY LETTER OF CREDIT ARE COMPLIED WITH.
5. IT IS UNDERSTOOD THAT THE BANK IS OBLIGED UNDER THIS STANDBY LETTER OF CREDIT FOR PAYMENT OF MONIES ONLY.
6. PARTIAL AND MULTIPLE DRAWINGS ARE PERMITTED.
7. THIS STANDBY LETTER OF CREDIT SHALL EXPIRE ON [1 YEAR FROM DATE OF ISSUE] (THE 'INITIAL EXPIRY DATE'); IT IS A CONDITION OF THIS STANDBY LETTER OF CREDIT THAT IT SHALL BE DEEMED TO BE AUTOMATICALLY EXTENDED WITHOUT AMENDMENT FOR ONE YEAR FROM THE PRESENT OR ANY FUTURE EXPIRATION DATE HEREOF, UNLESS AT LEAST NINETY (90) DAYS PRIOR TO ANY SUCH DATE, WE SHALL NOTIFY

THE BOARD VIA AN AUTHENTICATED SWIFT THROUGH THE ADVISING BANK THAT WE ELECT NOT TO CONSIDER THIS STANDBY LETTER OF CREDIT EXTENDED FOR ANY SUCH ADDITIONAL PERIOD.

8. NOTWITHSTANDING THE AUTO-EXTENSION CLAUSE MENTIONED HEREIN ABOVE, IT IS A CONDITION OF THIS STANDBY LETTER OF CREDIT THAT IT SHALL NOT BE AUTO-EXTENDED BEYOND [INSERT DATE] OR SUCH DATE UPON WHICH THE WORK OR ACTIVITY ASSOCIATED WITH THE AUTHORIZATION HAS BEEN COMPLETED TO THE WRITTEN SATISFACTION OF THE BOARD (THE 'FINAL EXPIRY DATE') AND ANY LIABILITY FOR PAYMENT BY THE BANK UNDER THIS STANDBY LETTER OF CREDIT WILL BE EXTINGUISHED WITH RESPECT TO ANY CLAIMS THEREAFTER.
9. THIS STANDBY LETTER OF CREDIT MAY ALSO BE CANCELLED BY THE BOARD PRIOR TO THE EXPIRY DATE UPON OUR RECEIPT OF AN AUTHENTICATED SWIFT MESSAGE FROM THE BENEFICIARY THROUGH THE ADVISING BANK REQUESTING CANCELLATION OF THE STANDBY LETTER OF CREDIT.
10. EXCEPT AS OTHERWISE EXPRESSLY STATED THIS STANDBY LETTER OF CREDIT IS ISSUED SUBJECT TO INTERNATIONAL STANDBY PRACTICES (ISP98), ICC PUBLICATION NO. 590.
11. FOR MATTERS NOT GOVERNED BY ISP98, THIS STANDBY LETTER OF CREDIT SHALL BE GOVERNED BY THE LAWS OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR AND SHALL BE DEALT WITH BY THE COURTS WITHIN THAT JURISDICTION.

(NAME OF BANK)

AUTHORISED SIGNATURE
NAME AND TITLE

AUTHORISED SIGNATURE
NAME AND TITLE

Appendix 4(b)(NL) - Irrevocable Letter of Credit or Irrevocable Guarantee Template (Operator without Proportionate Shares)

ISSUING BANK: (NAME & ADDRESS)

DATE OF ISSUE: (...)

REFERENCE NUMBER: (...)

EXPIRY DATE: (...)

APPLICANT: (NAME OF APPLICANT)

BENEFICIARY: CANADA-NEWFOUNDLAND AND LABRADOR OFFSHORE PETROLEUM BOARD 240
WATERFORD BRIDGE ROAD
THE TOWER CORPORATE CAMPUS – WEST CAMPUS HALL
SUITE 7100
ST. JOHN'S, NL A1E 1E2

(“THE BOARD”)

AMOUNT: (AMOUNT AND CURRENCY)

IRREVOCABLE STANDBY LETTER OF CREDIT NO:

WHEREAS THE CANADA-NEWFOUNDLAND AND LABRADOR OFFSHORE PETROLEUM BOARD (HEREINAFTER REFERRED TO AS ‘THE BOARD’) INTENDS TO GRANT (NAME AND ADDRESS OF APPLICANT) (HEREINAFTER REFERRED TO AS ‘THE APPLICANT’) A (NAME OF AUTHORIZATION) (HEREINAFTER REFERRED TO AS THE ‘AUTHORIZATION’);

AND WHEREAS THE APPLICANT IS THE OPERATOR FOR THE AUTHORIZATION AND DESIRES TO SATISFY CERTAIN FINANCIAL RESPONSIBILITY REQUIREMENTS SPECIFIED IN THE CANADA-NEWFOUNDLAND AND LABRADOR ATLANTIC ACCORD IMPLEMENTATION ACT (C-NLAAIA) AND THE CANADA-NEWFOUNDLAND AND LABRADOR ATLANTIC ACCORD IMPLEMENTATION NEWFOUNDLAND AND LABRADOR ACT (C-NLAAINLA) WITH RESPECT TO THE CONDUCT OF THE WORK OR ACTIVITY ASSOCIATED WITH THE AUTHORIZATION;

AND WHEREAS THE BOARD REQUIRES THE APPLICANT TO FURNISH EVIDENCE OF FINANCIAL RESPONSIBILITY IN THE AMOUNT OF [AMOUNT WRITTEN OUT] CANADIAN DOLLARS (\$_____ CDN) IN A FORM ACCEPTABLE TO THE BOARD IN COMPLIANCE WITH THE AFOREMENTIONED LEGISLATION.

NOW THEREFORE [..... ISSUING BANK NAME & ADDRESS] (HEREINAFTER REFERRED TO AS ‘THE BANK’) HEREBY AGREES TO THE FOLLOWING:

1. AT THE REQUEST AND FOR THE ACCOUNT OF THE APPLICANT, THE BANK HEREBY ESTABLISHES AN IRREVOCABLE STANDBY LETTER OF CREDIT IN FAVOUR OF THE BOARD IN THE AMOUNT OF [AMOUNT WRITTEN OUT] CANADIAN DOLLARS (\$_____)]

2. PAYMENT UNDER THIS STANDBY LETTER OF CREDIT SHALL BE AVAILABLE TO THE BOARD AT SIGHT AGAINST AN AUTHENTICATED SWIFT FROM THE ADVISING BANK STATING AS FOLLOWS: 'WE HAVE RECEIVED A WRITTEN DEMAND FOR PAYMENT BEARING THE CLAUSE: 'DRAWN UNDER IRREVOCABLE STANDBY LETTER OF CREDIT NO. ISSUED BY [ISSUING BANK NAME AND ADDRESS] ', PURPORTEDLY SIGNED BY A DULY AUTHORIZED REPRESENTATIVE OF THE BOARD, ACCOMPANIED BY A CERTIFICATION PURPORTEDLY SIGNED BY A DULY AUTHORIZED REPRESENTATIVE OF THE BOARD STATING:
 - A) A CLAIM FOR WHICH THE BENEFICIARY BELIEVES PROCEEDINGS MAY BE, OR HAVE BEEN INSTITUTED UNDER SECTION 162 OF THE C-NLAAIA AND SECTION 157 OF THE C-NLAAINLA IN RESPECT OF THE AUTHORIZATION.

 - B) COSTS AND EXPENSES WHICH THE BOARD HAS INCURRED OR MAY INCUR IN ORDER TO ENSURE THAT THE SITE WHERE THE WORK OR ACTIVITY WAS CONDUCTED IS LEFT IN A SATISFACTORY CONDITION.

[OTHER CONDITIONS TO BE DETERMINED BY THE BOARD AS APPLICABLE]

3. IT IS A CONDITION OF THIS STANDBY LETTER OF CREDIT THAT THE BOARD'S CLAIM FOR PAYMENT MUST BE PRESENTED THROUGH THE ADVISING BANK VIA AUTHENTICATED SWIFT. THE DOCUMENTS WILL BE SUBMITTED TO THE ADVISING BANK ELECTRONICALLY IN PDF FORMAT AND SHALL BE CONSIDERED AS ORIGINAL FOR DOCUMENT EXAMINATION PURPOSES. THERE WILL BE NO PAPER ORIGINAL FOR THIS STANDBY LETTER OF CREDIT AND ALL COMMUNICATIONS WILL BE DONE ELECTRONICALLY. THE ADVISING BANK WILL QUOTE THE STATEMENT AS STATED IN THE BOARD'S CERTIFICATION IN THEIR AUTHENTICATED SWIFT FOR PAYMENT. THE ADVISING BANK WILL ACT AS A PRESENTING BANK ONLY.

4. THE BANK HEREBY UNDERTAKES THAT THE BOARD'S WRITTEN DEMAND WILL BE DULY HONoured WITHIN FIVE (5) DAYS OF RECEIPT BY THE BANK OF THE ABOVE DOCUMENT WITHOUT ENQUIRING WHETHER THE BOARD HAS A RIGHT BETWEEN ITSELF AND THE APPLICANT TO MAKE SUCH PRESENTATION AND WITHOUT RECOGNIZING ANY CLAIM OF THE APPLICANT, PROVIDED THAT THE TERMS AND CONDITIONS [IF ANY] OF THIS STANDBY LETTER OF CREDIT ARE COMPLIED WITH.

5. IT IS UNDERSTOOD THAT THE BANK IS OBLIGED UNDER THIS STANDBY LETTER OF CREDIT FOR PAYMENT OF MONIES ONLY.

6. PARTIAL AND MULTIPLE DRAWINGS ARE PERMITTED.

7. THIS STANDBY LETTER OF CREDIT SHALL EXPIRE ON [1 YEAR FROM DATE OF ISSUE] (THE 'INITIAL EXPIRY DATE'); IT IS A CONDITION OF THIS STANDBY LETTER OF CREDIT THAT IT SHALL BE DEEMED TO BE AUTOMATICALLY EXTENDED WITHOUT AMENDMENT FOR ONE YEAR FROM THE PRESENT OR ANY FUTURE EXPIRATION DATE HEREOF, UNLESS AT LEAST NINETY (90) DAYS PRIOR TO ANY SUCH DATE, WE SHALL NOTIFY THE BOARD VIA AN AUTHENTICATED SWIFT THROUGH THE ADVISING BANK THAT WE ELECT NOT TO CONSIDER THIS STANDBY LETTER OF CREDIT EXTENDED FOR ANY SUCH ADDITIONAL PERIOD.

8. NOTWITHSTANDING THE AUTO-EXTENSION CLAUSE MENTIONED HEREIN ABOVE, IT IS A CONDITION OF THIS STANDBY LETTER OF CREDIT THAT IT SHALL NOT BE AUTO-EXTENDED BEYOND [INSERT DATE] OR SUCH DATE UPON WHICH THE WORK OR ACTIVITY ASSOCIATED WITH THE AUTHORIZATION HAS BEEN COMPLETED TO THE WRITTEN SATISFACTION OF THE BOARD (THE 'FINAL EXPIRY DATE') AND ANY LIABILITY FOR PAYMENT BY THE BANK UNDER THIS STANDBY LETTER OF CREDIT WILL BE EXTINGUISHED WITH RESPECT TO ANY CLAIMS THEREAFTER.
9. THIS STANDBY LETTER OF CREDIT MAY ALSO BE CANCELLED BY THE BOARD PRIOR TO THE EXPIRY DATE UPON OUR RECEIPT OF AN AUTHENTICATED SWIFT MESSAGE FROM THE BENEFICIARY THROUGH THE ADVISING BANK REQUESTING CANCELLATION OF THE STANDBY LETTER OF CREDIT.
10. EXCEPT AS OTHERWISE EXPRESSLY STATED THIS STANDBY LETTER OF CREDIT IS ISSUED SUBJECT TO INTERNATIONAL STANDBY PRACTICES (ISP98), ICC PUBLICATION NO. 590.
11. FOR MATTERS NOT GOVERNED BY ISP98, THIS STANDBY LETTER OF CREDIT SHALL BE GOVERNED BY THE LAWS OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR AND SHALL BE DEALT WITH BY THE COURTS WITHIN THAT JURISDICTION.

(NAME OF BANK)

AUTHORISED SIGNATURE
NAME AND TITLE

AUTHORISED SIGNATURE
NAME AND TITLE

Appendix 4(c)(NL) - Irrevocable Letter of Credit or Irrevocable Guarantee Template (Joint Venturer/Interest Holder with Proportionate Shares)

ISSUING BANK: (NAME & ADDRESS)

DATE OF ISSUE: (...)

REFERENCE NUMBER: (...)

EXPIRY DATE: (...)

APPLICANT: (NAME OF APPLICANT)

BENEFICIARY: CANADA-NEWFOUNDLAND AND LABRADOR OFFSHORE PETROLEUM BOARD
240 WATERFORD BRIDGE ROAD
THE TOWER CORPORATE CAMPUS – WEST CAMPUS HALL
SUITE 7100
ST. JOHN'S, NL A1E 1E2

(“THE BOARD”)

AMOUNT: (AMOUNT AND CURRENCY)

IRREVOCABLE STANDBY LETTER OF CREDIT NO:

WHEREAS THE CANADA-NEWFOUNDLAND AND LABRADOR OFFSHORE PETROLEUM BOARD (HEREINAFTER REFERRED TO AS ‘THE BOARD’) INTENDS TO GRANT (NAME OF OPERATOR) (HEREINAFTER REFERRED TO AS ‘OPERATOR’) A (NAME OF AUTHORIZATION) (HEREINAFTER REFERRED TO AS THE ‘AUTHORIZATION’);

AND WHEREAS THE BOARD REQUIRES THE OPERATOR TO FURNISH EVIDENCE OF FINANCIAL RESPONSIBILITY IN THE AMOUNT OF [AMOUNT WRITTEN OUT] CANADIAN DOLLARS (\$_____CDN)] [EG. \$100 MILLION] IN A FORM ACCEPTABLE TO THE BOARD IN COMPLIANCE WITH THE AFOREMENTIONED LEGISLATION.

AND WHEREAS THE BOARD HAS AGREED TO PERMIT ALL OR A PART OF THE EVIDENCE OF FINANCIAL RESPONSIBILITY TO BE PROVIDED BY THE OPERATOR TO BE SUBMITTED ON A PROPORTIONATE SHARE BASIS IN RELATION TO THE SHARES OF EACH CO-VENTURER/INTEREST HOLDER, INCLUDING THE PROPORTIONATE SHARE OF THE APPLICANT.

AND WHEREAS THE APPLICANT, AS A CO-VENTURER/INTEREST HOLDER DESIRES TO SATISFY CERTAIN FINANCIAL RESPONSIBILITY REQUIREMENTS SPECIFIED IN THE CANADA-NEWFOUNDLAND AND LABRADOR ATLANTIC ACCORD IMPLEMENTATION ACT (C-NLAAIA) AND THE CANADA-NEWFOUNDLAND AND LABRADOR ATLANTIC ACCORD IMPLEMENTATION NEWFOUNDLAND AND LABRADOR ACT (C-NLAAINLA) WITH RESPECT TO THE CONDUCT OF THE WORK OR ACTIVITY ASSOCIATED WITH THE AUTHORIZATION;

NOW THEREFORE [..... ISSUING BANK NAME & ADDRESS] (HEREINAFTER REFERRED TO AS 'THE BANK')
HEREBY AGREES TO THE FOLLOWING:

1. AT THE REQUEST AND FOR THE ACCOUNT OF THE APPLICANT, THE BANK HEREBY ESTABLISHES AN IRREVOCABLE STANDBY LETTER OF CREDIT IN FAVOUR OF THE BOARD IN THE AMOUNT OF [AMOUNT WRITTEN OUT] CANADIAN DOLLARS (\$_____)]
2. PAYMENT UNDER THIS STANDBY LETTER OF CREDIT SHALL BE AVAILABLE TO THE BOARD AT SIGHT AGAINST AN AUTHENTICATED SWIFT FROM THE ADVISING BANK STATING AS FOLLOWS: 'WE HAVE RECEIVED A WRITTEN DEMAND FOR PAYMENT BEARING THE CLAUSE: 'DRAWN UNDER IRREVOCABLE STANDBY LETTER OF CREDIT NO. ISSUED BY [ISSUING BANK NAME AND ADDRESS] ', PURPORTEDLY SIGNED BY A DULY AUTHORIZED REPRESENTATIVE OF THE BOARD, ACCOMPANIED BY A CERTIFICATION PURPORTEDLY SIGNED BY A DULY AUTHORIZED REPRESENTATIVE OF THE BOARD STATING:

A) A CLAIM FOR WHICH THE BENEFICIARY BELIEVES PROCEEDINGS MAY BE, OR HAVE BEEN INSTITUTED UNDER SECTION 162 OF THE C-NLAAIA AND SECTION 157 OF THE C-NLAAINLA IN RESPECT OF THE AUTHORIZATION.

B) COSTS AND EXPENSES WHICH THE BOARD HAS INCURRED OR MAY INCUR IN ORDER TO ENSURE THAT THE SITE WHERE THE WORK OR ACTIVITY WAS CONDUCTED IS LEFT IN A SATISFACTORY CONDITION.

[OTHER CONDITIONS TO BE DETERMINED BY THE BOARD AS APPLICABLE]

3. IT IS A CONDITION OF THIS STANDBY LETTER OF CREDIT THAT THE BOARD'S CLAIM FOR PAYMENT MUST BE PRESENTED THROUGH THE ADVISING BANK VIA AUTHENTICATED SWIFT. THE DOCUMENTS WILL BE SUBMITTED TO THE ADVISING BANK ELECTRONICALLY IN PDF FORMAT AND SHALL BE CONSIDERED AS ORIGINAL FOR DOCUMENT EXAMINATION PURPOSES. THERE WILL BE NO PAPER ORIGINAL FOR THIS STANDBY LETTER OF CREDIT AND ALL COMMUNICATIONS WILL BE DONE ELECTRONICALLY. THE ADVISING BANK WILL QUOTE THE STATEMENT AS STATED IN THE BOARD'S CERTIFICATION IN THEIR AUTHENTICATED SWIFT FOR PAYMENT. THE ADVISING BANK WILL ACT AS A PRESENTING BANK ONLY.
4. THE BANK HEREBY UNDERTAKES THAT THE BOARD'S WRITTEN DEMAND WILL BE DULY HONoured WITHIN FIVE (5) DAYS OF RECEIPT BY THE BANK OF THE ABOVE DOCUMENT WITHOUT ENQUIRING WHETHER THE BOARD HAS A RIGHT BETWEEN ITSELF AND THE APPLICANT TO MAKE SUCH PRESENTATION AND WITHOUT RECOGNIZING ANY CLAIM OF THE APPLICANT, PROVIDED THAT THE TERMS AND CONDITIONS [IF ANY] OF THIS STANDBY LETTER OF CREDIT ARE COMPLIED WITH.
5. IT IS UNDERSTOOD THAT THE BANK IS OBLIGED UNDER THIS STANDBY LETTER OF CREDIT FOR PAYMENT OF MONIES ONLY.
6. PARTIAL AND MULTIPLE DRAWINGS ARE PERMITTED.
7. THIS STANDBY LETTER OF CREDIT SHALL EXPIRE ON [1 YEAR FROM DATE OF ISSUE] (THE 'INITIAL EXPIRY DATE'); IT IS A CONDITION OF THIS STANDBY LETTER OF CREDIT THAT IT SHALL BE DEEMED TO BE AUTOMATICALLY EXTENDED WITHOUT AMENDMENT FOR ONE YEAR FROM THE PRESENT OR ANY FUTURE EXPIRATION DATE HEREOF, UNLESS AT LEAST NINETY (90) DAYS PRIOR TO ANY SUCH DATE, WE SHALL NOTIFY

THE BOARD VIA AN AUTHENTICATED SWIFT THROUGH THE ADVISING BANK THAT WE ELECT NOT TO CONSIDER THIS STANDBY LETTER OF CREDIT EXTENDED FOR ANY SUCH ADDITIONAL PERIOD.

8. NOTWITHSTANDING THE AUTO-EXTENSION CLAUSE MENTIONED HEREIN ABOVE, IT IS A CONDITION OF THIS STANDBY LETTER OF CREDIT THAT IT SHALL NOT BE AUTO-EXTENDED BEYOND [INSERT DATE] OR SUCH DATE UPON WHICH THE WORK OR ACTIVITY ASSOCIATED WITH THE AUTHORIZATION HAS BEEN COMPLETED TO THE WRITTEN SATISFACTION OF THE BOARD (THE 'FINAL EXPIRY DATE') AND ANY LIABILITY FOR PAYMENT BY THE BANK UNDER THIS STANDBY LETTER OF CREDIT WILL BE EXTINGUISHED WITH RESPECT TO ANY CLAIMS THEREAFTER.
9. THIS STANDBY LETTER OF CREDIT MAY ALSO BE CANCELLED BY THE BOARD PRIOR TO THE EXPIRY DATE UPON OUR RECEIPT OF AN AUTHENTICATED SWIFT MESSAGE FROM THE BENEFICIARY THROUGH THE ADVISING BANK REQUESTING CANCELLATION OF THE STANDBY LETTER OF CREDIT.
10. EXCEPT AS OTHERWISE EXPRESSLY STATED THIS STANDBY LETTER OF CREDIT IS ISSUED SUBJECT TO INTERNATIONAL STANDBY PRACTICES (ISP98), ICC PUBLICATION NO. 590.
11. FOR MATTERS NOT GOVERNED BY ISP98, THIS STANDBY LETTER OF CREDIT SHALL BE GOVERNED BY THE LAWS OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR AND SHALL BE DEALT WITH BY THE COURTS WITHIN THAT JURISDICTION.

(NAME OF BANK)

AUTHORISED SIGNATURE
NAME AND TITLE

AUTHORISED SIGNATURE
NAME AND TITLE

Appendix 5 - Bank Letter of Guarantee Template

BANK LETTERHEAD

[NOTE: THE FOLLOWING IS A PROFORMA TEMPLATE OF A BANK LETTER OF GUARANTEE WHICH SHOULD BE USED AS A GUIDE. PLEASE CONSULT THE CER OR RESPECTIVE OFFSHORE BOARD REGARDING ANY VARIATION OF THE WORDING WHICH THE CER OR RESPECTIVE OFFSHORE BOARD MAY DESIRE IN ORDER TO SATISFY THE CIRCUMSTANCES RELEVANT TO THE WORK OR ACTIVITY.]

ISSUING BANK: (NAME & ADDRESS)

DATE OF ISSUE: (...)

REFERENCE NUMBER: (...)

EXPIRY DATE: (ONE YEAR FROM DATE OF ISSUANCE)

APPLICANT: (NAME OF APPLICANT)

BENEFICIARY: (NAME AND ADDRESS OF CER OR RESPECTIVE OFFSHORE BOARD)
("THE BOARD")

AMOUNT: (AMOUNT AND CURRENCY)

DEMAND GUARANTEE NO:

WHEREAS [..... NAME OF CER OR RESPECTIVE OFFSHORE BOARD] (HEREINAFTER REFERRED TO AS 'THE BOARD') INTENDS TO GRANT (NAME AND ADDRESS OF APPLICANT) (HEREINAFTER REFERRED TO AS 'THE APPLICANT') A (NAME OF AUTHORIZATION) (HEREINAFTER REFERRED TO AS THE 'AUTHORIZATION');

AND WHEREAS THE APPLICANT DESIRES TO SATISFY CERTAIN FINANCIAL RESPONSIBILITY REQUIREMENTS SPECIFIED IN THE: [CITE APPLICABLE ACT(S) CANADA-NEWFOUNDLAND AND LABRADOR ATLANTIC ACCORD IMPLEMENTATION ACT (C-NLAAIA); THE CANADA-NEWFOUNDLAND AND LABRADOR ATLANTIC ACCORD IMPLEMENTATION NEWFOUNDLAND AND LABRADOR ACT (C-NLAAINLA); THE CANADA-NOVA SCOTIA OFFSHORE PETROLEUM RESOURCES ACCORD IMPLEMENTATION ACT (C-NSOPRAIA); AND THE CANADA-NOVA SCOTIA OFFSHORE PETROLEUM RESOURCES ACCORD IMPLEMENTATION (NOVA SCOTIA) ACT (C-NSOPRAI(NS)A); CANADA OIL AND GAS OPERATIONS ACT (COGOA)] WITH RESPECT TO THE CONDUCT OF THE WORK OR ACTIVITY ASSOCIATED WITH THE AUTHORIZATION;

AND WHEREAS THE BOARD REQUIRES THE APPLICANT TO FURNISH EVIDENCE OF FINANCIAL RESPONSIBILITY IN THE AMOUNT OF [AMOUNT WRITTEN OUT] CANADIAN DOLLARS (\$_____) IN A FORM ACCEPTABLE TO THE BOARD IN COMPLIANCE WITH THE AFOREMENTIONED LEGISLATION.

NOW THEREFORE (... ISSUING BANK NAME & ADDRESS...) ('THE BANK') HEREBY AGREES TO THE FOLLOWING:

1. AT THE REQUEST AND FOR THE ACCOUNT OF THE APPLICANT, THE BANK HEREBY ESTABLISHES AN IRREVOCABLE GUARANTEE IN FAVOUR OF THE BOARD IN THE AMOUNT OF [AMOUNT WRITTEN OUT] CANADIAN DOLLARS (\$_____)].
2. THIS GUARANTEE IS AVAILABLE BY PAYMENT AGAINST THE BOARD'S WRITTEN DEMAND ADDRESSED TO [ISSUING BANK NAME & ADDRESS] BEARING THE CLAUSE: "DRAWN UNDER IRREVOCABLE STANDBY LETTER OF CREDIT NO. ISSUED BY [ISSUING BANK NAME AND ADDRESS]" SIGNED BY AN AUTHORISED REPRESENTATIVE OF THE BOARD SPECIFYING THE AMOUNT CLAIMED AND STATING THAT THE AMOUNT

REQUESTED BY THE BOARD IS IN RESPECT OF:

- a. APPLICANT'S FAILURE TO PROVIDE AN ALTERNATIVE GUARANTEE OR ACCEPTABLE SECURITY WITHIN THE FIRST THIRTY (30) DAYS OF BOARD'S RECEIPT OF NOTICE OF NON-EXTENSION FROM [NAME OF ISSUING BANK], STATING:

"THE AMOUNT OF THIS DRAWING,, UNDER GUARANTEE NUMBER _____ REPRESENTS FUNDS OWED TO US AS WE HAVE RECEIVED NOTICE FROM (ISSUING BANK NAME & ADDRESS) OF THEIR DECISION NOT TO EXTEND THIS GUARANTEE FOR AN ADDITIONAL YEAR".

- b. [TO BE DETERMINED BY THE CER OR RESPECTIVE OFFSHORE BOARD AS APPLICABLE]

3. THE BANK HEREBY UNDERTAKES THAT THE BOARD'S WRITTEN DEMAND WILL BE DULY HONOURED WITHIN FIVE (5) DAYS OF RECEIPT BY THE BANK OF THE ABOVE DOCUMENTS WITHOUT ENQUIRING WHETHER THE BOARD HAS A RIGHT BETWEEN ITSELF AND THE APPLICANT TO MAKE SUCH PRESENTATION AND WITHOUT RECOGNIZING ANY CLAIM OF THE APPLICANT, PROVIDED THAT THE TERMS AND CONDITIONS OF THIS GUARANTEE ARE COMPLIED WITH.
4. IT IS UNDERSTOOD THAT THE BANK IS OBLIGED UNDER THIS GUARANTEE FOR PAYMENT OF MONIES ONLY.
5. PARTIAL AND MULTIPLE DRAWINGS ARE PERMITTED.
6. THIS GUARANTEE SHALL EXPIRE ON THE EARLIER OF:
- a.[THIS DATE SHALL BE AT LEAST ONE YEAR FROM THE ANTICIPATED ISSUE DATE]('THE EXPIRY DATE'); OR
- b. UPON RECEIPT BY THE BANK OF THE BOARD'S WRITTEN NOTICE ADDRESSED TO THE BANK CONFIRMING THAT THE APPLICANT'S OBLIGATION HAS BEEN COMPLETED TO THE SATISFACTION OF THE BOARD AND AUTHORIZING THE BANK TO CANCEL, ACCOMPANIED BY THE ORIGINAL LETTER OF CREDIT INCLUDING AMENDMENTS, IF ANY.
7. IT IS A CONDITION OF THIS GUARANTEE THAT IT SHALL BE DEEMED TO BE AUTOMATICALLY EXTENDED WITHOUT AMENDMENT FOR ONE YEAR FROM THE PRESENT OR ANY FUTURE EXPIRATION DATE HEREOF, UNLESS AT LEAST NINETY (90) DAYS PRIOR TO ANY SUCH DATE, THE BANK NOTIFIES THE BOARD IN WRITING BY COURIER OR REGISTERED MAIL (THE 'NOTICE') THAT THE BANK ELECTS NOT TO CONSIDER THIS GUARANTEE EXTENDED FOR ANY SUCH ADDITIONAL PERIOD.
8. EXCEPT AS OTHERWISE EXPRESSLY STATED THIS GUARANTEE IS SUBJECT TO THE UNIFORM RULES FOR DEMAND GUARANTEES (URDG) REVISION 2010 OF THE INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NUMBER 758.
9. **FOR THE OFFSHORE BOARDS:** FOR MATTERS NOT GOVERNED BY URDG THIS GUARANTEE, SHALL BE GOVERNED BY THE LAWS OF THE PROVINCE OF THE BOARD'S HEAD OFFICE AND SHALL BE DEALT WITH BY THE COURTS WITHIN THAT JURISDICTION.

(NAME OF BANK)

AUTHORISED SIGNATURE
NAME AND TITLE

AUTHORISED SIGNATURE
NAME AND TITLE

Appendix 6 (a) – Indemnity Bond Template for Applicant

INDEMNITY BOND [sample for Applicant for Authorization]

BOND AMOUNT: \$XXX

BOND NUMBER: XXX

XXX, (the “Principal”) and **XX** (the “Surety”) are jointly and severally bound unto the **CER or respective Offshore Board (the “Board”)**, in the amount of [write out amount] Dollars (**\$XXX**) lawful money of Canada, for the payment of which sum, well and truly to be made, the Principal and Surety bind themselves, their heirs, executors, administrators, successors and assigns, jointly and severally, by this Bond.

WHEREAS the Principal, as applicant in relation to **Authorization - XX No. XXX** (the “Authorization”) [describe activity] has a requirement to furnish evidence of financial responsibility in the amount of [\$INSERT AMOUNT REQUIRED BY THE BOARD CAD] .

AND WHEREAS the Principal has a XX% participating interest in the authorized activity, this Bond represents the Principal’s proportionate interest share of XX% of the aggregate amount required to be furnished to evidence financial responsibility in respect of the Authorization issued under the [CITE APPLICABLE ACT(S) CANADA-NEWFOUNDLAND AND LABRADOR ATLANTIC ACCORD IMPLEMENTATION ACT (C-NLAAIA); THE CANADA-NEWFOUNDLAND AND LABRADOR ATLANTIC ACCORD IMPLEMENTATION NEWFOUNDLAND AND LABRADOR ACT (C-NLAAINLA); THE CANADA-NOVA SCOTIA OFFSHORE PETROLEUM RESOURCES ACCORD IMPLEMENTATION ACT (C-NSOPRAIA); AND THE CANADA-NOVA SCOTIA OFFSHORE PETROLEUM RESOURCES ACCORD IMPLEMENTATION (NOVA SCOTIA) ACT (C-NSOPRAI(NS)A); CANADA OIL AND GAS OPERATIONS ACT (COGOA)] with respect to the conduct of work or activity associated with the Authorization.

The aforesaid amount shall be paid to the Board forthwith by the Surety on written demand (“Demand”) being made by the Board in respect of a claim for which the Board believes proceedings may be, or have been, instituted under [Cite specific Section for respective Act, i.e. Section X of the C-NLAAIA or Section X of the C-NLAAINLA. Section X of the C-NSOPRAIA and Section X of the C-NSOPRAI(NS)A, Section X of the COGOA]. Partial and multiple drawings under this Bond are permitted.

A Demand made by the Board shall be honoured by the Surety within 5 days and without enquiring whether the Board has a right between the Board and the Principal to make such Demand, and without recognizing any claim of the Principal.

At such time as the Board determines, in its sole discretion, that all of the obligations under [Cite both C-NLAAIA and C-NLAAIA or both C-NSOPRAIA and C-NSOPRAI(NS)A or COGOA] are fully and finally paid, the Board shall return to the Surety the unapplied portion of any sums drawn under this Bond.

Nevertheless if the Surety at any time gives 90 days’ notice in writing to the Principal and to the Board of the Surety’s intention to put an end to this Bond hereby entered into (the “Notice Period”) then the Principal shall during the Notice Period provide to the Board replacement security in the same amount and in a form acceptable to the Board to replace this Bond. If the replacement security has been received and approved by the Board, then this Bond and all accruing responsibility hereunder shall cease except insofar as the Board has made Demand prior to the said last day of the Notice Period. Should the Principal fail to provide replacement of evidence of financial responsibility in a form acceptable to the Board during the 90 day Notice Period, the Board may within a 60 day period immediately following the expiry of the Notice Period, make a Demand to the Surety for payment of the aforesaid sum to the Board and said sum shall be paid in accordance with this Bond.

Nevertheless, the obligations of the Principal or the Surety for this Bond or renewal will be limited to a maximum of \$XXX.

This Bond shall be valid for a term of one year effective XXX X, 20XX to XXX X, 20XX and shall automatically renew without further documentation from year to year hereunder on the same terms and conditions unless at least 90 days' written notice, as provided for above, is given that it will not be renewed.

This Bond shall be governed by the laws that are applicable to the jurisdiction of the [CER or respective Offshore Board]. The courts having exclusive jurisdiction with respect to all matters relating to this Bond shall be the courts for the applicable jurisdiction of the [CER or respective Offshore Board].

The Principal and Surety acknowledge that they have read and understand the regulatory requirements which relate to this Bond.

Any notice, demand, certification or request for payment, given or made under this Bond shall be made in writing and shall be given by personal delivery or expedited delivery service, addressed to the parties addresses specified below or to such other address as shall have been specified by such parties to each of the parties to the transactions contemplated hereby. The Demand for Payment by the Board will be provided on Appendix "A" which attaches to and forms part of this Bond.

All notices hereunder shall be given:

- (a) In the case of the Board by registered mail or courier to:

[CER or respective Offshore Board name and address]

- (b) In the case of the Principal by registered mail or courier to:

XXX
Attention: XXX

- (c) In the case of the Surety by registered mail or courier to:

XXX
Attention: XXX

Any notice by the Board shall be signed by an authorized representative of the Board.

IN WITNESS WHEREOF this Bond has been duly signed, sealed and delivered this X, day of XX 20XX.

XXX (Principal)

XXX (Surety)

DEMAND FOR PAYMENT

[Date]

[Surety]

XXX

Attention: [Name]

Re: {Name of Principal and Bond Number}

We write pursuant to the terms and conditions of the above-noted Indemnity Bond for which you are the Surety. More specifically, pursuant to Paragraph 4 therein, the CER or respective Offshore Board (the “Board”) now demands payment of [\$xxxxx CDN], to be made payable to the Board forthwith upon presentation of this DEMAND FOR PAYMENT.

Yours very truly,

[Representative of the Board]

Appendix 6 (b) – Indemnity Bond Template for Co-Venturer/Interest Holder

INDEMNITY BOND [sample for Co-Venturer/Interest Holder for Authorization]

BOND AMOUNT: \$XXX

BOND NUMBER: XXX

XXX, (the “Principal”) and **XX** (the “Surety”) are jointly and severally bound unto the **CER or respective Offshore Board (the “Board”)**, in the amount of [write out amount] Dollars (**\$XXX**) lawful money of Canada, for the payment of which sum, well and truly to be made, the Principal and Surety bind themselves, their heirs, executors, administrators, successors and assigns, jointly and severally, by this Bond.

WHEREAS [insert Operator name], as Operator under **Authorization - XX No. XXX** (the “Authorization”) [describe activity] has a requirement to furnish evidence of financial responsibility in the amount of [\$ INSERT AMOUNT REQUIRED BY THE CER OR THE RESPECTIVE OFFSHORE BOARD CAD].

WHEREAS the Principal, as an interest holder in relation to the Authorization desires to furnish its proportionate evidence of financial responsibility.

AND WHEREAS the Principal has a XX% participating interest in the authorized activity, this Bond represents the Principal’s proportionate interest share of XX% of the aggregate amount required to be furnished by the Operator to evidence financial responsibility in respect of the Authorization issued under the [CITE THE APPLICABLE ACT(S) *CANADA-NEWFOUNDLAND AND LABRADOR ATLANTIC ACCORD IMPLEMENTATION ACT (C-NLAAIA)* AND THE *CANADA-NEWFOUNDLAND AND LABRADOR ATLANTIC ACCORD IMPLEMENTATION NEWFOUNDLAND AND LABRADOR ACT (C-NLAAINLA)*, *THE CANADA-NOVA SCOTIA OFFSHORE PETROLEUM RESOURCES ACCORD IMPLEMENTATION ACT (C-NSOPRAIA)*; AND *THE CANADA-NOVA SCOTIA OFFSHORE PETROLEUM RESOURCES ACCORD IMPLEMENTATION (NOVA SCOTIA) ACT (C-NSOPRAI(NS)A)*; *CANADA OIL AND GAS OPERATIONS ACT (COGOA)*] with respect to the conduct of work or activity associated with the Authorization.

The aforesaid amount shall be paid to the Board forthwith by the Surety on written demand (“Demand”) being made by the Board in respect of a claim for which the Board believes proceedings may be, or have been, instituted under [Cite specific Section for respective Act, i.e. Section X of the *C-NLAAIA* or Section X of the *C-NLAAINLA*. Section X of the *C-NSOPRAIA* and Section X of the *C-NSOPRAI(NS)A*, Section X of the *COGOA*]. Partial and multiple drawings under this Bond are permitted.

A Demand made by the Board shall be honoured by the Surety within 5 days and without enquiring whether the Board has a right between the Board and the Principal to make such Demand, and without recognizing any claim of the Principal.

At such time as the Board determines, in its sole discretion, that all of the obligations under [Cite both *C-NLAAIA* and *C-NLAAIA* or both *C-NSOPRAIA* and *C-NSOPRAI(NS)A* or *COGOA*] are fully and finally paid, the Board shall return to the Surety the unapplied portion of any sums drawn under this Bond.

Nevertheless if the Surety at any time gives 90 days’ notice in writing to the Principal and to the Board of the Surety’s intention to put an end to this Bond hereby entered into (the “Notice Period”) then the Principal shall during the Notice Period provide to the Board replacement security in the same amount and in a form acceptable to the Board to replace this Bond. If the replacement security has been received and approved by the Board, then this Bond and all accruing responsibility hereunder shall cease except insofar as the Board has made Demand prior to the said last day of the Notice Period. Should the Principal fail to provide replacement of evidence of financial responsibility in a form acceptable to the Board during the 90 day Notice Period, the Board may within a 60 day period immediately following the expiry of the Notice Period, make a Demand to the Surety for payment of the aforesaid sum to the Board and said sum shall be paid in accordance with this Bond.

Nevertheless, the obligations of the Principal or the Surety for this Bond or renewal will be limited to a maximum of \$XXX.

This Bond shall be valid for a term of one year effective XXX X, 20XX to XXX X, 20XX and shall automatically renew without further documentation from year to year hereunder on the same terms and conditions unless at least 90 days' written notice, as provided for above, is given that it will not be renewed.

This Bond shall be governed by the laws that are applicable to the jurisdiction of the [CER or respective Offshore Board]. The courts having exclusive jurisdiction with respect to all matters relating to this Bond shall be the courts for the applicable jurisdiction of the [CER or respective Offshore Board].

The Principal and Surety acknowledge that they have read and understand the regulatory requirements which relate to this Bond.

Any notice, demand, certification or request for payment, given or made under this Bond shall be made in writing and shall be given by personal delivery or expedited delivery service, addressed to the parties addresses specified below or to such other address as shall have been specified by such parties to each of the parties to the transactions contemplated hereby. The Demand for Payment by the Board will be provided on Appendix "A" which attaches to and forms part of this Bond.

All notices hereunder shall be given:

- (a) In the case of the Board by registered mail or courier to:
[CER or respective Offshore Board name and address]
- (b) In the case of the Principal by registered mail or courier to:
XXX
Attention: XXX
- (c) In the case of the Surety by registered mail or courier to:
XXX
Attention: XXX

Any notice by the Board shall be signed by an authorized representative of the Board.

IN WITNESS WHEREOF this Bond has been duly signed, sealed and delivered this X, day of XX 20XX.

XXX (Principal)

XXX (Surety)

DEMAND FOR PAYMENT

[Date]

[Surety]

XXX

Attention: [Name]

Re: {Name of Principal and Bond Number}

We write pursuant to the terms and conditions of the above-noted Indemnity Bond for which you are the Surety. More specifically, pursuant to Paragraph 5 therein, the CER or respective Offshore Board (the "Board") now demands payment of [\$xxxxx CDN], to be made payable to the Board forthwith upon presentation of this DEMAND FOR PAYMENT.

Yours very truly,

[Representative of the Board]

Appendix 7 – Promissory Note Template

LETTERHEAD OF COMPANY

[date]

[name and address of CER or respective Offshore Board]

Dear Sirs: **Non-Negotiable and Non-Interest Bearing Demand Promissory Note**

CDN [amount – numeric format]

[name of company], including its successors and assigns, hereby promises to pay on demand to the order of the [name of the CER or respective Offshore Board] (the “Board”) the sum of [amount in writing](CDN \$[amount-numeric format])

[as demanded in writing by the Board within five (5) days of receipt of demand]

[if this Note is presented at the (Bank name and full address for service – City of CER or respective Offshore Board head office)].

This Note is issued respecting [name of Operator/Applicant] for [type of Authorization] and for the purposes of [sections of the Acts].

[This Note is unconditional;]

The undersigned hereby waives protest, presentment and notice of dishonor.

[name of company]

[signature of the Authorized Signing Officer of the Company]

[name and title of the Authorized Signing Officer of the Company]

NOTE: Where this Note is accompanied by a Bank Letter of Guarantee, the following approval by the issuing bank is required on this Note.

Approved for issue:

[Bank officer and full address]

Accepted and agreed [date]:

[Name of CER or respective Offshore Board]

[Authorized Officer of the Board]

Appendix 8 – Insurance Certificate Template

We the undersigned Insurance Broker/Insurer (including Captive Insurance Company) certify as follows:

(1) That the policies detailed below have been issued to..... (hereinafter referred to as the "Insured") whose address is at.....
.....

(2) That subject to the policies terms and conditions, the policies provides for

Exploration Phase

- Control of Well including cover for Redrill, Seepage and Pollution, Clean up and Contamination insurance' with a combined single limit of US \$..... Per Occurrence [100%] OR [for Insured's interest].

Deductible: Per Occurrence US \$..... [100%] OR [for Insured's interest].

Policy number

Effective from..... and expiring on.....

- Third Party Liability insurance covering legal liability for bodily injury and or property damage up to a limit of US \$..... Per Occurrence and in the aggregate [100%] OR [for Insured's interest].

Deductible: Per Occurrence US \$..... [100%] OR [for Insured's interest].

Policy number

Effective from..... and expiring on.....

Development Phase

- Control of Well including cover for Redrill Seepage and Pollution, Clean up and Contamination insurance with a combined single limit of US \$..... Per Occurrence [100%] OR [for Insured's interest].

Deductible: Per Occurrence US \$..... [100%] OR [for Insured's interest].

Policy number

Effective from..... and expiring on.....

- Third Party Liability insurance covering legal liability for bodily injury and or property damage up to a limit of US \$..... Per Occurrence and in the aggregate [100%] OR [for Insured's interest].

Deductible: Per Occurrence US \$..... [100%] OR [for Insured's interest].

Policy number

Effective from..... and expiring on.....

- Erection All Risk insurance with a sum insured of US \$..... [100%] OR [for Insured's interest]

Deductible: Per Occurrence US \$..... [100%] OR [for Insured's interest].

Policy number

Effective from..... and expiring on.....

Operational (drilling and production) Phase

- Control of Well including cover for Redrill, Seepage and Pollution, Clean up and Contamination insurance' with a combined single limit of US \$..... Per Occurrence [100%] OR [for Insured's interest].

Deductible: Per Occurrence US \$..... [100%] OR [for Insured's interest].

Policy number

Effective from..... and expiring on.....

- Third Party Liability insurance covering legal liability for bodily injury and or property damage up to a limit of US \$..... Per Occurrence and in the aggregate [100%] OR [for Insured's interest].

Deductible: Per Occurrence US \$..... [100%] OR [for Insured's interest].

Policy number

Effective from..... and expiring on.....

- Property All Risk insurance with a sum insured of US \$..... [100%] OR [for Insured's interest]

Deductible: Per Occurrence US \$..... [100%] OR [for Insured's interest].

Policy number

Effective from..... and expiring on.....

General conditions

The following conditions apply to all of the policies in all phases:

- The policies have been placed in compliance with Canadian laws and regulations, and the CER or respective Offshore Board is added as an additional Insured for its liability arising out of any act or omission of the Insured.
- The CER or respective Offshore Board and/or any of its authorities are provided with a waiver of subrogation.
- Should the policy be cancelled before the expiration date the insurer will provide thirty (30) days written notice to the CER or respective Offshore Board as follows:
 - o Address:
 - o Email:
 - o Phone: +
 - o Fax: +
- The policies are extended where relevant to include coverage for removal of wreck/debris.
- The insurers (or reinsurers of Captives) underwriting each of the policies have one or of the following credit or financial strength ratings:

- o "A-" or higher from Standard & Poor's and/or the equivalent from another internationally recognized credit rating agency.
- o If any such insurer ceases to satisfy such requirement, then we shall as soon as practicable notify the CER or respective Offshore Board in writing of the same.

Signed for and on behalf of the [Insurer] / [Insurance Broker/Insurer (including Captive Insurance Company)] as follows:

.....
 Name of Insurance
 Broker/Insurer (including Captive Insurance Company)

.....
 Address of Insurance
 Broker/Insurer (including Captive Insurance Company)

..... Authorized Signature
 Full Name
 Title
 Date

Appendix 9 - Escrow Agreement Template

This Escrow Agreement made this _____ day of _____ 20xx.

BETWEEN: [Bank/Financial Institution]
of [city of CER or respective Offshore Board]
(hereinafter called the “Escrow Agent”)

OF THE FIRST PART

AND: The [CER or respective Offshore Board], a Board, established under the provisions of the [cite applicable Act] (the “Act”) with head office at the City of xxxxxxx in the Province of xxxxxxx (hereinafter called the “Board”);

OF THE SECOND PART

AND: [Applicant], a body corporate duly incorporated under the laws of [incorporating jurisdiction] (hereinafter called “Applicant”)

OF THE THIRD PART

WHEREAS Applicant desires to satisfy certain financial resource requirements specified in the Act with respect to approvals or Authorizations for the activities in the [cite relevant Regulated Area], hereinafter referred to as the Regulated Area;

NOW THEREFORE THIS AGREEMENT WITNESSETH THAT in consideration of the mutual covenants contained in this Agreement, it is mutually agreed that the Escrow Property, as defined herein, shall be paid to the Escrow Agent by Applicant and, together with any other property which from time to time be held by the Escrow Agent in lieu of or in addition to this property (including any and all interest accrued thereto), shall be held by the Escrow Agent upon the following conditions:

1. The fund created by this Agreement shall be known as the [“CER or respective Offshore Board/Applicant Name Escrow Fund”].
2. The Escrow Property shall consist of the amount of [\$ INSERT AMOUNT REQUIRED BY THE CER OR THE RESPECTIVE OFFSHORE BOARD CAD] to be provided to the Escrow Agent by Applicant as part of its evidence of financial resource for activities within the Regulated Area and thereby meet its obligations to the Board pursuant to the Act. The Escrow Property shall include all property in which the original Escrow Property may be invested or into which the same may be converted at any time, as well as any additions or accretions thereto.
3. Any interest earned on the Escrow Property shall accrue to and be the property of Applicant.
4. No documents shall be required to be presented by the Board to the Escrow Agent in order to receive payment, other than the demand letter as set forth in Schedule “A”.
5. Partial drawings under this Agreement are permitted, irrespective of whether such drawings relate to more than one authorized activity and when such drawings are made hereunder the Escrow Agent shall forthwith notify Applicant in writing.
6. It is understood that the Escrow Agent is obliged under this Agreement for payment of monies only.

7. The Escrow Agent hereby undertakes that an appropriate demand for payment will be honored upon presentation of Schedule "A" without inquiring whether the Board has the right between itself and Applicant to make such presentation and without recognizing any claim of Applicant, provided that the terms and conditions of this Agreement are complied with.
8. The Agreement can be terminated upon direction of the Board as set forth in Schedule "B" attached hereto. Upon receipt of Schedule "B", the Escrow Property will be returned to Applicant.
9. The relevant Schedule for demand of payment or the cancellation of this Agreement is to be presented to:

[BANK/FINANCIAL INSTITUTION ADDRESS]

xxxxxxx

xxxxxxx

If presented for payment, the cheque or draft will be payable in such manner as the Board shall require.

10. The Escrow Agent, by joining in the execution of this Agreement, signifies its acceptance of this Agreement and the duties and obligations contained herein.
11. The Escrow Agent may, at any time during the term of this Agreement, appoint another person or corporation to act as Escrow Agent in addition to or in substitution for the existing Escrow Agent. No such appointment shall take effect until the existing Escrow Agent has provided proper accounting of the Escrow Property from the time of appointment of the Escrow Agent until the date of such new appointment. The consent of the Board and Applicant must first be obtained to the new appointment, which said consent shall not unreasonably be withheld.
12. Upon termination of the Agreement, or the resignation of the Escrow Agent as described herein, the Escrow Agent shall provide to the Board and Applicant an accounting of the said Escrow Property.
13. This Agreement enures to the benefit of and is binding upon the Escrow Agent, the Board and Applicant and their respective heirs, administrators, successors and assigns.
14. [For the Offshore Boards: this agreement letter of credit shall be governed by the laws of the province of the Board's head office and shall be dealt with by the courts within that jurisdiction.]
15. All notices or other communications necessary for the purpose of this Agreement shall be in writing and delivered personally or by courier or shall be sent by registered mail or by prepaid post or by facsimile, addressed

(a) In case of the Escrow Agent, to:

Xxxxxxx

Xxxxxxx

Or to such other address or facsimile number or addressed to such other person as the Escrow Agent may, from time to time, designate in writing to the Board and to Applicant and

(b) in the case of the Board, to:

[CER or respective Offshore Board Address]

Or to such other address or facsimile number or addressed to such other person as the Board may, from time to time, designate in writing to the Escrow Agent and Applicant; and

(c) in the case of Applicant, to:

[Applicant address]

Or to such other address or facsimile number or addressed to such person as Applicant may, from time to time, designate in writing to the Escrow Agent and the Board.

Any notice or other communication is considered to have been received:

- (a) in the case of facsimile, on the actual receipt, and
- (b) in all other cases, on the date of delivery.

If postal service is interrupted, or threatened to be interrupted, or is substantially delayed, any notice shall be delivered personally or by facsimile.

IN WITNESS WHEREOF the Escrow Agent, the Board and Applicant have set their hands and seals on the day and year first above written.

SIGNED, SEALED AND DELIVERED

By the Escrow Agent, in the presence of

[BANK/ FINANCIAL INSTITUTION]

PER: _____

PER: _____

Witness

SIGNED, SEALED AND DELIVERED

By the Board, in the presence of

[CER or respective Offshore Board]

PER: _____

PER: _____

Witness

SIGNED, SEALED AND DELIVERED

By the Applicant, in the presence of

[Applicant]

PER: _____

PER: _____

Witness

SCHEDULE "A" to the CER or respective Offshore Board/Applicant Escrow Agreement

[CER or respective Offshore Board Letterhead]

DEMAND FOR PAYMENT

[Date]

[BANK]

XXX

Attention: [Name]

[Account Manager Title]

Re: CER or respective Offshore Board /Applicant Escrow Agreement

We write pursuant to the terms and conditions of the above-noted agreement for which you are the Escrow Agent. More specifically, pursuant to clause 7 therein, the Board now demands payment of [\$xxxxx CDN], to be made payable to the ["CER or respective Offshore Board"] forthwith upon presentation of this DEMAND FOR PAYMENT.

Yours very truly,

[Representative of the Board]

SCHEDULE "B" CER or respective Offshore Board/Applicant Escrow Agreement

[Board Letterhead]

[Date]

[BANK]

XXX

Attention: [Name]

[Account Manager Title]

Re: CER or respective Offshore Board/Applicant Escrow Agreement

We write pursuant to the terms and conditions of the above-noted agreement for which you are the Escrow Agent. More specifically, pursuant to clause 8 therein, the Board now writes to direct you to terminate the Escrow Agreement and return the Escrow Property to Applicant [insert Applicant name]. The Board further requests, an accounting of the Escrow Property to be provided to both parties in accordance with clause 12.

Yours very truly,

[Representative of the Board]

Appendix 10 - A Guarantee Agreement Template

[NOTE: THE FOLLOWING IS A PROFORMA TEMPLATE OF A GUARANTEE AGREEMENT WHICH SHOULD BE USED AS A GUIDE. PLEASE CONSULT THE CER OR RESPECTIVE OFFSHORE BOARD REGARDING ANY VARIATION OF THE WORDING WHICH THE CER OR RESPECTIVE OFFSHORE BOARD MAY DESIRE IN ORDER TO SATISFY THE CIRCUMSTANCES RELEVANT TO THE WORK OR ACTIVITY.]

[Guarantor address]

[Date]

[Name and Address of CER or respective Offshore Board]

Dear Sir,

Re: Guarantee – Authorization Number XXX

[Name of Guarantor] (the "Guarantor"), for and in consideration of the respective covenants, undertakings, promises and agreements set forth in this Agreement and the sum of \$1.00 paid by each party to the other, the receipt and adequacy of which are hereby acknowledged, hereby irrevocably and unconditionally guarantees to [name of CER or respective Offshore Board] (the "Board") the prompt and complete performance and execution of all financial obligations under the [name of applicable Act(s)] of our subsidiary, [name of subsidiary], (the "Applicant"), arising directly or indirectly from third party liabilities that may occur in conducting [type of work authorization] and related work in [applicable area], subject to a maximum amount of [amount written out] Canadian Dollars (\$_____).

1. Guarantee

1.1 If the Applicant fails to discharge any such obligation in accordance with the [Act references], the Guarantor shall forthwith discharge the same and shall pay the Board within [X] days of written demand any and all damages the Board may incur or reasonably expect to incur by reason of any such failure of the Applicant. Guarantor agrees that the Board is the sole calculation agent for the amount of such damages. The amount guaranteed to be paid by the Guarantor hereunder shall include all legal fees and expenses incurred by the Board in connection with the enforcement of this Guarantee or of the underlying obligation of the Applicant.

1.2 The Guarantor hereby agrees that it shall not be necessary, as a condition to enforce this Guarantee, that suit be first instituted against the Applicant or that all rights or remedies against the Applicant be first exhausted. This Guarantee is a guarantee of payment not of collection. Guarantor waives all defenses which may be available.

1.3 No waiver of any provision of this Guarantee shall be effective unless it is in writing and signed by the Board and any such waiver shall be effective only in the specific instance and for the specific purpose for which it is given. The failure of the Board to exercise any right or remedy in any one or more instances, or the acceptance of the Board of partial payment, shall not constitute a waiver of the right to exercise any other right or remedy at any time.

2. Effective date and expiry

2.1 This Guarantee shall be effective from the date the [type of work authorization] is issued.

- 2.2 This Guarantee shall expire or terminate automatically upon the occurrence of any of the following:
- 2.2.1 One (1) year after notice has been given to the Operator of Authorization XXX by the CER or respective Offshore Board, in accordance with section XX of the applicable Act(s): Canada-Newfoundland and Labrador Atlantic Accord Implementation Act; Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Act; Canada Oil And Gas Operations Act.
- 2.2.2 upon notice by Guarantor, notwithstanding notice period under Section 4.1, where Guarantor has made a payment to the Board under Section 1.1 of this Guarantee; or
- 2.2.3 where this Guarantee is superseded by a replacement guarantee or other proof of financial resources deemed acceptable by the Board.

3. Assignment

- 3.3 This Guarantee shall not be assigned or transferred by either party without the prior written consent of the other party and such consent shall not be unreasonably withheld.
- 3.4 This Guarantee shall be binding upon and enure to the benefit of the parties hereto and their respective successors and permitted assigns.

4. Notices

- 4.1 Any request or notice to be given by the Board or the Guarantor under this Guarantee shall be given in writing and only by letter, facsimile, e-mail or any other form of recorded electronic transmission acceptable to the Board. Any such request or notice shall be given at the following address, facsimile number or e-mail address or such other address, facsimile number or e-mail address, as may be specified by any party by at least [x] days' notice to the other as provided herein:

[address of Guarantor]
[address of Board]

- 4.2 Any such request or notice shall be effective only when received and then only if the same is expressly marked for the attention of such department or officer specified above (or such other department or officer as we shall from time to time specify in writing to the Board for this purpose).

5. Representations and Warranties of Guarantor

- 5.1 The Guarantor is duly incorporated and organized, is a subsisting corporation [in good standing] under the laws of [jurisdiction] and has the corporate power and capacity and is duly qualified to carry on business.
- 5.2 The Guarantor's status and contingent liability as Guarantor under this Guarantee has been duly authorized by all necessary corporate action and is a valid and binding obligation of the Guarantor, enforceable against the Guarantor in accordance with its terms, subject to bankruptcy, insolvency and other legislation affecting creditors' rights generally.
- 5.3 The Guarantor has full corporate power and capacity to execute and deliver this Guarantee.
- 5.4 The execution of this Guarantee and compliance with its terms and conditions does not conflict with or result in a violation of the Guarantor's articles of incorporation or by-laws or any applicable law or administrative

decree or order, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature, or default of the terms of any agreement to which the Guarantor is a party.

5.5 No consent, permission or authorization of any government authority is necessary in connection with the execution of this Guarantee, except as has been obtained or made and is in full force and effect.

6. Governing law and jurisdiction

6.1 This Guarantee, and any obligations arising out of or in connection with it, shall be governed by, and construed in accordance with, the laws of the Province of [location of CER or respective Offshore Board] and the laws of Canada applicable herein and the parties irrevocably and unconditionally attorn to the exclusive jurisdiction of the courts of the Province of [location of CER or respective Offshore Board].

7. Miscellaneous

7.1 This Guarantee cannot be amended, modified or supplemented except in writing signed by the Board and the Guarantor.

7.2 This Guarantee may be executed in any number of counterparts, either in original or facsimile form, each of which shall constitute an original, and this has the same effect as if the signatures on the counterparts were on a single copy of the Guarantee.

7.3 Time shall be of the essence of this Guarantee and of every part hereof and no extension or variation to this Guarantee shall be deemed a waiver of this provision.

7.4 This Guarantee constitutes the entire agreement between the parties with respect to its subject matter and supersedes all prior or other agreements, undertakings, negotiations, discussions, whether written or oral, between the parties.

[Guarantor Company Name]

[Signature]

Name: _____

Title: _____

[Name of Board]

Accepted and agreed to this ____ day of _____:

[Signature]

Name: _____

Title: _____

Appendix 11 – Submission of Proof of Financial Requirements

CER

An Applicant is encouraged to contact the CER to request a pre-application meeting to discuss the process requirements for filing financial requirements.

Offshore Boards

The following preliminary procedures should be undertaken by an Applicant before the proof of financial requirements is formally submitted. The most effective way of achieving this would be to meet, if possible, with the appropriate representatives of the respective offshore Board:

- (a) Notify the respective Offshore Board of the specific representative(s) who, on the Applicant's behalf, will deal directly with matters respecting financial requirements;
- (b) Notify a respective Offshore Board if the Applicant will not solely be providing proof but instead providing proportionate shares from other co-venturers/interest holders. In such circumstances the Applicant shall be the sole point of contact with that Board for matters relating to financial requirements;
- (c) Inform the respective Offshore Board of the Applicant's preference respecting the form, substance and arrangements for the required proof of financial requirements, having regard to the information and requirements provided herein. This presents an opportunity for a respective Offshore Board and the Applicant to discuss any potential deficiencies or irregularities and to address particular requirements before the documentation providing such proof of financial requirements is finalized;
- (d) Inform the respective Offshore Board that it will be providing proof of its participation in a pooled fund; and
- (e) Provide a respective Offshore Board with drafts of the proof of financial responsibility, proof of financial resources and Operator's Undertaking for review and comment before submitting the signed originals to the respective offshore Board.

Appendix 12 - Proof of Financial Requirements for Work Authorization Form

PROOF OF FINANCIAL REQUIREMENTS FOR WORK AUTHORIZATION FOR THE OFFSHORE BOARDS

1. *[Applicant Name]* (the "**Applicant**") hereby provides the documentation described below and attached or incorporated hereto (the "**Proof**") as proof of financial requirements in compliance with [cite relevant Act] for the purpose of obtaining an Authorization for the *[describe work or activity and include Authorization Number]* (the "**Authorization**");
2. The following is a list and description of the Proof which in no way limits or supersedes any term or condition or other detail provided therein:

The Proof is comprised evidence of financial requirements (financial responsibility and financial resources) to be provided by the Applicant and required to be provided in respect of the Authorization. The Proof is as follows:

(a) Financial Responsibility

Applicant/Proportionate co-venturer or interest holder share	Percentage	Document Amount	Financial Institution	Document Description (letter of credit, bank letter of guarantee or indemnity bond)
Total	100%	Per Appendix 1		

The original, supporting Proof of Financial Responsibility is annexed hereto.

(b) Financial Resources

– Statement of Net Assets and Funding Arrangements (attached)

(c) Pooled Fund

[If being relied upon, the Applicant shall reference the title of the pooled fund and annex the required information more particularly described in [Section 4.5](#) of the Guidelines.]

(d) Operator's Undertaking, if required by the CER or respective Offshore Board (to be attached)

Signed: _____ Date:

Applicant's Representative

Name: _____ Title:

Address: _____ Telephone:

3. The Board hereby accepts the Proof for the purpose of the Authorization subject to the condition(s) listed [in paragraph 4]below:

Signed: _____ Date:

[Authorized Board Representative]

Authorization No:

4. Conditions of Acceptance (where applicable, to be filled in by the CER or respective Offshore Board):

Appendix 13 – Operator’s Undertaking

[OPERATOR’S LETTERHEAD]

[DATE]

[Respective Offshore Board]

[ADDRESS of the respective Offshore Board]

Attention: XXX

Dear XXX:

Re: Authorization Number XXX
Operator’s Undertaking for Financial Requirements

[Name of Operator], Operator of the [project name,] and holder of Authorization No. ____, hereby acknowledges responsibility for 100% of the financial requirements obligations as prescribed by the [CITE APPLICABLE ACT(S) CANADA-NEWFOUNDLAND AND LABRADOR ATLANTIC ACCORD IMPLEMENTATION ACT (C-NLAAIA); THE CANADA-NEWFOUNDLAND AND LABRADOR ATLANTIC ACCORD IMPLEMENTATION NEWFOUNDLAND AND LABRADOR ACT (C-NLAAINLA); THE CANADA-NOVA SCOTIA OFFSHORE PETROLEUM RESOURCES ACCORD IMPLEMENTATION ACT (C-NSOPRAIA); AND THE CANADA-NOVA SCOTIA OFFSHORE PETROLEUM RESOURCES ACCORD IMPLEMENTATION (NOVA SCOTIA) ACT (C-NSOPRAI(NS)A). [Name of Operator] undertakes that it shall ensure that the proof referred to in [Cite specific Section for respective Act, i.e. Section X of the *C-NLAAIA* or Section X of the *C-NLAAINLA*, Section X of the *C-NSOPRAIA* and Section X of the *C-NSOPRAI(NS)A*] provided from the [project name] interest holders in support of Authorization No. ____, or that substitute proof of financial requirements acceptable to the respective Offshore Board, will be in force and effect for the duration of Authorization No. ____.

Yours truly,