





June 30, 2014

The Honourable Greg Rickford, P.C., M.P.
Minister of Natural Resources Canada and Minister of State
(Federal Economic Development Initiative for Northern Ontario)
Government of Canada

The Honourable Derrick Dalley, MHA
Minister of Natural Resources and Minister Responsible for the Forestry and Agrifoods Agency
Government of Newfoundland and Labrador

Dear Ministers:

Pursuant to Section 29 of the legislation implementing the *Atlantic Accord*, I am pleased to present the Annual Report, together with the financial statements, of the Canada-Newfoundland and Labrador Offshore Petroleum Board for the fiscal year ending March 31, 2014.

Respectfully submitted,

Scott Tessier
Chair and Chief Executive Officer



C-NLOPB Board (L-R): (back) Conrad Sullivan, Reg Anstey, Ed Williams (Vice-Chair), (front) Cynthia Hickman, Lidija Cicnjak-Chubbs, Scott Tessier (Chair and CEO), Ed Drover

BOARD MEMBERS

Scott Tessier	Chairman and Chief Executive Officer
Ed Williams	Vice-Chairman
Reg Anstey	Member
Lidija Cicnjak-Chubbs	Member
Ed Drover	Member
Cynthia Hickman	Member
Conrad Sullivan	Member

SENIOR STAFF

John P. Andrews, LL.B.	Director of Legal, Regulatory and Public Affairs
Michael Baker, CHRP	Director of Administration and Industrial Benefits
Jeffrey M. Bugden, P. Eng.	Director of Operations
David G. Burley	Director of Environmental Affairs
Daniel B. Chicoyne, MSS	Director of Safety and Chief Safety Officer
Jeff O' Keefe, P. Eng., P. Geo	Director of Resource Management & Chief Conservation Officer
Craig Rowe, M.Sc., P. Geo	Director of Exploration

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 Photo by Robert Young page 6

MESSAGE FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Annual Report of the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB) provides an overview of our accomplishments and activities for this past fiscal year. This report is aligned with our annual business plan and the budget cycle. Accordingly, it describes the status of Board activities up to March 31, 2014.



The mandate of the C-NLOPB, as defined in the *Atlantic Accord*, includes offshore safety, environmental protection, resource management and industrial benefits. Although oversight of the Accord itself does not prioritize these areas, the safety of offshore workers and environmental protection are paramount in all Board decisions and activities.

Over the past year, we worked closely with governments, industry, other offshore regulators and stakeholders to bring about further improvements to offshore safety. Our leadership in areas such as helicopter passenger safety and safety culture has been evident through our involvement in the International Regulators Forum (IRF). The IRF is an organization of 10 offshore regulators from around the world who have come together to share information and work collectively towards a safer offshore oil and gas industry globally. We also continued to advance the dialogue locally on offshore safety through our semi-annual safety forums.

Protection of the environment is also a priority of the Board. Over the past year, a significant effort has gone into completing the Western Newfoundland and Labrador Offshore Area Strategic Environmental Assessment Update. As of March 31, the final draft was being translated for public release in early May. The C-NLOPB also began work on the Eastern Newfoundland and Labrador Offshore Area Strategic Environmental Assessment, which is scheduled to be completed in July of 2014.

In 2013, the Board announced that it was delivering a new scheduled land tenure system. The new system provides longer lead times for exploratory work in frontier areas. It was designed to maximize transparency, predictability and user input. Accompanying the new scheduled land tenure system were changes to the terms and conditions of licences, including an increase of the minimum bid to \$10 million, a consistent and uniform Period I and escalating drilling deposits for licence extensions.

Significant administrative changes were made within the C-NLOPB over the past year. A new performance management system was introduced for all staff. The C-NLOPB also reduced the size of its management team through departmental restructuring to better reflect the size of the organization.

I wish to express my deep and sincere appreciation to fellow Board members, Ed Williams (Vice-Chair), Reg Anstey, Lidija Cicnjak-Chubbs, Ed Drover, Cindy Hickman and Con Sullivan for their unwavering support and commitment.

I want to thank all staff for diligently delivering on their duties and responsibilities. The C-NLOPB is fortunate to have highly capable and professional staff that demonstrate on a daily basis their strong commitment to the mandate of the Board.

I look forward to a continued cooperative relationship with governments, offshore Operators, workers, other regulatory agencies in Canada and abroad and other stakeholders. I am confident that we will continue to help the offshore industry operate safely and in an environmentally responsible manner.



Scott Tessier,
Chair and CEO

C-NLOPB OVERVIEW

The C-NLOPB is the joint federal and provincial agency established in 1985 to regulate Newfoundland and Labrador's offshore oil and gas industry. The Board oversees Operator activity for legislative and regulatory compliance in areas of offshore safety, environmental protection, resource management and industrial benefits.

The Board is comprised of seven persons; a Chair and CEO appointed jointly by the federal and provincial governments, three members appointed by the federal government and three members appointed by the provincial government.

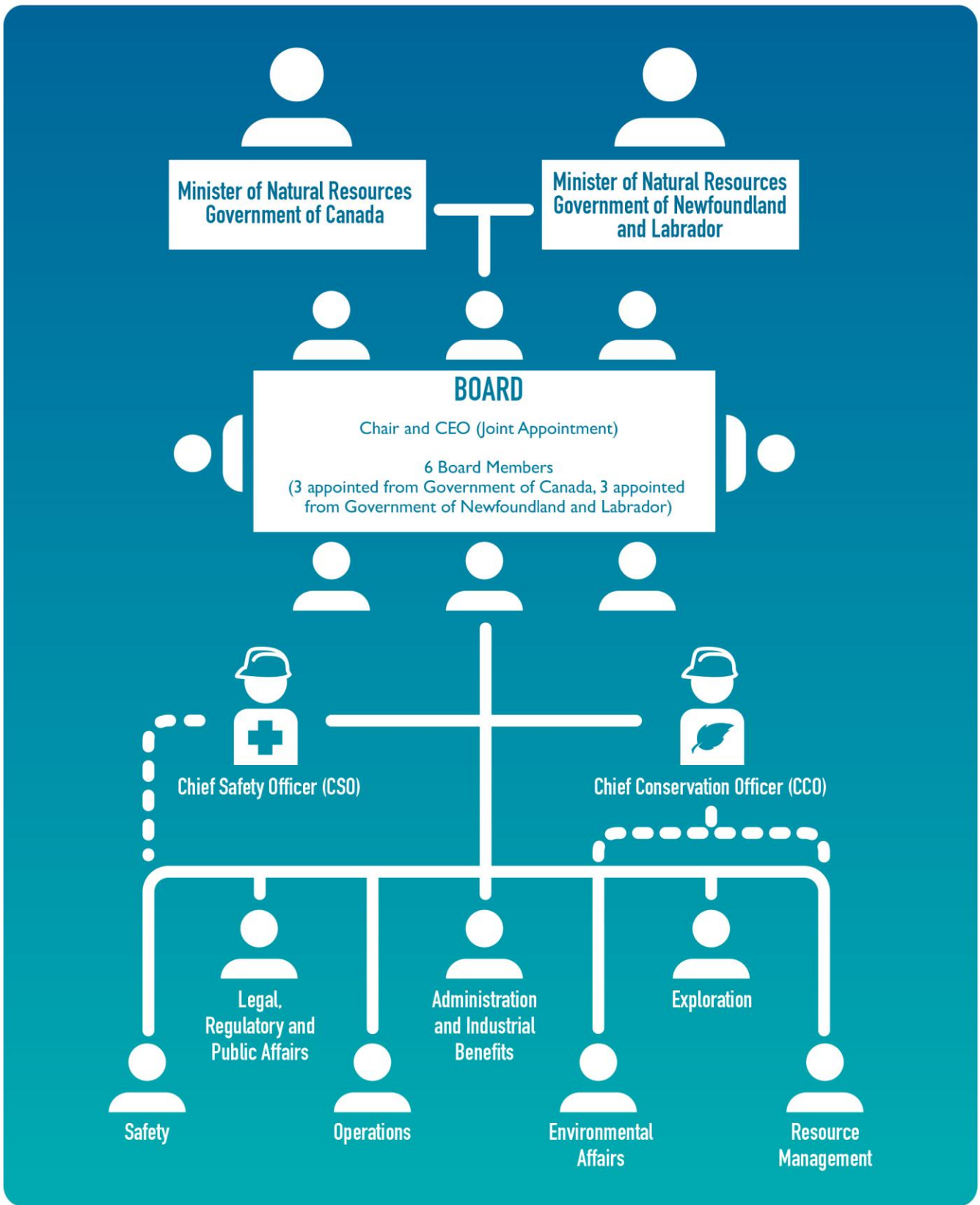
The C-NLOPB had a budget of \$15,301,600 for the fiscal year 2013-14.

At the end of the fiscal year the C-NLOPB had a staff of 74. Seventy-one of these employees have degrees or diplomas, 63 are graduates of post-secondary institutions in Newfoundland and Labrador and 34 have professional designations in engineering, geoscience, safety, finance and public relations.

Effective March 24, 2014, the C-NLOPB initiated internal restructuring to better reflect the size and mandate of the organization. The new organizational chart below outlines this updated structure.



New Employees (L-R): (back) Lori Cook, Andrew Murrin, (front) Deanne Duff, Bonnie Winsor, Jahyd Chubbs



MESSAGE FROM THE CHIEF SAFETY OFFICER

The Canada-Newfoundland and Labrador Offshore Area is one of the harshest environments in the world. Risk of accidents and incidents is greatly reduced when well-designed equipment is operated



properly by well-managed and trained personnel in accordance with well-established rules and procedures. Much of what the C-NLOPB's Safety Department does in this area is achieved through our auditing and inspections functions. The Safety Department has been diligent in assessing these elements of an Operator's safety management system. The C-NLOPB will continue to work closely with governments, fellow regulators, Operators, workers and stakeholders.

This past year has been very busy for the Safety Department, particularly due to an increase in the level of activity offshore which in turn increased the required number of safety assessments, audits and inspections. In addition, safety depends fundamentally on human integrity, judgment and competence. The Board has paid particular attention to these factors over 2013-14 and has focused on the area of competency in our semi-annual safety forum and meetings with the Joint Occupational Health and Safety committees.

An area of growing interest in the offshore industry worldwide is the concept of safety culture. The Board has been working closely with other offshore regulators to define and promote this concept at both the local and international level. The National Energy Board, the C-NLOPB and the Canada Nova Scotia Petroleum Board define safety culture as:

"the attitudes, values, norms and beliefs, which a particular group of people shares with respect to risk and safety."

Over the past year, the Board has made substantial investments in the Safety Department in terms of staff development and the availability of consultant expertise. As a result, we continue to take a leadership role in areas such as offshore helicopter passenger safety and safe deepwater drilling operations.

I want to thank the staff of the Safety Department and all of the staff at the C-NLOPB, for making safety the top priority. The importance of safety is integrated into the entire C-NLOPB organization and plays a pivotal role in all of our activities.

A handwritten signature in blue ink, reading "Daniel B. Chicoyne". The signature is fluid and cursive.

Daniel B. Chicoyne, MSS

Chief Safety Officer

SAFETY OF OFFSHORE WORKERS

SAFETY PLANS

Prior to being issued an authorization in relation to any petroleum related activity in the Canada-Newfoundland and Labrador Offshore Area (Offshore Area), an Operator must submit a safety plan that demonstrates to the C-NLOPB that the Operator has taken all reasonable and practicable steps to achieve the required level of safety for the proposed work. This year, the C-NLOPB's Safety Department reviewed 15 safety plans.

Worker safety and environmental protection are paramount in all Board Decisions.

SAFETY ASSESSMENTS

The C-NLOPB conducts systematic and comprehensive safety assessments of the Operator's application, which includes the review of safety plans and other safety-related information submitted in support of the authorization. Audits and inspections may also be conducted.

Training and competency of personnel was a particular focus of the Department in all safety assessments conducted during the reporting period. The Training and Qualifications Standard Practice (TQSP) articulates the C-NLOPB's expectations on

necessary qualifications to conduct safe operations in our challenging environment. Holding Operators accountable to the expectations detailed in the TQSP and exercising oversight of worker qualifications is a priority for the C-NLOPB.

During 2013-14, the C-NLOPB completed the following safety assessments which included a review of safety plans for the following:

- Multi Klient Invest AS' Geophysical Program Authorization for a seismic survey of the Northeast Newfoundland Slope;
- ExxonMobil Canada Properties' Geophysical Program Authorization for seismic acquisition in the Hebron Field;
- A review of significant changes to Husky Energy's safety plan relating to the Mobile Offshore Drilling Unit (MODU) GSF Grand Banks;
- A review of significant changes to Husky Energy's safety plan relating to the MODU Henry Goodrich;
- Three separate Operations Authorizations (OA) for construction projects, utilizing three vessels, undertaken by Husky Energy in the White Rose Field;
- ExxonMobil Canada Properties' Geotechnical Program Authorization for data acquisition in the Hebron Field;
- Hibernia Management and Development Company's (HMDC) OA (construction) for the Hibernia Field;
- ExxonMobil Canada Properties' Wellsite Survey of the Hebron Field;
- GX Technology Canada Ltd.'s (GXT) Geophysical Program Authorization for exploration in the Labrador Shelf region;
- Suncor Energy's Wellsite Survey of the Terra Nova Field;
- Chevron Canada Limited's OA (drilling) for exploration in the Orphan Basin;

- HMDC's OA (drilling) for the Hibernia South Extension; and
- Suncor Energy's Diving Program Authorization (DPA) for the Terra Nova Field.

COMPLIANCE AND ENFORCEMENT

Safety Officers carry out investigations, issue orders, investigate work refusals and conduct safety inspections, safety audits and pre-approval safety audits.

Safety audits for 2013-14 focused on facility integrity. Safety Officers monitored Operators' maintenance activities and plans and inspected the operating facilities to ensure risks were being appropriately managed and plans executed to keep the facilities in an appropriate state of repair. During 2013-14, the C-NLOPB completed the audits and inspections listed in Table 1.

Table 1: Audits and Inspections completed in 2013-2014

Operator	Installation/Vessel	Type
ExxonMobil Canada Properties	<i>M/V Strait Hunter</i>	Pre-Approval Audit
ExxonMobil Canada Properties	<i>M/V WG Vespucci</i>	Pre-Approval Audit
ExxonMobil Canada Properties	<i>M/V Bucentaur</i>	Pre-Approval Audit
GXT	<i>M/V Discoverer</i>	Pre-Approval Audit
HMDC	Hibernia Platform	Safety Audit (Asset Integrity)
HMDC	Hibernia Platform	Safety Inspection
Husky Energy	<i>M/V Wellservicer</i>	Pre-Approval Audit
Husky Energy	<i>SeaRose FPSO (Floating, Production, Storage and Offloading)</i>	Safety Audit (Asset Integrity)
Husky Energy	MODU Henry Goodrich	Safety Audit (Asset Integrity) - Onshore
Husky Energy	MODU GSF Grand Banks	Safety Inspection
Husky Energy	MODU Henry Goodrich	Safety Inspection
Husky Energy	<i>SeaRose FPSO</i>	Safety Inspection
Statoil Canada	MODU West Aquarius	Safety Inspection
Statoil Canada	MODU West Aquarius	Safety Inspection
Suncor Energy	<i>Terra Nova FPSO</i>	Safety Audit (Asset Integrity)
Suncor Energy	<i>M/V Skandi Constructor</i>	Pre-Approval Audit
Suncor Energy	<i>Terra Nova FPSO</i>	Safety Inspection

Offshore workers have the right to refuse work they believe to be unsafe until they are either satisfied with the remedial action taken by the employer, or a Safety Officer has investigated the matter and rendered a decision. Where a worker has exercised his or her right to refuse and the matter is not remedied by the responsible supervisor to the satisfaction of the worker, the matter shall be brought to the attention of the Offshore Joint Occupational Health and Safety (JOHS) Committee and reported to the Chief Safety Officer (CSO). If the committee is unable to resolve the matter, it is then investigated by a Safety Officer who has the authority to order a resolution. In 2013-14, there were five work refusals resolved following investigation by Safety Officers.

MONITORING

Following authorization of an Operator's work activity, the Safety Department conducts monitoring activities that include the review of Operators' daily reports, incident reports, complaints, the installation's Offshore JOHS Committee meeting minutes and training exemptions against the TQSP.

The Operator is required to report and investigate all incidents as described in the C-NLOPB Incident Reporting and Investigation Guidelines. During 2013-14, the C-NLOPB reviewed 196 incident reports from Operators.

Incidents involving dropped objects have become a significant area of focus for the Safety Department. Subsequently, efforts by Operators have reduced incidents involving dropped objects in 2013-14.

During the reporting period 5,819,374 hours were worked in the Offshore Area. There were 17 incidents that resulted in a reportable injury or illness, which translates to a Reportable Injury Frequency Rate of 2.92 per million hours worked.

During 2013-14, the C-NLOPB processed six health and safety complaints. Typically a Safety Officer is assigned to assess each complaint, conducts a review of the facts surrounding the event and either takes, or recommends action as necessary and responds to the complainant.

The Safety Department continuously works toward strengthening its oversight in the area of safety incidents. The recent revision of the Incident Reporting and Investigation Guidelines has resulted in the collection of more data on safety critical equipment, allowing the Department to notice trends in that area. Participation with the IRF in the development of world-wide safety metrics has helped to enhance the focus on process safety. On the technical side, a new initiative known as the Safety Oversight Management Information System (SOMIS) will enhance the Department's incident trending and analysis capabilities.

OFFSHORE HELICOPTER SAFETY INQUIRY RECOMMENDATION IMPLEMENTATION

Work continued during 2013-14 on the implementation of recommendations from the Offshore Helicopter Safety Inquiry (OHSI). At the conclusion of the reporting period, 16 of the 29 recommendations had been fully implemented with work on the remaining 13 well underway and at various stages of implementation. Significant progress was made on a new Aviation Safety Oversight Program (ASOP), providing systematic measures of Operators' performance in helicopter safety-risk management in the Offshore Area. The first C-NLOPB operational safety review on helicopter safety

was conducted in March. The ASOP is part of the Safety Department's multi-tiered Safety and Environment Oversight Management System (SEOMS), currently in development.

This year marked the fifth anniversary of the crash of Cougar 491 and the 29th anniversary of the crash of a Universal helicopter near Argentinia in 1985. These tragedies claimed the lives of 23 workers, with one survivor. The C-NLOPB remembers the victims, extends our deepest sympathy to their families and friends and reconfirms our never ending commitment to working with partners in a continuous effort to reduce the risks associated with travelling to and from the Offshore Area.

SECURITY OF OFFSHORE FACILITIES

The C-NLOPB's Security Advisor works with Transport Canada Marine Security Inspectors, Company Security Officers, local Government Departments and the Maritime Security Operations Centre. In order to facilitate communications, the C-NLOPB has established a semi-annual meeting with Company Security Officers to discuss security issues of mutual concern. During 2013-14, the C-NLOPB completed security audits of the Hibernia Platform, the *GSF Grand Banks*, the Henry Goodrich and the Stena Carron. The C-NLOPB also worked with offshore service providers to increase their awareness of security in the offshore industry.

INTERNATIONAL REGULATORS' FORUM

In October, the IRF held a three-day conference in Perth, Australia. The focus of the event was determining whether or not enough action has been taken to prevent the next major offshore disaster. By the end of the event, regulators had agreed on five areas of focus: safety culture, training and competency, overcoming barriers to incident data sharing, meaningful engagement of people who work offshore and the development of common international standards.

SAFETY FORUMS

The C-NLOPB continues to hold semi-annual safety forums. The purpose of the C-NLOPB Safety Forum is to provide an opportunity for offshore industry stakeholders to exchange information so that safety issues can be proactively identified and addressed, to highlight areas of particular concern and to assist the C-NLOPB in setting goals. Topics presented and discussed at the 2013-14 Safety Forums included process safety, risk management, night flights, training and competency, cold water survival and research and development related to helicopter safety.

OFFSHORE JOINT OCCUPATIONAL HEALTH AND SAFETY COMMITTEE SESSIONS

The C-NLOPB holds semi-annual Offshore JOHS Committee sessions in order to engage committee members from each installation operating in the Offshore Area on current occupational health and safety topics and best practices. The topics of focus at these sessions are similar to those of the Safety Forum, with round table discussions taking place among members. The 2013-14 JOHS Committee sessions introduced a new segment in which committees discuss lessons learned from recent offshore safety incidents.

PROTECTION OF THE ENVIRONMENT

ENVIRONMENTAL PROTECTION PLANS

The Environmental Protection Plan (EPP) is an Operator's plan for all project personnel including contractors and describes the responsibilities, expectations and methodologies for environmental protection associated with an authorized work or activity. When Operators amend their EPPs they provide the C-NLOPB with an opportunity to review and comment on the plans before they are implemented. During the 2013-14 reporting period, six amended EPPs were reviewed for the following fields or installations:

The C-NLOPB assesses the environmental impacts of petroleum exploration and production works or activities proposed for the Offshore Area.

- Husky Energy's EPP for the White Rose Field;
- Suncor Energy's EPP for the Terra Nova Field;
- HMDC's EPP for the Hibernia Field;
- West Aquarius operating for Statoil Canada's exploration wells;
- Stena Carron operating for Chevron Canada Resources' exploration wells; and
- GSF Grand Banks MODU operating at the White Rose Field and exploration wells.

STRATEGIC ENVIRONMENTAL ASSESSMENT

The C-NLOPB continued to update the Western Newfoundland and Labrador Offshore Area Strategic Environmental Assessment (SEA) during the 2013-14 reporting period. The draft report was made available for public review in both official languages during the fiscal year.

The C-NLOPB also initiated the Eastern Newfoundland SEA during the reporting period. The scope of this SEA included an update to the 2003 Orphan Basin SEA. The SEA Working Group included membership from Newfoundland and Labrador provincial departments of Natural Resources and Fisheries, Environment Canada, Parks Canada, Transport Canada, One Ocean, Nature Newfoundland and Labrador, WWF-Canada, Canadian Parks and Wilderness Society and the Canadian Association of Petroleum Producers (CAPP). The C-NLOPB held seven public open houses and nine stakeholder meetings in preparing the draft SEA.

ENVIRONMENTAL ASSESSMENT

The C-NLOPB assesses the environmental impacts of petroleum exploration and production works or activities proposed for the Offshore Area.

During 2013-14, the C-NLOPB completed a screening under the *Canadian Environmental Assessment Act (CEAA)* for the Husky Oil Operations Limited White Rose Extension Project.

During 2013-14, the C-NLOPB completed Environmental Assessments (EAs) for the following projects in accordance with the *Accord Acts*:

- Ptarmigan Energy Inc. Geophysical Program for Anticosti Basin Offshore Western Newfoundland and Labrador Exploration Licence (EL) 1120; EL 1128 and EL 1127, 2012-2018; and

- GX Technology Canada Ltd. 2D Seismic, Gravity and Magnetic Survey for the Labrador Shelf Area, 2013-2015.

There were 11 EAs active as of March 31, 2014:

- Corridor Resources' Exploration Well on the Old Harry Prospect, EL 1105;
- WesternGeco Canada's Jeanne d'Arc Basin Seismic Program, 2012-15;
- HMDC's 2D/3D/4D Seismic Projects for the Hibernia Oil and Gas Production Field, 2013 to the remaining life of the field;
- Black Spruce Exploration Corp., and Shoal Point Energy Ltd., Western Newfoundland Drilling Program, 2013 to 2019;
- Suncor Energy Eastern Newfoundland Offshore Area 2D/3D/4D Seismic Program, 2014 to 2024;
- Multi Klient Invest AS Labrador Sea Seismic Program, 2014 to 2018;
- Multi Klient Invest AS Southern Grand Banks Seismic Program, 2014 to 2018;
- GX Technology Canada Ltd. GrandSPAN Marine 2D Seismic, Gravity and Magnetic Survey, 2014 to 2018;
- Electromagnetic Geoservices Canada, Inc., East Canada Controlled Source Electromagnetic Survey, 2014 to 2018;
- ARKeX Ltd. and TGS-NOPEC Geophysical Company ASA Labrador Sea Gravity Gradient Survey, 2014 to 2018; and
- TGS-NOPEC Geophysical Company ASA and Multi Klient Invest AS Offshore Labrador Seafloor and Seabed Sampling Program, Newfoundland and Labrador Offshore Area, 2014-2019.

One EA, the Western Newfoundland and Labrador 2D Seismic, was placed on hold as of March 31, 2014, pending further actions or submissions by the Proponent, Deer Lake Oil and Gas.

ENVIRONMENTAL ASSESSMENT OF A PROPOSED EXPLORATION WELL ON LICENCE EL 1105 (OLD HARRY)

During the reporting period the proponent, Corridor Resources Ltd. responded to technical comments from government agencies and some public organizations on its EA documents. At the end of the reporting period the Environmental Affairs Department was drafting its screening report for the assessment and awaiting conclusion of the Western Newfoundland and Labrador SEA Update process to determine the nature of public review of the EA.

OIL SPILL RESPONSE PLANNING

During 2013-14, the C-NLOPB continued support of a study through the Environmental Studies Research Funds (ESRF) of the biodegradation of natural and chemically dispersed Grand Banks crude oils. The study, by the National Research Council (NRC) and Fisheries and Oceans Canada (DFO), seeks to apply lessons learned in monitoring Macondo crude in the Gulf of Mexico to potential spills of crude oils produced in the Offshore Area.

The C-NLOPB has updated its website to include recent and relevant information about oil spill readiness and response, including the release of the East Coast Operators Marine Spill Response Capability Report.

COMPLIANCE AND ENFORCEMENT

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

The investigation by the C-NLOPB into the spill of an estimated 6,000 litres of crude oil from the Hibernia North Offshore Loading System (OLS), which occurred from December 27, 2013 to January 1, 2014 inclusive, was initiated in the 2013-14 fiscal year. The investigation was ongoing as of March 31, 2014.

Of the 16 petroleum spills reported in 2013-14, six were one litre or less. A summary of spill information for the 2013-14 fiscal year is provided in Table 2.

Table 2: Summary of Spill Information for 2013-2014

Component	Litres	Percentage of Annual Total	Number of Incidents
Synthetic Based Mud	1223.00	16.3	3
Crude Oil	6052.30	80.8	4
Hydraulic and Lubricating Oil	121.00	1.6	2
Other Petroleum	92.31	1.2	7

Environmental Compliance Officers conducted an audit of the *SeaRose FPSO* and an audit of the Hibernia Platform during the reporting period. An audit of the Terra Nova Oil Spill Response Plan in February and March 2014 was being reviewed with the Operator at the end of the reporting period.

ENVIRONMENTAL EFFECTS MONITORING

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

In conjunction with its development of the Hibernia South Extension (HSE), HMDC conducted an extensive redesign of its EEM Program to incorporate lessons learned from the EEM Program for the Hibernia Platform (Core Program) and to expand coverage to the HSE. The C-NLOPB and its advisory agencies engaged in an extensive review of the EEM program with HMDC which was finalized in November 2013. Baseline sampling for the HSE EEM Program was done in 2011, but the planned start

of drilling at the HSE drill centre was delayed from 2012 to 2014. After consultation with the C-NLOPB and advisory agencies, both the Core and HSE sampling programs were delayed from 2013 to 2014 to allow them to operate concurrently.

Husky Energy submitted its White Rose 2012 EEM Program Report in May 2013 for review. Review comments were forwarded to Husky Energy in February of 2014.

Suncor Energy also submitted its Terra Nova 2012 EEM Program report in 2013. The C-NLOPB distributed the report to provincial and federal departments of Natural Resources and Fisheries and review comments were forwarded to Suncor Energy during the reporting period.

OFFSHORE OPERATIONS

DRILLING ACTIVITY

The C-NLOPB will not issue a well approval until the Operator has demonstrated that the drilling of the well will be conducted safely, without pollution and without waste, in compliance with the *Drilling and Production Regulations*. During the 2013-14 fiscal year in the Offshore Area, there were 15 applications processed for an Approval to Drill a Well (ADW).

The C-NLOPB will not issue a well approval until the Operator has demonstrated that the drilling of the well will be conducted safely, without pollution and without waste.

INTERVENTION AND WORKOVER ACTIVITY

In order for an Operator to re-enter a well to perform any subsequent well operation, including completion, re-completion, intervention, workover, suspension or abandonment, an application for an Approval to Alter the Conditions of a Well (ACW) must be submitted and approved. During the 2013-14 fiscal year in the Offshore Area, 19 ACW applications were processed, all of which were for HMDC.

HIBERNIA MANAGEMENT AND DEVELOPMENT COMPANY

During the reporting period, four wells were drilled from the Hibernia Platform, three of which were completed and one of which was abandoned. Also during the reporting period, the MODU West Aquarius conducted drilling operations on one additional well for the HSE Area at the end of the 2013-14 fiscal year.

HSE drilling activity was suspended in February 2014 as the MODU West Aquarius sailed to Bay Bulls and Marystown to undergo repairs which were ongoing as of March 31, 2014.

HUSKY ENERGY

Husky Energy conducted drilling operations on six wells during the 2013-14 fiscal year. Three were development wells that were drilled and completed and three were delineation wells in which one was abandoned and the other two suspended. Of the three development wells, two were drilled in the North Amethyst Field, one of which was the first multilateral well drilled in the Offshore Area and the other well was a gas injector in the South White Rose Extension Area. A multilateral well is considered to be a well that has one or more wellbores radiating from the main well.

SUNCOR ENERGY

During 2013-14, Suncor Energy conducted drilling operations on three wells; two were development wells; and one was a delineation well that was abandoned. All wells were drilled using the MODU Henry Goodrich.

STATOIL CANADA

Statoil Canada drilled four exploration wells in the 2013-14 fiscal year, three of which were classified as deep water wells. Of the four wells, two were suspended and the remaining two were abandoned. All wells were drilled using the MODU West Aquarius.

CHEVRON CANADA

Chevron Canada drilled and abandoned one ultra deep water exploration well in the Orphan Basin in the 2013-14 fiscal year using the Stena Carron drillship.

WELL OPERATIONS COMMITTEE

The C-NLOPB has established a Well Operations Committee dedicated to discussing ways and means for improving safety and effectiveness of well operations. While there has been, and continues to be, a significant amount of oversight and administration related to well operations in the Offshore Area, there is a need to maintain effective communication and exchange of information between all stakeholders involved in well operations. The committee is comprised of local senior industry representatives including Operators, licence holders and the C-NLOPB.

CERTIFICATES OF FITNESS

During 2013-14, the activities of the Certifying Authority were monitored by the Operations Department for the following installations operating in the Offshore Area:

Table 3: Certificates of Fitness monitored for 2013-2014

Installation Name	Installation Type	Certifying Authority
Hibernia Platform	Production	Lloyd's Register North America Inc
<i>SeaRose FPSO</i>	Production	Det Norske Veritas Germanischer Lloyd
<i>Terra Nova FPSO</i>	Production	Lloyd's Register North America Inc
Henry Goodrich	Drilling	Det Norske Veritas Germanischer Lloyd
GSF Grand Banks	Drilling	Det Norske Veritas Germanischer Lloyd
Stena Carron	Drilling	Det Norske Veritas Germanischer Lloyd
West Aquarius	Drilling	Det Norske Veritas Germanischer Lloyd
<i>WellServicer</i>	Diving	Det Norske Veritas Germanischer Lloyd
<i>Seven Falcon</i>	Diving	Det Norske Veritas Germanischer Lloyd

**Please note that as of August 31, 2013 Det Norske Veritas (DNV) has merged with Germanischer Lloyd (GL) and is now known as DNV GL.*

REGULATORY QUERIES

The CSO and/or the Chief Conservation Officer (CCO) may authorize deviations from the regulations where those officers are satisfied that the deviation will achieve an equivalent level of safety, protection of the environment and resource conservation to that provided by the regulation. CSO Decisions of Regulatory Queries can be found on the C-NLOPB website. Table 4 outlines the regulatory query activity for this past fiscal year.

Table 4: Regulatory Query activity for 2013-2014

Status	Number of Queries
Applications Received	103
Applications Processed	87
<i>Approved</i>	58
<i>Rejected</i>	2
<i>Withdrawn</i>	24
<i>Not Required</i>	3
Under Consideration	60

** Applications processed and under consideration may include carryover from the previous year*

RIGHTS MANAGEMENT

SCHEDULED LAND TENURE

In December 2013, the C-NLOPB announced the implementation of a new Scheduled Land Tenure System. This system provides additional time for exploration companies to conduct geoscientific assessments of the hydrocarbon prospectivity in the lesser explored basins of the Offshore Area. Companies may then nominate Areas of Interest which may be included in a Call for Bids. The system will now operate in four year, two year and one year cycles and is designed to take into account variances in the volume of data collection in basins and geoscientific knowledge.

The C-NLOPB issues land rights in the form of exploration licences (ELs), significant discovery licences (SDLs) and production licences (PLs).

Under the new system, the Offshore Area will be subdivided into three categories based on level of oil and gas activity (Low, High or Mature). Low Activity regions generally have few exploratory wells and limited seismic data acquisition. High Activity regions typically have elevated activity levels including 2D and 3D seismic data acquisition and exploration drilling. A Mature region would have substantial 2D and 3D seismic data coverage, in addition to extensive exploration/delineation drilling and production activities.

CALLS FOR NOMINATIONS

Pursuant to the Scheduled Land Tenure System, the C-NLOPB issued two Calls for Nominations NLI3-01LS (Areas of Interest) and NLI3-02EN (Areas of Interest) in December 2013. These closed on March 15, 2014 and the C-NLOPB is reviewing the nominations to post sectors in these regions of the Offshore Area from which a call for bids (Parcels) will ultimately be issued during the scheduled land rights issuance cycle.

CALLS FOR BIDS

Call for Bids NLI3-03 (Area “B” - Western Newfoundland and Labrador Offshore Region) will close no earlier than 120 days following the completion of the Western Newfoundland Strategic SEA. Closing dates respecting Call for Bids NLI3-01 (Area “C” – Flemish Pass) and Call for Bids NLI3-02 (Area “C” – Carson Basin) have not yet been determined as the Eastern Newfoundland SEA is ongoing.

STATUS OF LICENCES

The C-NLOPB issues land rights in the form of exploration licences (ELs), significant discovery licences (SDLs) and production licences (PLs). Two SDLs were issued in the 2013-14 fiscal year. As of March 31, 2014, there were 33 ELs, 54 SDLs and 11 PLs in the Offshore Area (see pages 24 and 25).

SIGNIFICANT DISCOVERY LICENCES

During the year, the Chair appointed technical committees to review significant and commercial discovery applications and amendments in accordance with the *Accord Acts* and Guidelines. These application reviews were ongoing as of March 31, 2014.

OPERATING LICENCES

Any person wishing to undertake any petroleum related work or activity in the Offshore Area must obtain an Operating Licence (OL). Table 5 shows the 19 OLs issued by the C-NLOPB during the 2013-14 fiscal year.

Table 5: Operating Licences issued during Fiscal Year 2013-2014

Operating Licence	Operator
1. OL 1301	GX Technology Canada Ltd.
2. OL 1302	Suncor Energy Inc.
3. OL 1303	Hibernia Management and Development Company Ltd.
4. OL 1304	ExxonMobil Canada Ltd.
5. OL 1305	ExxonMobil Canada Ltd. as Managing Partner for ExxonMobil Canada Properties
6. OL 1306	Imperial Oil Resources Limited
7. OL 1307	Imperial Oil Resources Ventures Limited
8. OL 1308	Husky Oil Operations Limited
9. OL 1309	Chevron Canada Limited
10. OL 1310	Chevron Canada Limited as Managing Partner for Chevron Canada Resources
11. OL 1311	Shell Canada Limited
12. OL 1312	Ptarmigan Energy Inc.
13. OL 1313	Encana Corporation
14. OL 1314	Statoil Canada Ltd.
15. OL 1315	Corridor Resources Inc.
16. OL 1316	Schlumberger Canada Ltd. as Managing Partner of WesternGeco Canada
17. OL 1317	Multi Klient Invest AS
18. OL 1318	Black Spruce Exploration Corp.
19. OL 1319	Electromagnetic Geoservices ASA

EXPLORATION COMMITMENTS

As of March 31, 2014, there was \$997,673,670.84 in exploration commitments to be undertaken by interest owners, secured by deposits valued at \$249,418,417.71.

REGISTRY OFFICE

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

FUNDS COLLECTED

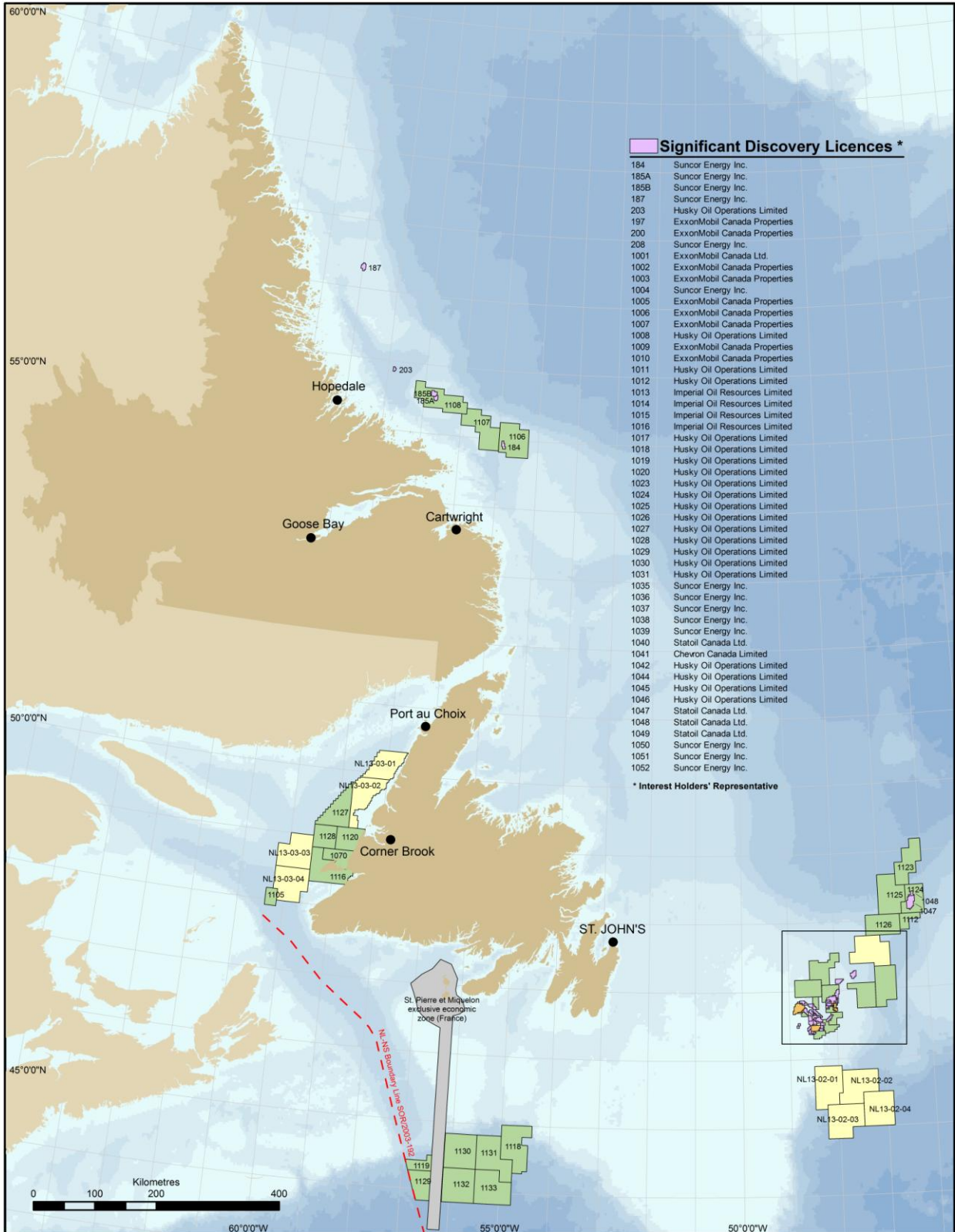
Under the *Atlantic Accord Implementation Acts*, the C-NLOPB is responsible for the collection of certain fees, forfeitures and rentals. In 2013-14, \$15,560,935.07 was collected and remitted to the Receiver General for Canada (see Table 6). Some of these funds are for deposit to the Newfoundland and Labrador Offshore Petroleum Resources Revenue Fund. Since its inception, the C-NLOPB has collected \$206,707,061.46 on behalf of the Crown.

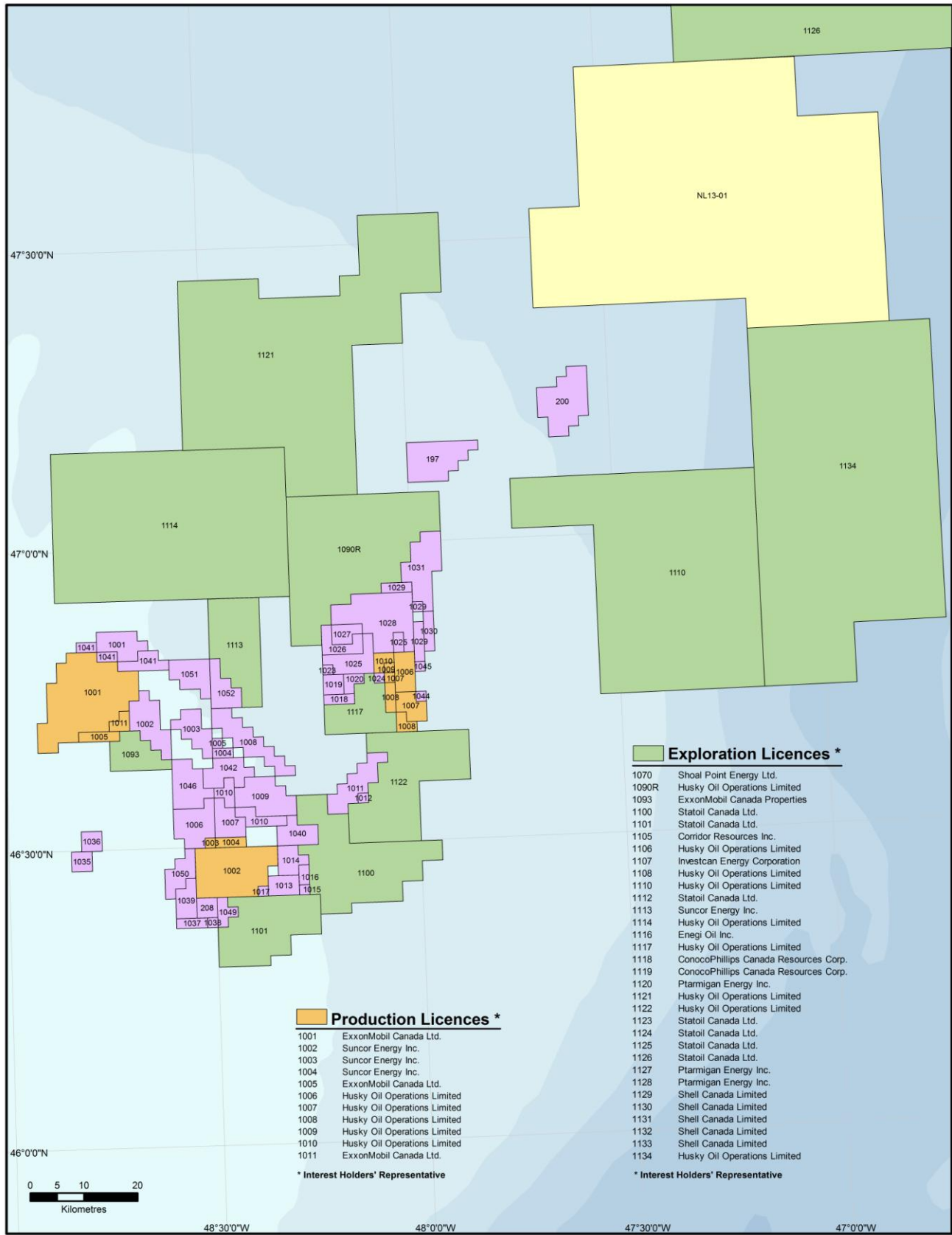
Table 6: Funds collected on behalf of the Receiver General for Canada for Fiscal Year 2013-2014

Fees, Forfeitures and Rentals	Amount Collected
Rentals	\$853,660.00
Forfeitures (Security Deposits)	\$13,706,280.07
Operating Licences	\$475.00
Registry Fees	\$445.00
Access to Information Requests	\$75.00
Forfeitures (Drilling Deposits)	\$1,000,000.00
Total	\$15,560,935.07

UNCLOS CAVEAT

Any sector, parcel or licence depicted on the following map, (found on pages 24 and 25), beyond 200 nautical miles off the coast of Newfoundland and Labrador is not represented by the Board to reflect the full extent of Canada's continental shelf beyond 200 nautical miles. Canada has filed a submission regarding the limits of the Outer Continental Shelf in the Atlantic Ocean with the Commission on the Limits of the Continental Shelf, the review of which is pending. Any call for bids based on a sector or parcel identified in this map and any licences issued in those areas will be subject to approval as a Fundamental Decision under applicable legislation. The boundaries of sectors, parcels or licences in areas beyond 200 nautical miles may be revised to reflect the limits of the Outer Continental Shelf established by Canada. All interest holders of production licences containing areas beyond 200 nautical miles may be required, through legislation, regulation, licence terms and conditions, or otherwise, to make payments or contributions in order for Canada to satisfy obligations under Article 82 of the United Nations Convention on the Law of the Sea.





MANAGEMENT OF RESOURCES

DATA STORAGE AND RESEARCH

The C-NLOPB's Core Storage and Research Centre (CSRC) archives core, cuttings, fluid samples, petrographic slides, biostratigraphic slides, and other geological material derived from wells drilled in the Offshore Area. Currently there are approximately: 8,000 m of core, 7,500 sidewall core samples, 5,000 boxes of cuttings samples, 200 fluid samples and 40,000 geological slides from over 390 wells available at the CSRC. The CSRC provides public access to materials once the legislated privilege period has expired.

The C-NLOPB's CSRC archives core, cuttings, fluid samples, petrographic slides, biostratigraphic slides, and other geological material derived from wells drilled in the Offshore Area.

During this reporting period the CSRC received approximately 428 boxes of cuttings and 150 m of core and was utilized for 66 days for material viewing. Of those days, 62 percent were used by industry, 30 percent by educational institutions and eight percent by governments.

GEOPHYSICAL / GEOLOGICAL PROGRAMS

The C-NLOPB reviewed and authorized seven geophysical program authorization applications to conduct exploration-related work in the Offshore Area in 2013-14.

Table 7: Geophysical Programs authorized during Fiscal Year 2013-2014

Operator	Program	Region	Coverage (CMP km)
Husky Energy	High-Resolution Seismic	Jeanne d'Arc	864 km
ExxonMobil	High-Resolution Seismic	Jeanne d'Arc	573 km
MKI	2D Seismic	Regional (SEN, JDA, EN, and NEN)	14 354 km
MKI	2D Seismic	Regional (EN, NEN, LS and LN)	2 939 km
GXT	2D Seismic	Regional (LS and LN)	6 575 km
ExxonMobil	3D Seismic	Jeanne d'Arc	53 533 km
ExxonMobil	Geotechnical Survey	Jeanne d'Arc	N/A

CMP km = Common Midpoint Kilometres

MKI = Multi Klient Invest

EN = Eastern Newfoundland

JDA = Jeanne d'Arc

LS = Labrador South

LN = Labrador North

NEN = North Eastern Newfoundland

SEN = South Eastern Newfoundland

In addition, 16 geological applications for programs without field work were authorized during this reporting period by the C-NLOPB. These studies use the materials stored and managed at the CSRC.

Table 8: Geological Programs authorized during Fiscal Year 2013-2014

Company	Study Type	Region
Dalhousie University	Source Rock Evaluation	Regional (SEN, JDA and EN)
Fluid Inclusion Technologies	Fluid Inclusion	Jeanne d'Arc
Fluid Inclusion Technologies	Fluid Inclusion	Regional (EN, NEN, LS and LN)
Geological Survey of Canada	Palynological	Eastern Newfoundland
Husky Energy	Biostratigraphy	Eastern Newfoundland
Husky Energy	Reservoir Quality	Eastern Newfoundland
Husky Energy	Biostratigraphy	Regional (JDA and EN)
Husky Energy	Geochemical	Jeanne d'Arc
Imperial Oil Resources	Fluid Inclusion	South Eastern Newfoundland
Memorial University of Newfoundland	Enhanced Oil Recovery	Jeanne d'Arc
Memorial University of Newfoundland	Provenance and Mineralogy	Eastern Newfoundland
Nova Scotia Dept. of Energy, Petroleum Resources Branch	Biostratigraphy and Geochemical	Southern Newfoundland
Repsol Exploration Canada	Geochemical	Jeanne d'Arc
Statoil Canada	Biostratigraphy	South Eastern Newfoundland
Statoil Canada	Petrographic	Regional (JDA and EN)
Statoil Canada	Reservoir Seal	Eastern Newfoundland

CMP km = Common Midpoint Kilometres
 EN = Eastern Newfoundland
 JDA = Jeanne d'Arc
 LS = Labrador South
 LN = Labrador North
 NEN = North Eastern Newfoundland
 SEN = South Eastern Newfoundland

RESOURCE ASSESSMENT AND PRODUCTION

The C-NLOPB's most recent reserve/resource estimates and production totals are provided in the following table:

Table 9: Resource Assessment and Production

Petroleum Reserves ¹ and Resources ² - Newfoundland and Labrador Offshore Area				
Field	Oil Initial Estimate MMbbls ³	Produced ⁴ MMbbls	Gas BSCF ⁵	NGLs ⁶ MMbbls
Grand Banks				
Reserves				
Hibernia	1395	888		
Hebron	707	0		
Terra Nova	506	354		
White Rose ⁷	234	189		
North Amethyst ⁸	75	34		
Subtotal	2917	1465		
Resources				
Hibernia	-		1984	225
Terra Nova ⁹	22		64	5
White Rose ⁷	71		3023	96
North Amethyst	-		315	-
Mizzen	102		-	-
Ben Nevis	252		429	30
West Ben Nevis	36		-	-
West Bonne Bay	36		-	-
Mara	23		-	-
North Ben Nevis	18		116	4
Springdale	14		238	-
Nautilus	13		-	-
King's Cove	10		-	-
South Tempest	8		-	-
East Rankin	7		-	-
Fortune	6		-	-
South Mara	4		144	8
North Dana	-		472	11
Trave	-		30	1
Subtotal	622		6815	380
Labrador Shelf				
North Bjarni	-		2247	82
Gudrid	-		924	6
Bjarni	-		863	31
Hopedale	-		105	2
Snorri	-		105	2
Subtotal	0		4244	123
Total	3539		11 059	503
Produced		1465	0	0
Remaining	2074		11 059	503

Notes for Table 9

¹ Reserves are volumes of hydrocarbons proven by drilling, testing and interpretation of geological, geophysical and engineering data, that are considered to be recoverable using current technology and under present and anticipated economic conditions. Oil reported for Hibernia, Hebron, Terra Nova, White Rose and North Amethyst Fields are classified as reserves.

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

³ MMbbls = million barrels.

⁴ Produced oil reserve volumes as of March 31, 2014. This also includes a small quantity of NGLs⁶.

⁵ BSCF = billion standard cubic feet.

⁶ Natural Gas Liquids (NGLs) are derived from natural gas, which is the portion of petroleum that exists in either the gaseous phase or in solution in crude oil in natural underground reservoirs. *NGL estimates have not been updated since 2006.

⁷ White Rose reserves include the South Avalon Pool, the Southern Extension Pool and the West White Rose Pilot Project. White Rose resources include the West Avalon Pool (minus the Pilot Project), North Avalon Pool and Hibernia Reservoir.

⁸ North Amethyst reserves include the Ben Nevis/Avalon and Hibernia reservoirs.

⁹ Terra Nova resources include the West Flank.

HIBERNIA

The Hibernia Field, discovered in 1979, consists of three principal reservoirs: Hibernia, Ben Nevis/Avalon and Catalina. This Field is operated by HMDC and is produced using the Hibernia Platform. Total oil production for 2013-14 was 48.28 million barrels (MMbbls) with a daily average of 132,269 barrels (bbls). The C-NLOPB estimates oil reserves and resources at the Hibernia Field to be 1395 MMbbls of which 887.39 MMbbls were produced as of March 31, 2014.

Table 10: Hibernia Field Production Statistics

		2013-14	Cumulative to March 31, 2014
Production			
Oil	MMbbls	48.28	887.89
Gas	Bscf	98.22	1366.12
Water	MMbbls	47.16	428.91
Gas Disposition			
Flared	Bscf	2.31	85.91
Fuel	Bscf	5.56	86.80
Injected	Bscf	90.35	1193.43
Water Injected	MMbbls	86.71	1240.82

TERRA NOVA

The Terra Nova Field, discovered in 1984 and operated by Suncor Energy, consists of one reservoir: the Jeanne d'Arc. Total production for 2013-14 at the Terra Nova Field reached 14.75 MMbbls. The *Terra Nova FPSO* produced an average of 40,404 bbls/day during the past fiscal year. The C-NLOPB estimates oil reserves and resources at the Terra Nova Field to be 528 MMbbls. As of March 31, 2014, 353.73 MMbbls have been produced.

Table 11: Terra Nova Field Production Statistics

		2013-14	Cumulative to March 31, 2014
Production			
Oil	MMbbls	14.75	353.73
Gas	Bscf	46.90	529.12
Water	MMbbls	30.30	214.59
Gas Disposition			
Flared	Bscf	1.91	52.10
Fuel	Bscf	4.10	48.26
Injected	Bscf	40.89	428.76
Lift	Bscf	14.62	69.36
Water Injected			
Water Injected	MMbbls	46.12	541.41

WHITE ROSE

The White Rose Field, discovered in 1984 and operated by Husky Energy, has one principal reservoir: the Ben Nevis/Avalon and a secondary reservoir, Hibernia. Total oil production at the White Rose Field for the reporting period was 11.59 MMbbls. The White Rose Field averaged 31,765 bbls/day. The C-NLOPB estimates oil reserves and resources at the White Rose Field to be 305 MMbbls, which includes the South Avalon Pool, the South White Rose Pool, the West White Rose Pool, North Avalon Pool and Hibernia Formation. As of March 31, 2014, 189.29 MMbbls had been produced.

During 2013-14, the C-NLOPB approved a DPA application allowing for the use of gas flooding to support oil production from the South Avalon Terrace and South White Rose Extension.

A DPA application requesting approval of the White Rose Extension Project (WREP) was also received. The WREP includes construction and operation of a wellhead platform for oil production from the West White Rose Pool and other potential resources. This application was under review as of March 31, 2014.

Table 12: White Rose Field Production Statistics

		2013-14	Cumulative to March 31, 2014
Production			
Oil	MMbbls	11.59	189.29
Gas	Bscf	13.62	165.49
Water	MMbbls	13.25	92.46
Gas Disposition			
Flared	Bscf	1.62	29.47
Fuel	Bscf	2.66	22.69
Injected	Bscf	9.35	113.32
Lift	Bscf	10.98	55.26
Water Injected			
	MMbbls	34.16	386.29

NORTH AMETHYST

The North Amethyst Field, discovered in 2006, is a satellite field adjacent to the White Rose development, operated by Husky Energy and produced using the *SeaRose FPSO*. Reserves in the North Amethyst Field are contained within two reservoirs, Ben Nevis/Avalon and Hibernia, and are estimated by the C-NLOPB to be 75 MMbbls. Of this, 34.33 MMbbls have been produced as of March 31, 2014. Total production at the North Amethyst Field for 2013-14 was 8.91 MMbbls and average daily production was 24,422 bbls/day.

During 2013-14, the C-NLOPB approved an application for a DPA to allow development of the Hibernia reservoir at North Amethyst.

Table 13: North Amethyst Field Production Statistics

	2013-14		Cumulative to March 31, 2014
Production			
Oil	MMbbls	8.91	34.33
Gas	Bscf	6.55	23.14
Water	MMbbls	11.60	22.52
Gas Disposition			
Flared	Bscf	0.92	2.65
Fuel	Bscf	1.24	4.29
Injected	Bscf	4.39	16.20
Lift	Bscf	6.25	9.68
Water Injected	MMbbls	22.46	71.72

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

HEBRON

The Hebron asset, discovered in 1981, consists of three fields; Hebron, Ben Nevis and West Ben Nevis. These undeveloped fields are located north of the Terra Nova Field. A Development Plan was filed with the C-NLOPB during 2011-12 and was approved in April 2012. First oil is expected from the Hebron Field in 2017. Total reserves for the Hebron Field are estimated at 707 MMbbls.

INDUSTRIAL BENEFITS ADMINISTRATION

In 2013-14, the offshore exploration and production activities continued to be monitored for compliance with the approved benefits plan provisions in relation to contracting and employment, supply of goods and services, diversity, research and development (R&D) and education and training (E&T).

Throughout the year, staff reviewed and assessed benefits plans for various offshore activities including an exploration drilling program in the Orphan Basin, seismic programs offshore Labrador and in the Jeanne d'Arc Basin as well as several geohazard, geotechnical, construction and diving programs associated with production projects. Staff also continued to monitor contracting, procurement and employment plans associated with the construction phase of the Hebron project as well as pre-development activities associated with the WREP.

As of December 31, 2013,
11,795 persons were
working in direct support
of petroleum-related
activity in the Offshore
Area.

An amendment to the White Rose benefits plan and an update to the socio-economic impact statement were received for the WREP. The analysis of these documents was ongoing as of March 31, 2014.

EXPENDITURE AND EMPLOYMENT DATA

During the 2013 calendar year, Operators reported expenditures of \$5.31 billion related to work in the Offshore Area. Since 1966, cumulative expenditures total \$39.23 billion.

As of December 31, 2013, 11,795 persons were working in direct support of petroleum-related activity in the Offshore Area.

During 2013, \$712.7 million was spent on exploration programs generating 6,543 person-months of employment. On-going production activities accounted for expenditures of \$1.57 billion in 2013, of which 54 percent of annual expenditures occurred in Newfoundland and Labrador and a further 20 percent in the rest of Canada.

Tables 14, 15, 16, and 17 summarize the participation of Newfoundland and Labrador residents and other Canadians in the production phase at Hibernia, Terra Nova, White Rose/North Amethyst and Hebron projects respectively.

HIBERNIA

HMDC reported expenditures of \$938 million for the 2013-14 fiscal year, with 65 percent Canadian content including 45 percent Newfoundland and Labrador content. As of March 31, 2014, total direct employment in the province in support of the Hibernia project was 2,010 persons. Of this amount, 89 percent of the workers were Newfoundland and Labrador residents at the time of hire, and six percent were other Canadian residents.

Table 14: Hibernia Employment (as of March 31, 2014)

Location	Residency			
	Newfoundland and Labrador	Other Canadians	Non-Canadians	Total
Onshore Operations	875	64	44	983
Offshore Operations	904	60	63	1027
Total	1779	124	107	2010

TERRA NOVA

Suncor Energy reported expenditures of \$607 million for the fiscal year 2013-14, with 70 percent Canadian content including 56 percent Newfoundland and Labrador content. As of March 31, 2014, total employment in support of the Terra Nova project was 1,342 persons. At the time of hire, 89 percent of this total was Newfoundland and Labrador residents and seven percent were other Canadian residents.

Table 15: Terra Nova Employment (as of March 31, 2014)

Location	Residency			
	Newfoundland and Labrador	Other Canadians	Non-Canadians	Total
Onshore Operations	588	31	54	673
Offshore Operations	607	58	4	669
Total	1195	89	58	1342

WHITE ROSE/NORTH AMETHYST

Husky Energy reported expenditures of \$1.01 billion for the fiscal year 2013-14, with 83 percent Canadian content including 60 percent Newfoundland and Labrador content. As of March 31, 2014, total employment in support of the White Rose/North Amethyst projects was 2,661 persons. At the time of hire, 74 percent of this total was Newfoundland and Labrador residents and nine percent were other Canadian residents.

Table 16: White Rose/North Amethyst Employment (as of March 31, 2014)

Location	Residency			
	Newfoundland and Labrador	Other Canadians	Non-Canadians	Total
Onshore Operations	1285	158	438	1881
Offshore Operations	695	76	9	780
Total	1980	234	447	2661

HEBRON

ExxonMobil reported expenditures of \$2.81 billion during the fiscal year 2013-14, with 65 percent Canadian content including 59 percent Newfoundland and Labrador content. As of March 31, 2014, total employment in support of the Hebron project was 6,429 persons. At the time of hire, 62 percent of this total was Newfoundland and Labrador residents and six percent were other Canadian residents.

Table 17: Hebron Employment (as of March 31, 2014)

Location	Residency			
	Newfoundland and Labrador	Other Canadians	Non-Canadians	Total
Project Management	115	13	156	284
Gravity Based Structure Team	2639	118	223	2980
Topsides Team	1209	244	1696	3149
OLS Team	2	1	13	16
Total	3965	376	2088	6429

RESEARCH AND DEVELOPMENT, EDUCATION AND TRAINING

The C-NLOPB continued to monitor industry's obligations to carry out R&D and E&T in the province. Expenditures for the 2012 calendar year were reviewed to determine eligibility with the C-NLOPB's guidelines. Based on a review of work expenditure reports, it was determined that approximately \$68 million was spent on R&D and E&T during 2012, bringing the total to approximately \$273 million since the C-NLOPB's guidelines came into effect on April 1, 2004. Expenditures for the 2013 calendar year are required to be reported by March 31, 2014 and will be presented in the 2014-15 annual report.

A breakdown of 2012 expenditures for each project is provided in Table 18:

Table 18: Project Expenditures (\$ millions)

	R&D	E&T	Total
Hibernia	\$19.52	\$12.11	\$31.63
Terra Nova	\$14.74	\$3.05	\$17.79
White Rose/North Amethyst	\$8.33	\$4.36	\$12.69
Hebron	\$3.20	\$2.98	\$6.18
Total	\$45.79	\$22.50	\$68.29

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

POLICY AND REGULATORY COORDINATION

On October 24, 2013, Bill C-5, *Offshore Health and Safety Act* (an Act to amend the *Canada-Newfoundland Atlantic Accord Implementation Act*, the *Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Act* and other Acts and to provide for certain other measures) was tabled in the House of Commons. The provincial equivalent received Royal Assent on May 16, 2013. This legislation incorporates Part III.1 in the *Implementation Act*, describes the Occupational Health and Safety regime for the Offshore Area and provides regulation-making powers.

On November 26, 2013, Bill C-5 passed second reading and was referred to the Standing Committee on Natural Resources. The C-NLOPB Chair presented to this Committee together with the Chief Executive Officer of the Canada-Nova Scotia Offshore Petroleum Board (CNSOPB) on December 2, 2013. The committee report was tabled on February 12, 2014 together with the amendments and the Bill was in third reading as of March 31, 2014.

Governments are also committed to creating a modern set of regulations for occupational health and safety (OHS) in Canada's Accord areas within five years from the passage of amending legislation. C-NLOPB staff are participating on the Project Team which will oversee the development of modernized OHS regulations.

During 2013-14 the C-NLOPB participated in a working group that provided advice to governments on the development of amendments to the *Atlantic Accord Acts*, which will result from the passage of Bill C-22, the *Energy Safety and Security Act*. The proposed legislation deals with matters such as increasing requirements for financial responsibility, introducing administrative monetary penalties, the ability to cost recover expenditures from industry and providing regulatory boards with the power to allow use of certain spill treating agents.

Arising from these amendments is the need to develop a suite of new regulations. C-NLOPB staff participated in the Project Team which oversees the progress of the development of regulations. Staff also participated in Technical Working Groups responsible for providing policy advice to governments relating to the development of regulations for Financial Responsibility Requirements, Cost Recovery and Administrative Monetary Penalties.

In the fall of 2013, Natural Resources Canada, in partnership with provincial governments, re-initiated the Frontier and Offshore Regulatory Renewal Initiative (FORRI). FORRI's objective is to modernize frontier and offshore petroleum regulations by adopting a goal oriented approach where appropriate.

In 2013-14 the C-NLOPB participated in preparation of a response to the Standing Joint Committee comments on the *Newfoundland Offshore Petroleum Drilling and Production Regulations*. This involved providing policy advice to governments and the consideration of views expressed by Natural Resources Canada, the Department of Natural Resources Newfoundland and Labrador, Department of Energy Nova Scotia, CNSOPB and the National Energy Board (NEB).

During 2013-14, the C-NLOPB coordinated the review and approval of Husky Energy's South White Rose Extension (SWRX) Project DPA and the North Amethyst (Hibernia Formation) DPA. Husky

Energy's DPA for the WREP Project was received on October 22, 2013 and the C-NLOPB was reviewing that application as of March 31, 2014.

Also during the fiscal year, staff coordinated the review and approval of the amendment to the SWRX and the amendment to the North Amethyst Development Plan referred to as the North Amethyst - Hibernia Formation Project.

In October 2013, the C-NLOPB received an application to amend the White Rose Development Plan respecting Husky Energy's proposal to construct a concrete drilling structure (i.e. wellhead platform) in the Argentia area. As of March 31, 2014, the C-NLOPB was conducting a completeness review of the application.

Staff also participated in updating several Memorandums of Understanding (MOU) as a result of recommendations from the Commissioner of the Environment and Sustainable Development Auditor General's Report. The updated MOUs included those with the DFO, the Canadian Coast Guard, Environment Canada and Transport Canada.

During 2013-14 C-NLOPB staff coordinated the issuance of 14 authorizations which are captured in Table 19.

Table 19: Authorizations issued by the C-NLOPB 2013-14

Authorization Type	Operator	Installation/Vessel
Diving Program Authorization	Suncor Energy	<i>DSV Seven Falcon</i>
Diving Program Authorization	Husky Energy	<i>DSV Wellservicer</i>
Geophysical Program Authorization	ExxonMobil	<i>M/V Vespucci</i>
Geophysical Program Authorization (Labrador)	GXT	<i>M/V Discoverer</i>
Geophysical Program Authorization (Labrador)	MultiKlient Invest AS	<i>M/V Sanco Spirit</i>
Geophysical Program Authorization (Northeast NL Slope)	MultiKlient Invest AS	<i>M/V Sanco Spirit</i>
Geophysical Program Authorization	Husky Energy	<i>M/V Maersk Challenger</i>
Geophysical Program Authorization	ExxonMobil	<i>M/V Strait Hunter</i>
Geotechnical Program Authorization	ExxonMobil	<i>M/V Bucentaur</i>
Operations Authorization	HMDC	MODU West Aquarius
Operations Authorization	Chevron Canada	Drill Ship Stena Carron
Operations Authorization (Construction)	Husky Energy	<i>Deep Pioneer</i>
Operations Authorization (Construction)	Husky Energy	<i>Apache II</i>
Operations Authorization (Construction)	HMDC	<i>Deep Pioneer/Flintstone</i>

SUPPORT SERVICES

During 2013-14, the C-NLOPB received 441 requests for information from external parties through its Information Resources Centre. These requests primarily related to access to non-privileged offshore petroleum technical data provided to the C-NLOPB by Operators. These did not require formal

Twelve fundamental decisions were made by the C-NLOPB in 2013-14, eight of which were subsequently approved by Governments.

applications under the *Access to Information Act*. The C-NLOPB received 17 formal requests and 13 formal consultation requests under the *Access to Information Act* during 2013-14. As required by the *Access to Information Act*, a separate annual report on the C-NLOPB's administration of the *Act* during 2013-14 will be tabled in Parliament in 2014.

A significant initiative undertaken in 2013-14 was to redesign the existing Employee Performance Management Program with the new program to take effect on April 1, 2014. This required the development of a new review process and evaluation criteria. By rewarding outstanding performance and providing a consistent

process for measuring and rewarding performance, the objective of the new program is to positively impact future performance.

The C-NLOPB also made investments in its emergency response room information technology capabilities with the installation of additional phone lines, recording equipment, monitors and data feeds.

The C-NLOPB undertook a review of its employee group insurance plan benefits and completed a competitive market study of the plan with the assistance of a new group insurance broker. Through this work a number of risks and potential improvements in operation of the current plan were identified and significant savings in the cost of the group insurance plan was realized for the upcoming year.

A triennial audit of the internal OHS Management Program was completed by Workers Health and Safety Compensation Committee in November 2013. The audit identified some opportunities for the C-NLOPB, as an employer, to implement measures to further reduce risks to its employees in the workplace.

Table 20 summarizes the 297 regulatory review, licencing, auditing and approval activities associated with the C-NLOPB's ongoing objectives during 2013-14. In addition to these regulatory actions, 12 fundamental decisions were made by the C-NLOPB in 2013-14, eight of which were subsequently approved by Governments.

Table 20: Regulatory Review, Licencing, Auditing and Approval activities for 2013-2014

Applications for Regulatory Equivalency (approved or denied)	103
Approval to Alter the Condition of a Well	19
Approval to Drill a Well	15
Benefits Plans Approvals (new or amended)	13
Commingled Production Approval	2
Diving Program Authorization	2
Environmental Assessments (new, amended or updated)	16
Environmental Audits and Inspections	4
Exploration Licences (new or amended)	1
Field Data Acquisition Program Approval	1
Flow System Application Approval	0
Flow System (Metering) Audits	6
Formation Flow Test Program Approval	0
Gas Flaring Approvals	3
Geophysical Operations Authorization (with field work)	6
Geophysical Program Authorization (without field work)	16
Geotechnical Program Authorization	1
Notices of Non-Compliance	0
Notification to Complete a Well	6
Notification to Abandon a Well	6
Notification to Suspend a Well	6
Operations Authorization (new or amended)	5
Operating Licences	19
Pooling Designation	1
Production Licences (new or amended)	0
Safety Assessments	15
Safety Audits/Inspections	19
Significant Discovery Licences (new or amended)	2
Strategic Environmental Assessments	2
Work Refusals Investigated	2
Offshore Worker Complaints Reviewed	6

APPENDIX: FINANCIAL STATEMENTS



Financial Statements

Canada-Newfoundland and Labrador Offshore
Petroleum Board

March 31, 2014

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Statement of responsibility

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

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

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

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



Chair



Director

Independent auditors' report

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To the Directors of

Canada-Newfoundland and Labrador Offshore Petroleum Board

We have audited the accompanying financial statements of Canada-Newfoundland and Labrador Offshore Petroleum Board, which comprise the statement of financial position as at March 31, 2014 and the statement of operations, statement of changes in accumulated surplus, statement of net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canada-Newfoundland and Labrador Offshore Petroleum Board as at March 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



St. John's, Canada

May 28, 2014

Chartered Accountants

Canada-Newfoundland and Labrador Offshore Petroleum Board

Statement of Financial Position

March 31	2014	2013
Financial assets		
Cash and cash equivalents	\$ 4,717,568	\$ 7,246,649
Receivables	<u>3,174,665</u>	<u>405,368</u>
	<u>7,892,233</u>	<u>7,652,017</u>
Liabilities		
Payables and accruals (Note 3)	4,645,232	5,003,901
Accrued employee future benefit obligation (Note 4)	<u>5,284,300</u>	<u>4,746,400</u>
	<u>9,929,532</u>	<u>9,750,301</u>
Net debt	\$ (2,037,299)	\$ (2,098,284)
Non-financial assets		
Prepays	\$ 347,189	\$ 385,284
Tangible capital assets (Page 16)	<u>3,154,180</u>	<u>3,219,732</u>
	<u>3,501,369</u>	<u>3,605,016</u>
Accumulated surplus (Note 5)	\$ 1,464,070	\$ 1,506,732

Commitments (Note 7)

Contingencies (Note 9)

On behalf of the Board



Chair



Director

See accompanying notes to the financial statements.

Canada-Newfoundland and Labrador Offshore Petroleum Board

Statement of Operations

Year Ended March 31	Actual 2014	(Note 8) Budget 2014	(Note 11) Actual 2013
Revenue			
Operating grants			
Government of Canada	\$ 7,628,098	\$ 7,650,800	\$ 7,542,188
Government of Newfoundland and Labrador	<u>7,628,098</u>	<u>7,650,800</u>	<u>7,542,188</u>
	15,256,196	15,301,600	15,084,376
Add:			
Costs recovered from industry	11,442,147	11,476,200	11,313,282
Interest and other	<u>132,162</u>	<u>38,115</u>	<u>91,555</u>
	26,830,505	26,815,915	26,489,213
Less:			
Cost recoveries refunded to governments	<u>(11,442,147)</u>	<u>(11,476,200)</u>	<u>(11,313,282)</u>
Net revenue	<u>15,388,358</u>	<u>15,339,715</u>	<u>15,175,931</u>
Expenses (Pages 17 and 18)			
Board and public affairs	1,967,299	1,944,411	2,233,336
Environmental affairs	1,000,076	1,092,513	1,104,920
Exploration	994,458	1,149,285	989,842
Industrial benefits, policy and regulatory co-ordination	780,645	816,755	744,841
Legal and land	656,497	483,879	471,037
Operations	909,267	959,363	886,796
Resource management	2,046,211	2,307,073	2,075,613
Safety	1,885,038	1,976,533	2,128,309
Support services	<u>5,191,529</u>	<u>5,151,403</u>	<u>5,042,471</u>
	<u>15,431,020</u>	<u>15,881,215</u>	<u>15,677,165</u>
Annual deficit before the following	<u>(42,662)</u>	<u>(541,500)</u>	<u>(501,234)</u>
Public Review Commissions			
Costs recovered			
Hebron Public Review	-	-	112,831
Old Harry Public Review	<u>-</u>	<u>-</u>	<u>230,984</u>
	-	-	343,815
Expenses (Page 18)			
Hebron Public Review	-	-	112,831
Old Harry Public Review	<u>-</u>	<u>-</u>	<u>2,261</u>
	-	-	115,092
Annual deficit	<u>\$ (42,662)</u>	<u>\$ (541,500)</u>	<u>\$ (272,511)</u>

See accompanying notes to the financial statements.

Canada-Newfoundland and Labrador Offshore Petroleum Board

Statement of Changes in Accumulated Surplus

Year Ended March 31	Actual 2014	(Note 8) Budget 2014	Actual 2013
Accumulated surplus, beginning of year	\$ 1,506,732	\$ 1,506,732	\$ 1,779,243
Annual deficit	<u>(42,662)</u>	<u>(541,500)</u>	<u>(272,511)</u>
Accumulated surplus, end of year	<u>\$ 1,464,070</u>	<u>\$ 965,232</u>	<u>\$ 1,506,732</u>

See accompanying notes to the financial statements.

Canada-Newfoundland and Labrador Offshore Petroleum Board

Statement of Net Debt

Year Ended March 31	Actual 2014	(Note 8) Budget 2014	Actual 2013
Annual deficit	\$ (42,662)	\$ (541,500)	\$ (272,511)
Acquisition of tangible capital assets	(449,010)	(120,500)	(438,125)
Disposal of tangible capital assets	22,890	-	-
Amortization of tangible capital assets	491,672	662,000	710,636
Decrease in prepaids	<u>38,095</u>	<u>-</u>	<u>72,522</u>
Decrease in net debt	60,985	-	72,522
Net debt, beginning of year	<u>(2,098,284)</u>	<u>(2,170,806)</u>	<u>(2,170,806)</u>
Net debt, end of year	<u>\$ (2,037,299)</u>	<u>\$ (2,170,806)</u>	<u>\$ (2,098,284)</u>

See accompanying notes to the financial statements.

Canada-Newfoundland and Labrador Offshore Petroleum Board

Statement of Cash Flows

Year Ended March 31

2014

2013

	2014	2013
Increase (decrease) in cash and cash equivalents		
Operating		
Annual deficit	\$ (42,662)	\$ (272,511)
Amortization of capital assets	<u>491,672</u>	<u>710,636</u>
	449,010	438,125
Change in non-cash items		
Accrued employee future benefit obligation	537,900	520,700
Receivables	(2,769,297)	535,590
Prepays	38,095	72,522
Payables and accruals	<u>(358,669)</u>	<u>(282,130)</u>
Cash (used for) provided by operating transactions	<u>(2,102,961)</u>	<u>1,284,807</u>
Capital		
Cash used to acquire tangible capital assets	(449,010)	(438,128)
Cash provided by sale of tangible capital assets	<u>22,890</u>	<u>-</u>
Cash used for capital transactions	<u>(426,120)</u>	<u>(438,128)</u>
(Decrease) increase in cash and cash equivalents	(2,529,081)	846,679
Cash and cash equivalents, beginning of year	<u>7,246,649</u>	<u>6,399,970</u>
Cash and cash equivalents, end of year	<u>\$ 4,717,568</u>	<u>\$ 7,246,649</u>

See accompanying notes to the financial statements.

Canada-Newfoundland and Labrador Offshore Petroleum Board

Notes to the Financial Statements

March 31, 2014

1. Purpose of organization

The Canada-Newfoundland & Labrador Offshore Petroleum Board was formed in 1985 to administer the relevant provisions of the *Canada-Newfoundland Atlantic Accord Implementation Acts* as enacted by the Parliament of Canada and the Legislature of Newfoundland and Labrador.

2. Summary of significant accounting policies

Basis of presentation

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

Use of estimates

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

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

Revenue recognition

Operating grants are recognized when approved, less amounts repayable for expenses not incurred.

Costs recovered from industry are recognized in the period in which the expenses are incurred and when collection is reasonable assured.

Interest and other revenues are recognized as earned and when collection is reasonably assured.

Cash and cash equivalents

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

Canada-Newfoundland and Labrador Offshore Petroleum Board

Notes to the Financial Statements

March 31, 2014

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

Non-financial assets

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

Tangible capital assets

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

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

Impairment of long-lived assets

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

Capital grants

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

Employee future benefits

The Board contributes 100% of the premiums for medical and dental benefits, and 50% for life for retired employees. These retirement benefits are recorded on an accrual basis based on an actuary's estimate. Actuarial gains and losses are amortized on a straight-line basis over the average remaining service period of the active members expected to receive benefits under the plan (13 years).

Canada-Newfoundland and Labrador Offshore Petroleum Board

Notes to the Financial Statements

March 31, 2014

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

Financial instruments

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

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

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

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

The Board subsequently measures its financial assets and financial liabilities at cost or amortized cost. Changes in fair value are recognized in annual surplus.

Financial assets measured at cost include cash and cash equivalents, and receivables.

Financial liabilities measured at cost include payables and accruals.

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

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

3. Payables and accruals	<u>2014</u>	<u>2013</u>
Trade	\$ 1,704,680	\$ 2,081,145
Government of Canada	1,470,276	1,461,378
Government of Newfoundland and Labrador	<u>1,470,276</u>	<u>1,461,378</u>
	<u>\$ 4,645,232</u>	<u>\$ 5,003,901</u>

Canada-Newfoundland and Labrador Offshore Petroleum Board

Notes to the Financial Statements

March 31, 2014

4. Accrued employee future benefit obligation

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

The following information for these plans is based upon an actuarial valuation completed as at March 31, 2014.

	<u>2014</u>	<u>2013</u>
Accrued benefit obligation		
Balance, beginning of year	\$ 5,413,800	\$ 4,946,800
Current service cost	386,800	375,500
Interest cost	167,200	153,100
Benefits paid	(69,800)	(61,600)
Actuarial gain	<u>(344,500)</u>	<u>-</u>
Balance, end of year	<u>\$ 5,553,500</u>	<u>\$ 5,413,800</u>
Plans assets	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of funded status		
Funded status - deficit	\$ (5,553,500)	\$ (5,413,800)
Unamortized net actuarial loss	<u>269,200</u>	<u>667,400</u>
Accrued benefit liability	<u>\$ (5,284,300)</u>	<u>\$ (4,746,400)</u>
Net benefit expense		
Current service cost	\$ 386,800	\$ 375,500
Amortization of actuarial loss	53,700	53,700
Interest cost	<u>167,200</u>	<u>153,100</u>
	<u>\$ 607,700</u>	<u>\$ 582,300</u>

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

	<u>2014</u>	<u>2013</u>
Discount rate	3.90%	3.00%
Rate of increase in compensation levels	3.00%	4.00%
Dental inflation rate	4.50%	4.50%
Medical inflation rate	4.50%	4.50%

Canada-Newfoundland and Labrador Offshore Petroleum Board

Notes to the Financial Statements

March 31, 2014

5. Accumulated surplus	<u>2014</u>	<u>2013</u>
Accumulated surplus, beginning of year	\$ 1,506,732	\$ 1,779,243
Capital funding received	449,010	438,125
Amortization of capital assets	<u>(491,672)</u>	<u>(710,636)</u>
Accumulated surplus, end of year	<u>\$ 1,464,070</u>	<u>\$ 1,506,732</u>

6. Defined benefit Public Service Pension Plan

The Board participates in the Government of Newfoundland and Labrador's defined benefit Public Service Pension Plan ("the Plan"). The assets of the plan are held separately from those of the Board in an independently administered fund. Plan participation is mandatory for all full-time employees with greater than 3 calendar months of continuous employment.

Plan members must have at least 5 years of pensionable service to obtain a pension benefit. Normal retirement age under the Plan is 65 however early retirement options are available.

Members of the Plan are required to make contributions toward the funding of their pension benefits as follows:

- (i) 8.6% of earnings up to the Year's Basic Exemption, the portion of earnings upon which no CPP contributions are required;
- (ii) 6.8% of earnings in excess of the Year's Basic Exemption up to and including the Year's Maximum Pensionable Earnings ("YMPE"); and
- (iii) 8.6% of earnings in excess of the YMPE.

Pensions paid under the Plan are indexed annually. Indexing is applied at the rate of 60% of the increase in the Consumer Price Index (CPI), with the increase in the CPI capped at 2%. Indexing applies to benefits of pensioners who have attained age 65 prior to October 1 of each year.

The lifetime pension benefit is determined as 1.4% of the best five year average salary (up to the three year average YMPE) multiplied by the years of pensionable service, plus 2% of the best five year average salary (in excess of the average YMPE) multiplied by the years of pensionable service.

Employer contributions paid and expensed by the Board during the year totaled \$591,126 (2013 - \$572,693). Additional information about the plan surplus or deficit is not available.

Canada-Newfoundland and Labrador Offshore Petroleum Board

Notes to the Financial Statements

March 31, 2014

7. Commitments

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

March 31, 2015	\$ 1,103,524
March 31, 2016	\$ 1,182,309
March 31, 2017	\$ 1,189,471
March 31, 2018	\$ 1,189,471
March 31, 2019	\$ 1,189,471

8. Budget figures

The reconciliation between the Board's approved financial plan and the PSAB budget figures used in these statements is disclosed in the Schedule of Reconciliation of the Financial Plan to the Budget.

9. Contingencies

Claims have been initiated against the Board for unspecified compensatory damages and costs. The outcome of these claims are not determinable at this time, consequently no amount has been reflected in the financial statements.

10. Financial instruments

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

Risks and concentrations

The Board is exposed to various risks through its financial instruments. The following analysis provides a measure of the Board's risk exposure and concentrations at March 31, 2014.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Board is exposed to this risk mainly in respect of its payables and accruals in the amount of \$4,645,232 (2013 - \$5,003,901), which have a maturity of not later than one year. The Board reduces its exposure to liquidity risk by monitoring its cash flows and ensuring that it has sufficient cash available to meet its obligations and liabilities. In the opinion of management the liquidity risk exposure to the Board is low and not material.

Canada-Newfoundland and Labrador Offshore Petroleum Board

Notes to the Financial Statements

March 31, 2014

10. Financial instruments (cont'd.)

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Board's credit risk is attributable to receivables in the amount of \$3,174,665 (2013 - \$405,368). Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote.

11. Comparative figures

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

Canada-Newfoundland and Labrador Offshore Petroleum Board

Schedule of Tangible Capital Assets

Year Ended March 31, 2014

	Land and Parking Lot	Buildings	Leasehold Improvements	Furniture and Fixtures	Data Management System	Computer Software	Computer Equipment	2014	2013
Cost									
Cost, beginning of year	\$ 281,187	\$ 3,317,089	\$ 377,415	\$ 804,652	\$ 1,359,271	\$ 668,182	\$ 1,924,076	\$ 8,731,872	\$ 8,342,316
Additions during the year	-	-	-	99,977	-	106,519	242,514	449,010	438,125
Disposals during the year	(22,890)	-	-	(5,648)	-	-	(173,460)	(201,998)	(48,569)
Cost, end of year	<u>\$ 258,297</u>	<u>\$ 3,317,089</u>	<u>\$ 377,415</u>	<u>\$ 898,981</u>	<u>\$ 1,359,271</u>	<u>\$ 774,701</u>	<u>\$ 1,993,130</u>	<u>\$ 8,978,884</u>	<u>\$ 8,731,872</u>
Accumulated Amortization									
Accumulated amortization, beginning of year	\$ -	\$ 1,027,305	\$ 373,205	\$ 660,705	\$ 1,296,134	\$ 668,182	\$ 1,486,609	\$ 5,512,140	\$ 4,850,073
Amortization	-	91,591	3,107	88,034	63,137	-	245,803	491,672	710,636
Reversal of accumulated depreciation relating to disposals	-	-	-	(5,648)	-	-	(173,460)	(179,108)	(48,569)
Accumulated amortization, end of year	-	<u>1,118,896</u>	<u>376,312</u>	<u>743,091</u>	<u>1,359,271</u>	<u>668,182</u>	<u>1,558,952</u>	<u>5,824,704</u>	<u>5,512,140</u>
Net book value of tangible capital assets	<u>\$ 258,297</u>	<u>\$ 2,198,193</u>	<u>\$ 1,103</u>	<u>\$ 155,890</u>	<u>\$ -</u>	<u>\$ 106,519</u>	<u>\$ 434,178</u>	<u>\$ 3,154,180</u>	<u>\$ 3,219,732</u>

Canada-Newfoundland and Labrador Offshore Petroleum Board

Schedule of Expenses

(Note 11)

March 31	2014	2013
	<u>Actual</u>	<u>Actual</u>
Board and Public Affairs		
Consultants fees	\$ 85,864	\$ 99,197
Miscellaneous	14,947	16,404
Travel	32,919	101,670
Wages and benefits	<u>1,833,569</u>	<u>2,016,065</u>
	<u>\$ 1,967,299</u>	<u>\$ 2,233,336</u>
Environmental Affairs		
Consultants fees	\$ 194,855	\$ 220,052
Miscellaneous	2,302	2,275
Travel	12,350	16,970
Wages and benefits	<u>790,569</u>	<u>865,623</u>
	<u>\$ 1,000,076</u>	<u>\$ 1,104,920</u>
Exploration		
Miscellaneous	\$ 4,016	\$ 2,836
Travel	2,656	2,444
Wages and benefits	<u>987,786</u>	<u>984,562</u>
	<u>\$ 994,458</u>	<u>\$ 989,842</u>
Industrial Benefits, Policy and Regulatory Co-ordination		
Consultants fees	\$ 2,700	\$ 10,824
Miscellaneous	5,061	3,470
Travel	14,620	10,998
Wages and benefits	<u>758,264</u>	<u>719,549</u>
	<u>\$ 780,645</u>	<u>\$ 744,841</u>
Legal and Land		
Consultants fees	\$ 196,590	\$ 28,324
Miscellaneous	956	1,744
Travel	7,465	11,789
Wages and benefits	<u>451,486</u>	<u>429,180</u>
	<u>\$ 656,497</u>	<u>\$ 471,037</u>
Operations		
Consultants fees	\$ 20,407	\$ 112,109
Miscellaneous	2,914	3,331
Travel	13,699	4,159
Wages and benefits	<u>872,247</u>	<u>767,197</u>
	<u>\$ 909,267</u>	<u>\$ 886,796</u>

Canada-Newfoundland and Labrador Offshore Petroleum Board

Schedule of Expenses

(Note 11)

March 31	2014	2013
Resource Management		
Miscellaneous	\$ 5,090	\$ 6,264
Travel	6,365	11,179
Wages and benefits	<u>2,034,756</u>	<u>2,058,170</u>
	\$ 2,046,211	\$ 2,075,613
Safety		
Consultants fees	\$ 399,267	\$ 482,115
Miscellaneous	6,177	5,052
Travel	40,793	25,514
Wages and benefits	<u>1,438,801</u>	<u>1,615,628</u>
	\$ 1,885,038	\$ 2,128,309
Support Services		
Consultants fees	\$ 56,035	\$ 188,372
Amortization of capital assets	491,672	710,636
Computer support and maintenance	795,779	727,373
General office and maintenance	698,022	456,997
Rent	1,260,128	1,150,076
Travel	1,737	-
Wages and benefits	<u>1,888,156</u>	<u>1,809,017</u>
	\$ 5,191,529	\$ 5,042,471
Total expenses	<u>\$ 15,431,020</u>	<u>\$ 15,677,165</u>
Public Review Commissions		
Hebron Public Review		
Consultants fees	\$ -	\$ 96,992
Miscellaneous	-	583
Rent	<u>-</u>	<u>15,256</u>
	\$ -	\$ 112,831
Old Harry Public Review		
Consultants fees	\$ -	\$ 2,261
Total expenses	<u>\$ -</u>	<u>\$ 115,092</u>

Canada-Newfoundland and Labrador Offshore Petroleum Board

Schedule of Reconciliation of the Financial Plan to the Budget

Year Ended March 31, 2014

	<u>Financial Plan</u>	<u>Amortization</u>	<u>PSAB Budget</u>
Revenue			
Operating grants			
Government of Canada	\$ 7,650,800	\$ -	\$ 7,650,800
Government of Newfoundland and Labrador	7,650,800	-	7,650,800
Costs recovered from industry	11,476,200	-	11,476,200
Interest and other	<u>38,115</u>	<u>-</u>	<u>38,115</u>
	26,815,915	-	26,815,915
Less:			
Cost recoveries refunded to government	<u>(11,476,200)</u>	<u>-</u>	<u>(11,476,200)</u>
Net revenue	<u>\$ 15,339,715</u>	<u>\$ -</u>	<u>\$ 15,339,715</u>
Expenses			
Board and public affairs	\$ 1,944,411	\$ -	\$ 1,944,411
Environmental affairs	1,092,513	-	1,092,513
Exploration	1,149,285	-	1,149,285
Industrial benefits, policy and regulatory co-ordination	816,755	-	816,755
Legal and land	483,879	-	483,879
Operations	959,363	-	959,363
Resource management	2,307,073	-	2,307,073
Safety	1,976,533	-	1,976,533
Support services	<u>4,489,403</u>	<u>662,000</u>	<u>5,151,403</u>
Total expenses	<u>\$ 15,219,215</u>	<u>\$ 662,000</u>	<u>\$ 15,881,215</u>
Surplus (deficit)	<u>\$ 120,500</u>	<u>\$ (662,000)</u>	<u>\$ (541,500)</u>



2013-14

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