



2014-15  
ANNUAL REPORT





**June 26, 2015**

The Honourable Greg Rickford, P.C., M.P.  
Minister of Natural Resources  
Government of Canada

The Honourable Derrick Dalley, MHA  
Minister of Natural Resources  
Government of Newfoundland and Labrador

The Honourable Dan Crummell, MHA  
Minister of Service Newfoundland and Labrador  
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, 2015.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Scott Tessier".

Scott Tessier

**Chair and Chief Executive Officer**

## BOARD MEMBERS



**Scott Tessier**  
Chair and  
Chief Executive Officer



**Ed Williams**  
Vice-Chair



**Lidija Cicnjak-Chubbs**  
Member



**Ed Drover**  
Member



**Cynthia Hickman**  
Member



**Conrad Sullivan**  
Member

## SENIOR STAFF

**John P. Andrews, LL.B.**

**Michael Baker, CHRP**

**Jeffrey M. Bugden, P. Eng.**

**David G. Burley**

**Daniel B. Chicoyne, MSS**

**Jeff O'Keefe, P. Eng., P. Geo**

**Craig Rowe, M.Sc., P. Geo**

Director of Legal, Regulatory and Public Affairs (retired March 31, 2015)

Director of Administration and Industrial Benefits

Director of Operations

Director of Environmental Affairs

Director of Safety and Chief Safety Officer

Director of Resource Management and Chief Conservation Officer

Director of Exploration

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Suncor

Hebron

## MESSAGE FROM THE CHAIR AND CHIEF EXECUTIVE OFFICER



We are pleased to provide this overview of the accomplishments and activities of the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB) for this past fiscal year. The report is aligned with our business plan and the budget cycle. Accordingly, it describes the status of C-NLOPB activities up to March 31, 2015.

The mandate of the C-NLOPB, as defined in the *Atlantic Accord*, includes offshore safety, environmental protection, resource management and industrial benefits. Safety and environmental protection are paramount in all of our decisions.

The past year was a very busy one as we conducted over 300 regulatory review, licencing, auditing and approval activities. The local offshore oil and gas industry continued to be very active with several seismic programs in the planning stages, underway or completed. Operators conducted drilling programs in the Jeanne d'Arc and Flemish Pass basins and production from the four producing fields remained fairly constant. The C-NLOPB also monitored the Development Plan for the Hebron project and reviewed a Development Plan Amendment for the White Rose Extension project.

Under our Scheduled Land Tenure System, the Board issued five Calls for Nominations, closed four Calls for Bids and issued one new Call for Bids. The Board also released the results of Call for Bids NL13-01 in the Flemish Pass, which saw the largest bid on a single parcel in the history of the Canada-Newfoundland and Labrador Offshore Area, totaling \$559 million.

Governments passed amendments to the *Atlantic Accord Implementation Acts* and created transitional regulations. These formalized Occupational Health and Safety (OHS) rules in the offshore and created a more effective enforcement tool kit for our officers. C-NLOPB staff are participating in a Project Team which will oversee the development of modernized OHS regulations over the next five years, which will replace the transitional regulations.

The International Regulators Forum met in November. Sharing lessons learned with other regulators and ensuring regular information exchange are keys in making sure that the C-NLOPB's regulatory practices and procedures remain world class.

In the spirit of continuous improvement, cooperation and open communication, several Memoranda of Understanding were signed during 2014-15, including with Fisheries and Oceans Canada, the Canadian Coast Guard and Transport Canada. We also continue to work effectively with other federal and provincial departments and our regulatory counterparts.

On November 13, 2014, the C-NLOPB held its first International Safety Conference and Exhibition. The conference was very successful with over 200 delegates in attendance and speakers from Australia, Brazil,

Norway and the United States. Topics included lessons learned from Macondo and Montara and updates from both the U.S. Bureau of Safety and Environmental Enforcement, and the Norwegian Petroleum Safety Authority.

In an effort to modernize and improve openness and transparency, the Board launched a new website conforming to modern standards, which also has improved navigation and is adaptable to mobile devices. The C-NLOPB also actively communicated on Twitter and posted two animated videos on its new YouTube Channel.

I want to thank Ed Williams for his continued support as the Board's Vice-Chair as well as the rest of the Board - Lidija Cicnjak-Chubbs, Ed Drover, Cynthia Hickman and Conrad Sullivan - for their sound advice and continued leadership. I also want to extend best wishes and a word of appreciation to Reg Anstey, whose term on the Board expired in November 2014.

Finally, thanks to our 82 dedicated, professional staff who work tirelessly to provide excellence in regulatory oversight in the offshore oil and gas industry. I am proud to lead such a highly professional organization that has the respect of governments, industry and other stakeholders, the public and the international regulatory community.

I look forward to the year ahead with full confidence that the C-NLOPB will continue to regulate effectively in the public interest.



Scott Tessier,  
**Chair and CEO**



## C-NLOPB OVERVIEW

The C-NLOPB is the joint federal and provincial agency established in 1985 to regulate the Canada-Newfoundland and Labrador 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 \$17,670,000 for the fiscal year 2014-15.

At the end of the fiscal year the C-NLOPB had a staff of 82. Seventy-nine of these employees have degrees or diplomas, 68 are graduates of post-secondary institutions in Newfoundland and Labrador and 40 have professional designations in engineering, geoscience, safety, finance and public relations.

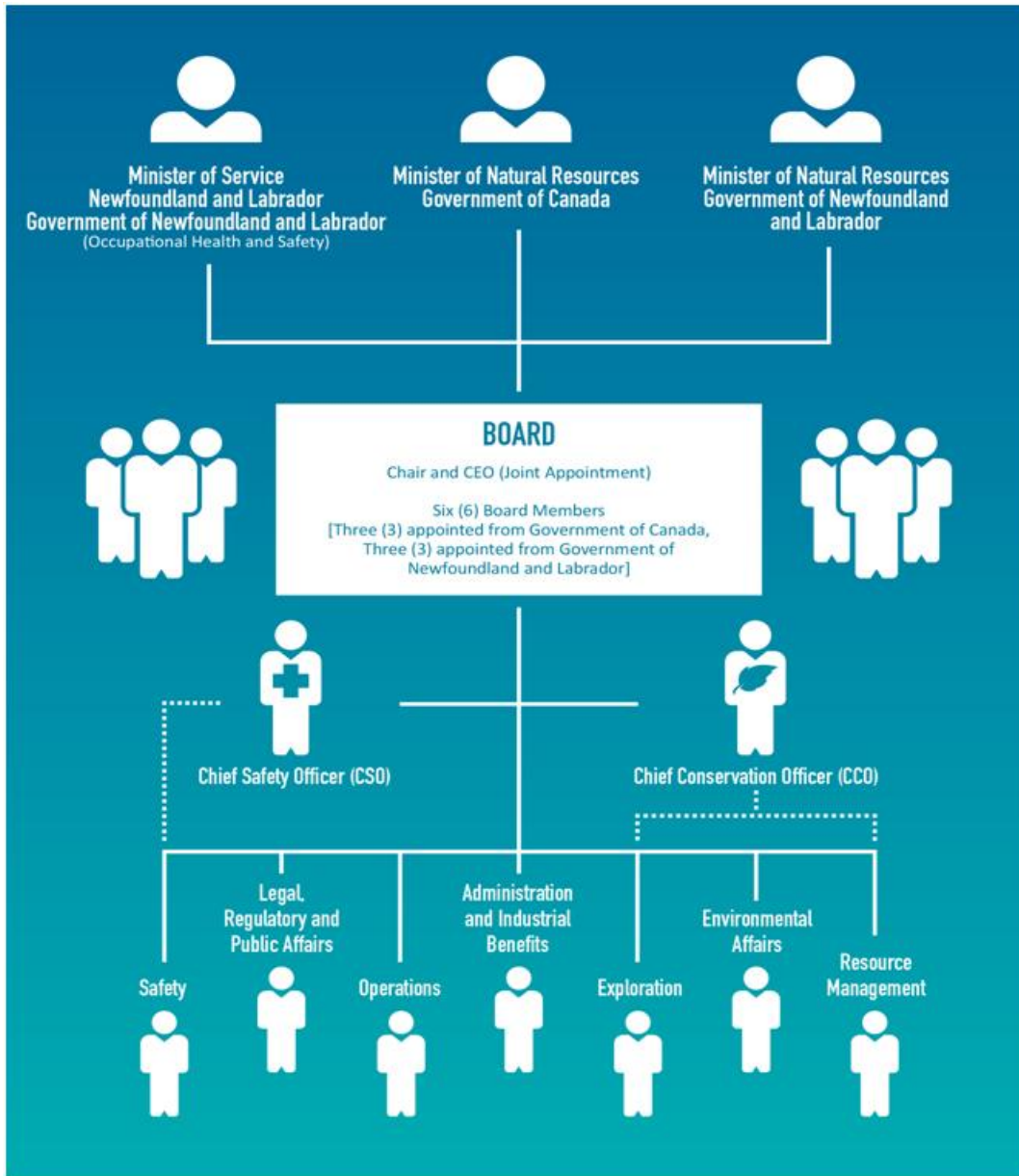
## New Staff



L-R Steven Meaney, Adam Smith, Veronica Warren, Lisa Hill, Stephanie Stack, Nigel Hendrickten, Bikky Kumar, John Pennell



# ORGANIZATION CHART



## MESSAGE FROM THE CHIEF SAFETY OFFICER



Working in the Canada-Newfoundland and Labrador offshore oil and gas industry is inherently risky and Operators are obligated to reduce risks to as low as is reasonably practicable. The role of the C-NLOPB Safety Department is to provide regulatory oversight of Operator activities for compliance with the legislation and regulations.

During this time of lower oil prices, it is especially important for Operators and contractors to not allow cost cutting pressures to, in any way, jeopardize safety and environmental protection in the Canada-Newfoundland and Labrador Offshore Area. The Board does not lower its expectations for Operator compliance for any reason. The production installations in our Offshore Area are between 11 and 19 years old. Operators face several challenges due to the age of these facilities. The C-NLOPB and Certifying Authorities monitor Operators' maintenance activities and plans, and inspect the facilities to be satisfied that Operators are appropriately managing risk and plans are executed to keep facilities in an appropriate state of repair.

The C-NLOPB is an active and respected member of the International Regulators Forum (IRF), a group of offshore regulators who share a common interest in raising offshore safety standards globally. Through our engagement in the IRF, our audit and inspections activities and our own research, we identified five key themes that were of particular relevance to our local industry: Asset Integrity and Aging Facilities, Training and Competency, Dropped Objects, Information Sharing and Global Standards. Over the past year, we have been working to bring about improvements in each of these areas.

During 2014-15, we continued to place focus on dropped object incidents in an effort to reduce the number of occurrences. During audit activities, Safety Officers identified that Operators have drop prevention processes in place and that they are working with their contractors to ensure the risk is reduced to as low as reasonably practicable. 2014-15 has seen a reduction in incidents involving dropped objects (from 20 in 2013, to 14 in 2014) and we will continue to monitor improvements in this aspect of offshore operations.

During this past fiscal year, we held a spring Safety Forum. In the fall, we held our first International Safety Conference. Safety forums are intended to encourage information sharing among workers, Operators, governments and the regulator so that safety issues can be proactively identified and addressed in a forum of interested stakeholders. The Safety Conference was very successful and provided a mechanism for stakeholders to receive information on worldwide initiatives to promote offshore safety. Planning got underway for the 2015 spring Safety Forum which will focus on asset integrity.

The C-NLOPB, the Canada-Nova Scotia Offshore Petroleum Board and the National Energy Board are working together and with our international colleagues to improve and promote safety culture. Together, we are working to create a global view and better understanding of safety culture. I feel that the safety culture in the Canada-Newfoundland and Labrador offshore oil and gas industry is as good as, or better than, anywhere else in the world, but that doesn't mean there is no room for improvement. You can never be safe enough.

The Safety Department has 12 dedicated full-time staff, which includes eight safety officers and three administrative staff. There are also two consultants who work part time - an aviation advisor and a security

advisor. I want to express to them my appreciation for their strong commitment to offshore safety and for the professional manner in which they carry out their duties.

I look forward to the year ahead as we continue to strive for improvement in offshore safety and work towards a stronger safety culture in our local industry and worldwide.

A handwritten signature in blue ink, appearing to read "Daniel B. Chicoyne".

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 Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB) that the Operator has taken all reasonable and practicable steps to achieve the required level of safety for the proposed work. In 2014-15, the C-NLOPB's Safety Department reviewed 18 safety plans.

## 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 2014-15, the C-NLOPB completed the following safety assessments which included a review of safety plans for the following:

- Multi Klient Invest (MKI) AS' Geophysical Program Authorization (GPA) for a seismic survey of the Northeast Newfoundland Slope;
- Statoil Canada's GPA for the Flemish Pass;
- Suncor Energy's Operations Authorization (OA) for light intervention in the Terra Nova Field;
- ExxonMobil Canada Properties' GPA for data acquisition in the Hebron Field;
- Hibernia Management and Development Company (HMDC)'s GPA for data acquisition in the Hibernia Field;
- Electromagnetic Geoservices (EMGS) Canada, Inc.'s Electromagnetic Program Authorization for the Flemish Pass;
- MKI AS' GPA for a seismic survey of the Southern Grand Banks;
- Husky Energy's Diving Program Authorization for the White Rose Field;
- Husky's Energy's Construction Program Authorization for the White Rose Field;
- Suncor Energy's Diving Program Authorization for the Terra Nova Field (involving two vessels and therefore assessment of two Safety Plans);
- Husky Energy's GPA for data acquisition in the White Rose Field;
- TGS Canada Ltd's Seafloor and Seep Sampling Program Authorization for offshore Labrador;
- MKI AS' GPA for a seismic survey offshore Labrador;
- An amendment to HMDC's OA for drilling and production in the Hibernia Field to include the Hibernia South Extension;
- A renewal of Husky Energy's OA for drilling and production in the White Rose Field;
- A renewal of Suncor Energy's OA for drilling and production in the Terra Nova Field; and
- An amendment and extension of Statoil Canada's OA for drilling in the Flemish Pass to include a new Mobile Offshore Drilling Unit (MODU).

## 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 2014-15 focused on training and competency.

During 2014-15, the C-NLOPB completed the 26 audits and inspections listed in Table 1.

**Table 1: Audits and Inspections completed in 2014-2015**

Operator	Installation/Vessel	Audit/Inspection
Electromagnetic Geoservices	<i>M/V BOA Galatea</i>	Pre-Approval Audit
ExxonMobil Canada Properties and HMDC	<i>M/V Maersk Chignecto</i>	Pre-Approval Audit
HMDC	Hibernia Platform	Safety Inspection
HMDC	MODU West Aquarius	Safety Inspection
HMDC	MODU West Aquarius	Safety Inspection
HMDC	Hibernia Platform	Safety Audit (Training and Competency)
Husky Energy	MODU GSF Grand Banks	Safety Inspection (Shipyard)
Husky Energy	MODU GSF Grand Banks	Safety Inspection
Husky Energy	MODU West Mira	Shipyard visit
Husky Energy	<i>SeaRose Floating, Production, Storage and Offloading (FPSO)</i>	Safety Audit (Training and Competency)
Husky Energy	<i>SeaRose FPSO</i>	Security Audit
Husky Energy	<i>SeaRose FPSO</i>	Safety Inspection
MKI	<i>M/V Sanco Spirit</i>	Pre-Approval Audit
MKI	<i>M/V Atlantic Explorer</i>	Pre-Approval Audit
Statoil Canada	MODU West Hercules	Safety Inspection
Statoil Canada	<i>M/V WG Columbus</i>	Pre-Approval Audit
Statoil Canada	CHC Heliport	Staff Assistance Visit
Statoil Canada	MODU West Hercules	Safety Inspection
Statoil Canada	MODU West Hercules	Pre-Approval Audit
Suncor Energy	MODU Henry Goodrich	Safety Audit (Asset Integrity)
Suncor Energy	<i>M/V Skandi Constructor</i>	Security Audit
Suncor Energy	<i>M/V Seven Falcon</i>	Pre-Approval Audit
Suncor Energy	<i>Terra Nova FPSO</i>	Security Audit
Suncor Energy	<i>Terra Nova FPSO</i>	Safety Inspection
Suncor Energy	MODU Henry Goodrich	Safety Inspection
TGS Canada Ltd.	<i>M/V Polar Prince</i>	Pre-Approval Audit

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 installation's Offshore Occupational Health and Safety (OHS) Workplace 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 2014-15, there were no work refusals that required review by the C-NLOPB.

## **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 Workplace 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 2014-15, the C-NLOPB reviewed 248 incident reports from Operators.

Incidents involving dropped objects are a significant area of focus for the Safety Department. Efforts by both the C-NLOPB and the Operators have reduced incidents involving dropped objects in 2014-15.

During the reporting period 5,457,936 hours were worked in the Offshore Area. There were 18 incidents that resulted in a reportable injury or illness, which translates to a Reportable Injury Frequency Rate of 2.20 per million hours worked.

During 2014-15, the C-NLOPB processed five health and safety complaints. 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.

## **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 the Company Security Officers to discuss security issues of mutual concern.

During 2014-15, the C-NLOPB completed security audits of the *M/V Skandi Constructor*, *Terra Nova FPSO* and *SeaRose FPSO*.

Further refinement and exercising of the C-NLOPB Emergency Response Procedure also took place within the reporting period.

## **AMENDMENTS TO THE ATLANTIC ACCORD ACTS**

On December 31, 2014 amendments to the *Canada–Newfoundland and Labrador Atlantic Accord Implementation Act* and the *Canada–Newfoundland and Labrador Atlantic Accord Implementation Newfoundland and Labrador Act* (the "Accord Acts") came into force together with transitional occupational health and safety regulations. These amendments place authority and fundamental principles of occupational health and safety within the *Accord Acts*, clarifying roles and responsibilities of governments, regulators, Operators, contractors, employers, employees and Workplace Safety Committees. Furthermore, the *Accord Acts* now include clear and specific enforcement powers for all C-NLOPB Officers including the powers of inspectors, compliance verification, conducting enquiries, warrant provisions and order measures in case of dangerous situations. C-NLOPB employees are currently assisting governments in developing new versions of supporting regulations, following the amended *Accord Acts*.

## **SAFETY OVERSIGHT MANAGEMENT SYSTEM**

In 2014-15, the C-NLOPB contracted the services of Michael Wager Consulting Newfoundland Inc. (MWCO-NL) for the creation of both a formal management system and enhanced computer database system for the Safety Department.



## **OFFSHORE HELICOPTER SAFETY INQUIRY RECOMMENDATION IMPLEMENTATION**

Work continued during 2014-15 on the implementation of recommendations from the Offshore Helicopter Safety Inquiry (OHSI). At the conclusion of the reporting period, 19 of the 29 recommendations had been fully implemented with work on the remaining 10 well underway and at various stages of implementation. There has been significant progress made on the Aviation Safety Oversight Program, providing systematic measures of Operators' performance in helicopter safety-risk management in the Offshore Area.

The Helicopter Operations Safety Committee (HOSC), a multi-stakeholder body involving the workforce, the Operators, helicopter service providers, C-NLOPB and CNSOPB, was formed in 2011 in response to the OHSI. The HOSC is now formally engaged in the continuous improvement of helicopter personal protective equipment and onboard safety equipment, completing the initiative to implement the recommendations on those subjects.

## **SAFETY FORUMS**

The C-NLOPB held a Spring Safety Forum in 2014-15. The purpose of the 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. The forums are held twice a calendar year, or once during a year in which a safety conference is held. The May 2014 Safety Forum focused on training and competency.

## **SAFETY CONFERENCE**

In November 2014, the C-NLOPB held its first safety conference thereby completing the implementation of OHSI recommendation 26. The Conference was a great success with about 200 attendees. The Honourable Robert Wells, Q.C. opened the conference, which featured speakers from Australia, Brazil, Norway and the United States. Current and former colleagues from the International Regulators Forum (IRF) presented on lessons learned from Macondo and Montara, and there were updates from the U.S. Bureau of Safety and Environmental Enforcement and the Norwegian Civil Aviation Authority. The conference included an exhibition which featured local and international safety products and services. There was also a demonstration of the new helicopter transportation suit and seminars on Just Culture and Contract Management. The C-NLOPB will hold a safety conference every three years.

## **OFFSHORE OCCUPATIONAL HEALTH AND SAFETY WORKPLACE COMMITTEES SESSIONS**

The Offshore OHS Workplace Committees (formerly known as the Offshore Joint Occupational Health and Safety Committee) session, is hosted by the C-NLOPB on a semi-annual basis. These sessions give committee members from each installation operating in the Offshore Area an opportunity to discuss current safety issues. An ongoing feature of the sessions is a segment in which each committee speaks on lessons learned from recent incidents onboard their facility.

## **INTERNATIONAL REGULATORS' FORUM**

In November 2014, the IRF held a meeting in Cancun, Mexico. The sessions focused on standards development, well control initiatives and the need for transparency and knowledge sharing. Planning has commenced for the 2015 conference, which will be held from October 19-20 in Washington, D.C.



# 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 the C-NLOPB reviews the plans before they are implemented. During the 2014-15 reporting period, seven EPPs were amended for the following fields or installations:

- HMDC's EPP for the Hibernia Field;
- HMDC's EPP for the Hibernia South Extension;
- Husky Energy's EPP for the *SeaRose FPSO*;
- Husky Energy's EPP for the GSF Grand Banks;
- Statoil Canada's EPP for the West Hercules;
- Suncor Energy's EPP for the *Terra Nova FPSO*; and
- Suncor Energy's EPP for the Henry Goodrich.

Husky Energy also updated its Waste Management Plan and Chemical Screening Procedures during the reporting period.

## STRATEGIC ENVIRONMENTAL ASSESSMENT

During the reporting period the C-NLOPB completed the Western Newfoundland and Labrador Offshore Area Strategic Environmental Assessment (SEA) Update on May 5, 2014 and the Eastern Newfoundland SEA, on August 5, 2014. The geographic scope of the Eastern Newfoundland SEA included the area originally covered by the 2003 Orphan Basin SEA. All completed SEAs are available on the C-NLOPB website.

## ENVIRONMENTAL ASSESSMENT

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

During 2014-15, the C-NLOPB completed Environmental Assessments (EAs) for the following projects in accordance with the *Accord Acts*:

- MKI AS' Labrador Sea Seismic Program, 2014 to 2018;
- MKI AS' Southern Grand Banks Seismic Program, 2014 to 2018;
- GX Technology Canada Ltd.'s GrandSPAN Marine 2D Seismic, Gravity and Magnetic Survey, 2014 to 2018;
- EMGS Canada's East Canada Controlled Source Electromagnetic (CSEM) Survey, 2014 to 2018; and
- TGS-NOPEC Geophysical Company ASA and MKI AS' Offshore Labrador Seafloor and Seabed Sampling Program, Newfoundland and Labrador Offshore Area, 2014 to 2019.

There were nine EAs active as of March 31, 2015:

- Corridor Resources' Exploration Well on the Old Harry Prospect, EL 1105;
- 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.'s, Western Newfoundland Drilling Program, 2013 to 2019;
- Suncor Energy's Eastern Newfoundland Offshore Area 2D/3D/4D Seismic Program, 2014 to 2024;

- ARKeX Ltd. and TGS-NOPEC Geophysical Company ASA's Labrador Sea Gravity Gradient Survey, 2014 to 2018;
- Bridgeport Holdings Ltd. and JEBCO Seismic Company's North Flemish Pass Gravity Survey, 2015 to 2019;
- WesternGeco Canada's Southeastern Newfoundland Offshore Seismic Program, 2015 to 2024;
- WesternGeco Canada's Eastern Newfoundland Offshore Seismic Program, 2015 to 2024; and
- ExxonMobil Canada Ltd.'s Eastern Newfoundland Offshore Geophysical, Geochemical, Environmental and Geotechnical Program, 2015 to 2024.

One EA, WesternGeco Canada's Jeanne d'Arc Basin Seismic Program, 2012 to 2015, was withdrawn by the proponent on January 22, 2015.

During the reporting period, the C-NLOPB received three amendments to previously assessed projects including:

- MKI AS' Southern Grand Banks Seismic Program, 2014 to 2018 to include three dimensional (3D) seismic activities;
- MKI AS' Northeast Newfoundland Slope Seismic Program, 2012 to 2017 to include 3D seismic activities; and
- EMGS Canada's East Canada Controlled Source Electromagnetic (CSEM) Survey, 2014 to 2018 to include the concurrent use of two CSEM vessels and the extension of the annual temporal scope of activities from November 30 to December 31 for the remainder of the programs.

#### OIL SPILL RESPONSE PLANNING

On May 7, 2014, Suncor Energy submitted a revised oil spill response plan which required an amendment to their OA. Late in fiscal year 2013-14, the Canadian Association of Petroleum Producers (CAPP), on behalf of Grand Banks Operators, submitted a report entitled *Net Environmental Benefit Analysis of Dispersant Use for Responding to Oil Spills from Oil and Gas Facilities on the Newfoundland Grand Banks*. The C-NLOPB provided the report to government departments and agencies and during fiscal 2014-15 provided comments resulting from this review to CAPP. The C-NLOPB expects that further discussions concerning potential spill treating agents will continue in the upcoming year as the *Energy Safety and Security Act* comes into force.

#### 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 was ongoing during the 2014-15 fiscal year. The investigation report was referred to the Public Prosecution Service of Canada during the fiscal year.

Of the 10 petroleum spills reported in 2014-15, four were one litre or less. A summary of spill information for the 2014-15 fiscal year is provided in Table 2.

**Table 2: Summary of spill information for 2014-2015**

Component	Litres	Percentage of Annual Total	Number of Incidents
Synthetic Based Mud	15690.500	98.640	4
Crude Oil	0.054	0.002	2
Hydraulic and Lubricating Oil	216.600	1.360	4
Other Petroleum	0	0	0

Environmental Compliance Officers conducted an audit of the Terra Nova Oil Spill Response Plan in late March 2014, which was reviewed and completed with the Operator during 2014-15.

During the reporting period, Environmental Compliance Officers also completed a verification audit with Husky Energy of its spill response performance targets.

### **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. 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, reviews 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 also available through the C-NLOPB website.

### **ENVIRONMENTAL STUDIES RESEARCH FUNDS**

The C-NLOPB continued its participation on the Management Board of the Environmental Studies Research Funds (ESRF), which funds environmental and socioeconomic research relating to petroleum exploration and production in Canada's frontier and offshore areas. The following research projects relating to the Offshore Area were ongoing in 2014, and will continue in 2015:

- Mid-Labrador Marine Megafauna and Acoustic Surveys on the Labrador Coast;
- Baseline Surveys for Seabirds on the Labrador Sea;
- Simulation Fate and Detectability of Dead Seabirds;
- Effect of Platform Discharges on Juvenile Fish in the Field;
- Biodegradation of Chemically Dispersed and Non-Chemically Dispersed Oil;
- Characterization of Ocean Currents, Variability and Dispersion in the Vicinity of Sackville Spur;
- Biodegradation of Chemically Dispersed and Non-Chemically Dispersed Condensate; and
- Development, Validation and Implementation of an Operational Ocean Forecasting System for the Grand Banks and Orphan Basin for Daily Operational Delivery at the Canadian Meteorological Centre.

In addition, the ESRF is preparing to initiate four new multi-year research projects of relevance to the Offshore Area in 2015:

- Assessment of the Potential Risks of Seismic Surveys to Affect Snow Crab Resources;
- Acoustic Modelling and Monitoring on Canada's East Coast;
- Assessing the Quality of Marine Mammal Detection using Three Complimentary Methods; and
- Realistic Oil Spill and Mitigation Exposure Scenario Effects on Commercially Harvested Species.

Further information on the ESRF is available at [www.esrfunds.org](http://www.esrfunds.org).

### **INTERNATIONAL OFFSHORE PETROLEUM ENVIRONMENTAL REGULATORS**

The C-NLOPB is a founding member of the International Offshore Petroleum Environmental Regulators (IOPER), a collaborative group of national regulators whose focus is to drive improvements to environmental performance in the global offshore petroleum and exploration industry.

During the reporting period, IOPER progressed discussions on key issues facing regulators and made good progress on a number of key priority issues at its 2014 annual general meeting, co-located with that of the International Regulator's Forum in Cancun, Mexico. In addition to providing updates and discussing emerging issues in their jurisdictions, IOPER members refined the IOPER work program, which currently focuses on five key priority issue areas:

- Environment Performance Indicators;
- Regulating Oil Spill Preparedness and Response;
- Public Consultation and Decision Making;
- Environmental Impact Research Collaboration Opportunities; and
- Enforcement Tool Research.

Further information is available at [www.ioper.org](http://www.ioper.org).



L-R Darrell Gover, Valerie Goodland-Hennessey

# OFFSHORE OPERATIONS

## WELL OPERATIONS

The C-NLOPB continued to exercise oversight of industry's well operations activities throughout 2014-15. Operators are obligated to undertake these activities safely, without pollution and without waste, in compliance with the *Newfoundland Offshore Petroleum Drilling and Production Regulations*. Oversight of well operations commences at the OA application stage where the Operator's well operations policies and procedures are assessed from the viewpoint of well integrity, well barriers and well control.

Applications for well approvals undergo a critical review by the C-NLOPB's Well Operations Engineers who also monitor well operations activities throughout their execution. Approval of well operations may be in the form of an Approval to Drill a Well (ADW) in relation to the initial drilling of a well or an Approval to Alter the Condition of a Well (ACW) where an Operator re-enters a well to perform any subsequent well operation (including a well intervention, workover operation or the completion, re-completion, suspension or abandonment of a well). In the case of well termination operations, these activities are also assessed to verify that the completion or plugging and abandonment (or suspension) operations conform to regulatory requirements, particularly in relation to the dual well barrier requirement.

A total of 16 applications for ADW, 21 applications for ACW and 20 well termination notifications were processed during 2014-15.

## SPECIAL OVERSIGHT OF DEEPWATER OPERATIONS

The C-NLOPB continued its special oversight measures for deepwater wells (which is any well drilled in a water depth in excess of 500 metres) as a result of the need to ensure the lessons learned from accidents elsewhere could be used to prevent similar occurrences in the Offshore Area and in consideration of the heightened public concerns about the risk of this activity.



A special oversight team under the leadership of the C-NLOPB's CSO and supported by a multi-disciplinary technical team continued to critically assess the adequacy of an Operator's deepwater drilling program and to exercise close oversight of operations from spud to abandonment/ suspension. Formal bi-weekly meetings with the Operator, daily submission of reports, scrutiny of primary and back-up Blowout Preventer testing reports and increased presence of C-NLOPB's Well Operations Engineers to witness critical operations offshore are key elements of the special oversight activities.

During 2014-15, five wells (Bay de Verde F-67, F-67z, Bay du Nord P-78, Cupids A-33 and Aster C-93A) required special oversight as each of these met the C-NLOPB's criteria of a deepwater well.

## OTHER SPECIAL INITIATIVES

The C-NLOPB's Well Operations Engineers exercised a lead role in liaising with external groups such as the Offshore Well Control Committee, the North Sea Offshore Authorities Forum (Wells Working Group) and members of the IRF to share best regulatory practices in the area of well operations. Attendance at key well control conferences and exhibitions also provided the opportunity to stay abreast of key technological developments and state-of-the art well control training, practices and procedures.



Special focus was also placed on implementing additional oversight of the well integrity of mature developments to ensure a minimum of two tested well barrier envelopes were in place at all times. Close oversight of the well intervention activities undertaken by the light well intervention vessel *Skandi Constructor* was also exercised. This was the first time such a vessel had been used in the Offshore Area.

### CERTIFICATION PROCESS

The C-NLOPB's Certification Engineers receive periodic reports and meet regularly with the Certifying Authorities (CAs) as part of the process for overseeing certification activities. During 2014-15, the activities of the CA were monitored for the following installations:

**Table 3: Certification activities monitored for 2014-2015**

Installation Name	Installation Type	Certifying Authority
Hibernia Platform	Production	Lloyd's Register North America Inc
Hebron Platform	Production	Det Norske Veritas (Canada) Limited
<i>SeaRose FPSO</i>	Production	Det Norske Veritas (Canada) Limited
<i>Terra Nova FPSO</i>	Production	Lloyd's Register North America Inc
GSF Grand Banks	Drilling	Det Norske Veritas (Canada) Limited
Henry Goodrich	Drilling	Det Norske Veritas (Canada) Limited
West Aquarius	Drilling	Det Norske Veritas (Canada) Limited
West Hercules	Drilling	Det Norske Veritas (Canada) Limited
West Mira	Drilling	Det Norske Veritas (Canada) Limited
<i>Skandi Constructor</i>	Drilling/Intervention	Det Norske Veritas (Canada) Limited
<i>Seven Havila</i>	Diving	Det Norske Veritas (Canada) Limited
<i>WellServicer</i>	Diving	Det Norske Veritas (Canada) Limited

A special initiative was undertaken during the reporting period to ensure that the scopes of work for the certification of prescribed installations were updated to reflect the transitional OHS regulations that came into force on December 31, 2014. Focus was also been placed on harmonizing the scopes of work between installations and among the CAs so that best practices were applied to the certification process.

### ASSET INTEGRITY

Production installations in the Offshore Area range from 11 to 19 years old. Aging infrastructure poses challenges to Operators in the maintenance and repair of equipment and matching new equipment and systems to that which was manufactured many years ago. In addition to normal wear and tear, the harsh environment places stress on infrastructure through continuous exposure to the extremes of weather, waves, ice, and oxidation.

In conjunction with the CAs, the C-NLOPB monitors Operators' maintenance plans and activities, and inspects the facilities to ensure risks are appropriately managed and plans are executed to keep the facilities in an appropriate state of repair. Asset integrity continues to be a key focus area and a high priority in terms of the oversight of certification activities. Special attention is being paid to temporary repairs as well as ensuring that

the scope of the maintenance, repair and replacement activities during the annual turn-around periods is both comprehensive and complete.

**SUBSTITUTIONS, EQUIVALENCIES OR EXEMPTIONS**



L- R Lisa Hill, Marshall Conway, Lesley Rideout

The CSO and/or the Chief Conservation Officer (CCO) may authorize the use of equipment, methods, measures or standards in lieu of any required by regulations, or grant an exemption from any regulatory requirement, if satisfied that it would provide a level of safety, protection of the environment and resource conservation greater than, or equivalent to, that provided by compliance with regulations. A regulatory query process has been developed to administer applications for regulatory equivalencies, substitutions or exemptions. Table 4 outlines the regulatory query activity for this past fiscal year.

**Table 4: Regulatory query activity for 2014-2015**

Status	Number of equivalencies, substitutions or exemptions
Applications Received	112
Applications Processed	125
<i>Approved</i>	87
<i>Rejected</i>	6
<i>Withdrawn</i>	21
<i>Not Required</i>	11
Still Under Consideration	34

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

With the introduction of the OHS amendments to the *Accord Acts*, the regulatory query process has been updated to reflect the need to post any applications for substitutions against the transitional OHS regulations at the workplace and to make them available for public comment on the C-NLOPB website. At the same time, the process was updated to clarify the lines of communication and to improve the quality and completeness of applications. Codes and standards that have been accepted for use on numerous occasions will be identified as part of the reforms to the regulatory query process.



## RIGHTS MANAGEMENT

### SCHEDULED LAND TENURE

The C-NLOPB's Scheduled Land Tenure System has the Offshore Area divided into eight regions. These regions have been individually categorized as low activity, high activity, or mature, based on the level of oil and gas exploration and development activities and have been assigned a land tenure timing cycle of four, two, and one year respectively. This system affords additional time for exploration companies to conduct geoscientific assessments of the hydrocarbon prospectivity in the lesser explored basins of the Offshore Area. Within the Scheduled Land Tenure process companies will be given the opportunity to nominate both Areas of Interest and Parcels, to be considered by the C-NLOPB in a Call for Bids process.

### CALLS FOR NOMINATIONS

Pursuant to the Scheduled Land Tenure System, the C-NLOPB issued the following Calls for Nominations:

**Table 5: Calls for Nominations, 2014-2015**

Call for Nominations	Issuance Date	Closing Date
NL14-01EN (Parcels)	September 2, 2014	October 17, 2014
NL14-01JDA (Parcels)	September 2, 2014	October 17, 2014
NL14-01EN (Areas of Interest)	September 2, 2014	November 28, 2014
NL15-01LS (Areas of Interest)	February 3, 2015	April 30, 2015*
NL15-01SEN (Areas of Interest)	February 3, 2015	April 30, 2015*

*\*Once these nominations close, the C-NLOPB will review the nominations and post sectors in the successful regions from which a call for bids (Parcels) will ultimately be issued (pending Ministerial approval), during the scheduled land rights issuance cycle.*

### CLOSING CALLS FOR BIDS

The C-NLOPB closed the following Calls for Bids:

**Table 6: Calls for Bids, 2014-2015**

Call for Bids	Parcels Offered	Closing Date	Successful Bid (work expenditure commitments)
NL13-01 (Area "C" – Flemish Pass)	1	December 12, 2014	\$559,000,000.00*
NL13-02 (Area "C" – Carson Basin)	4	December 12, 2014	\$21,000,000.00
NL13-03 (Area "B" - Western Newfoundland and Labrador Offshore Region)	4	November 12, 2014	No bids received
NL14-01 (Jeanne d'Arc Region)	1	December 12, 2014	\$16,700,000.00

*\*Largest bid on a parcel in the history of the Offshore Area.*

### CALL FOR BIDS 2015

The first call for bids issued under the Scheduled Land Tenure System was issued on March 31, 2015 offering 11 parcels in the Eastern Newfoundland Region.

### STATUS OF LICENCES

The C-NLOPB issues land rights in the form of exploration licences (ELs), significant discovery licences (SDLs) and production licences (PLs). Three ELs were issued in the 2014-15 fiscal year. Eight ELs were relinquished and one EL was surrendered in the 2014-15 fiscal year. As of March 31, 2015, there were 27 ELs, 54 SDLs and 11 PLs in the Offshore Area (see pages 24 and 25).

## SIGNIFICANT DISCOVERY LICENCES

During the reporting year, the Chair appointed technical committees to review significant and commercial discovery applications and amendments in accordance with the *Accord Acts* and guidelines.

## OPERATING LICENCES

Any person wishing to undertake any petroleum related work or activity in the Offshore Area must obtain an Operating Licence (OL). Table 7 shows the 21 OLs issued by the C-NLOPB during the 2014-15 fiscal year.

**Table 7: Operating Licences issued during Fiscal Year 2014-2015**

Operating Licence	Operator
1. OL 1401	Husky Oil Operations Limited
2. OL 1402	GX Technology Canada Ltd.
3. OL 1403	Imperial Oil Resources Limited
4. OL 1404	Imperial Oil Resources Ventures Limited
5. OL 1405	Ptarmigan Energy Inc.
6. OL 1406	Statoil Canada Ltd.
7. OL 1407	Chevron Canada Limited
8. OL 1408	Chevron Canada Limited as Managing Partner for Chevron Canada Resources
9. OL 1409	Hibernia Management and Development Company Ltd.
10. OL 1410	Shell Canada Limited
11. OL 1411	Suncor Energy Inc.
12. OL 1412	ExxonMobil Canada Ltd.
13. OL 1413	ExxonMobil Canada Ltd. as Managing Partner for ExxonMobil Canada Properties
14. OL 1414	Corridor Resources Inc.
15. OL 1415	Schlumberger Canada Ltd. as Managing Partner for WesternGeco Canada
16. OL 1416	Encana Corporation
17. OL 1417	Electromagnetic Geoservices Canada Inc.
18. OL 1418	ConocoPhillips Canada Resources Corp.
19. OL 1419	Multi Klient Invest AS
20. OL 1420	TGS Canada Ltd.
21. OL 1421	Shoal Point Energy Ltd.

## 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 *Accord Acts*, the C-NLOPB is responsible for the collection of certain fees, forfeitures and rentals. In 2014-15, \$35,724,929.53 was collected and remitted to the Receiver General for Canada (see Table 8). 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 \$242,431,990.99 on behalf of the Crown.

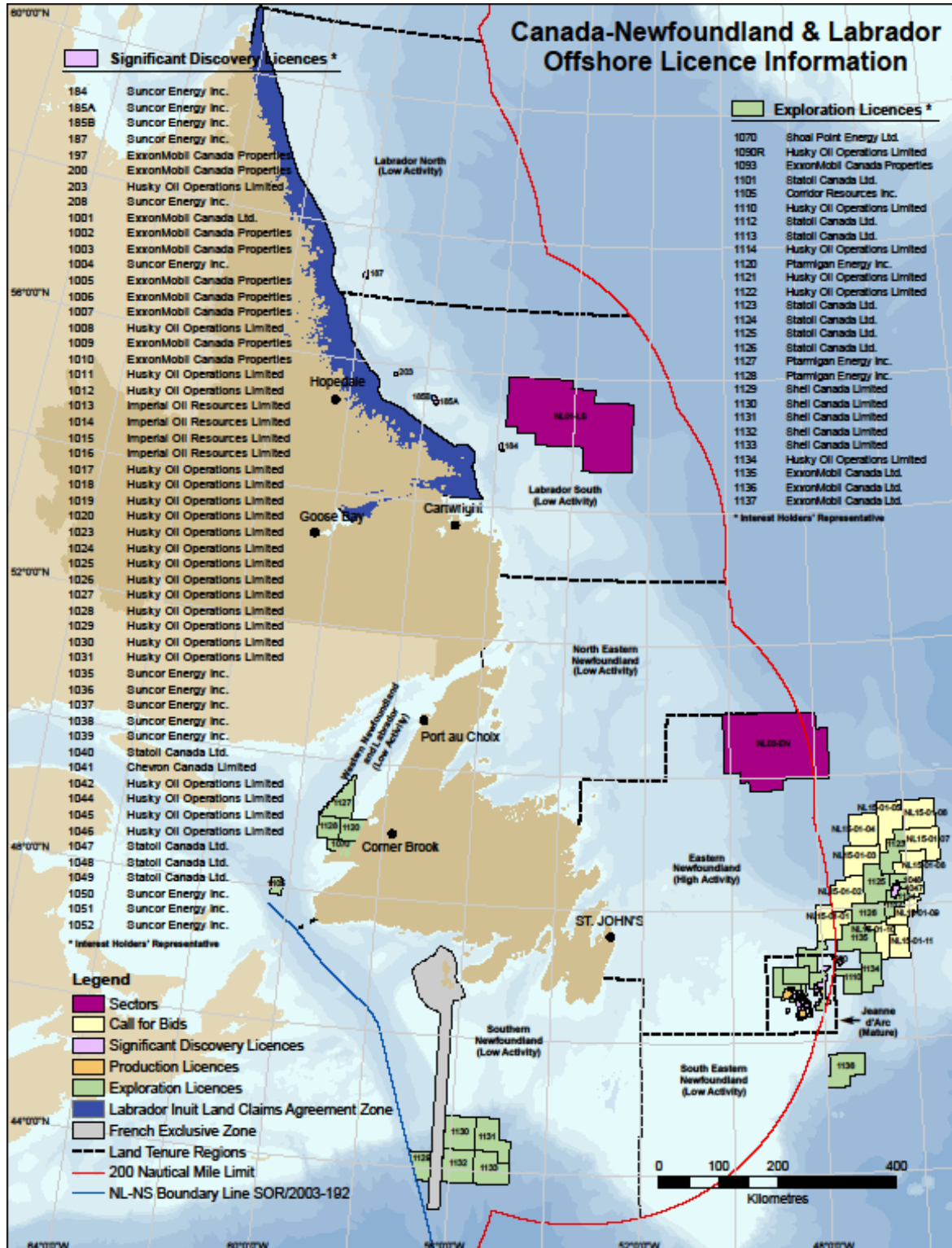
**Table 8: Funds collected on behalf of the Receiver General for Canada for Fiscal Year 2014-2015**

<b>Fees, Forfeitures and Rentals</b>	<b>Amount Collected</b>
Rentals	\$1,468,421.24
Forfeitures (Security Deposits)	\$33,998,423.29
Operating Licences	\$525.00
Registry Fees	\$7,500.00
Access to Information Requests	\$60.00
Forfeitures (Drilling Deposits)	\$250,000.00
<b>Total</b>	<b>\$35,724,929.53</b>

**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.

# SUPPLEMENT





## 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, 5,500 boxes of cuttings samples, 200 fluid samples and 40,000 geological slides from over 400 wells available at the CSRC. The CSRC provides public access to materials once the legislated privilege period has expired.

During this reporting period, the CSRC received 179 boxes of cuttings and approximately 36 m of core and was utilized for 111 days for material viewing. Of those viewing days, 83 percent were by industry, 11 percent by governments and six percent by educational institutions.

### GEOSCIENTIFIC PROGRAMS

The C-NLOPB reviewed and authorized nine applications for geophysical and geological programs with fieldwork in the Offshore Area in 2014-15.

Key for Tables 9 and 10			
CMP Km = Common Midpoint Kilometres	CSEM = Controlled Source ElectroMagnetics	EMGS = Electromagnetic GeoServices	HMDC = Hibernia Management and Development Company Ltd.
MKI = Multi Klient Invest	EN = Eastern Newfoundland	JDA = Jeanne d'Arc	LN = Labrador North
LS = Labrador South	NEN = North Eastern Newfoundland	SEN = South Eastern Newfoundland	SN = Southern Newfoundland

**Table 9: Geoscientific programs with fieldwork authorized during Fiscal Year 2014-2015**

Operator	Program	Region	Seismic CMP Km	Other Km*
EMGS Canada	CSEM	EN	N/A	2 343
ExxonMobil Canada	Seabed Survey	JDA	100	519
HMDC	Seabed Survey	JDA	152	627
Husky Energy	Wellsite Survey	JDA	132	451
MKI AS	2D Seismic	LS	4 390	N/A
MKI AS	2D Seismic	NEN, EN, JDA, SEN	21 854	N/A
MKI AS	2D Seismic	SN, SEN	10 344	N/A
Statoil Canada	3D Seismic	EN	203 924	N/A
TGS	Seafloor Sampling	LN, LS, NEN, EN	N/A	2 705

*\*Other Km includes data such as sidescan sonar, multibeam, bathymetry and CSEM*

In addition, 23 applications for geological programs without fieldwork were authorized during this reporting period by the C-NLOPB. Those studies used materials stored and managed at the CSRC.



**Table 10: Geological programs without fieldwork authorized during Fiscal Year 2014-2015**

Company	Study Type (Number)	Region
Chemostrat	Chemostratigraphic Correlation	LS, LN, EN, JDA, SEN, SN
ExxonMobil Canada	Source, Migration and Seal	JDA, EN
Geological Survey of Canada	Biostratigraphic	LN, LS
Geological Survey of Canada	Mud Contamination	EN
Geological Survey of Canada	Palynological (3)	LS
Husky Energy	Biostratigraphic (5)	JDA
Husky Energy	Lithological	JDA
Husky Energy	Reservoir Quality	JDA
Memorial University of Newfoundland	Geochemical	JDA
Nalcor Energy	Biostratigraphic (4)	LS
Nalcor Energy	Biostratigraphic	LN
Statoil ASA	Petrographic	JDA, EN
Statoil Canada	Grain Size	EN
Suncor Energy	Biostratigraphic	EN





## RESOURCE ASSESSMENT AND PRODUCTION

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

**Table 11: Resource Assessment and Production**

Petroleum Reserves <sup>1</sup> and Resources <sup>2</sup> - Newfoundland and Labrador Offshore Area				
Field	Oil	Produced <sup>4</sup> MMbbls	Gas	NGLs <sup>6</sup>
	Initial Estimate MMbbls <sup>3</sup>		BSCF <sup>5</sup>	MMbbls
<b>Grand Banks</b>				
<b>Reserves</b>				
Hibernia	1644	929		
Hebron	707	0		
Terra Nova	506	372		
White Rose <sup>7</sup>	238	201		
North Amethyst <sup>8</sup>	75	41		
<b>Subtotal</b>	<b>3170</b>	<b>1543</b>		
<b>Resources</b>				
Hibernia	-		2353	225
Terra Nova <sup>9</sup>	22		64	5
White Rose <sup>7</sup>	67		3023	96
North Amethyst	-		315	-
Ben Nevis	252		429	30
Mizzen	102		-	-
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
Ballicatters	-		1143	21
<b>Subtotal</b>	<b>618</b>		<b>8327</b>	<b>401</b>
<b>Labrador Shelf</b>				
North Bjarni	-		2247	82
Gudrid	-		924	6
Bjarni	-		863	31
Hopedale	-		105	2
Snorri	-		105	2
<b>Subtotal</b>	<b>0</b>		<b>4244</b>	<b>123</b>
<b>Total</b>	<b>3788</b>		<b>12 571</b>	<b>524</b>
<b>Produced</b>		<b>1543</b>	<b>0</b>	<b>0</b>
<b>Remaining</b>	<b>2245</b>		<b>12 571</b>	<b>524</b>

## Notes for Table 11

<sup>1</sup> 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.

<sup>2</sup> 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, NGLs<sup>6</sup>, and oil in pools and fields that have not yet been developed or approved by the C-NLOPB.

<sup>3</sup> MMbbls = million barrels.

<sup>4</sup> Produced oil reserve volumes as of March 31, 2015. This also includes a small quantity of NGLs<sup>6</sup>.

<sup>5</sup> BSCF = billion standard cubic feet.

<sup>6</sup> 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.

<sup>7</sup> 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.

<sup>8</sup> North Amethyst reserves include the Ben Nevis/Avalon and Hibernia Reservoir.

<sup>9</sup> 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. The Hibernia Field is operated by HMDC and is produced using the Hibernia Platform. Total oil production for 2014-15 was 40.68 million barrels (MMbbls) with an average of 111,454 barrels (bbls)/day.

During 2014-15, the C-NLOPB conducted a reassessment of reserves at the Hibernia Field and updated its estimate of oil reserves to 1,644 MMbbls. As of March 31, 2015, 928.58 MMbbls were produced.

**Table 12: Hibernia Field Production Statistics for 2014-2015**

		2014-15	Cumulative to March 31, 2015
<b>Production</b>			
Oil	MMbbls	40.68	928.58
Gas	Bscf	92.04	1458.18
Water	MMbbls	42.88	471.82
<b>Gas Disposition</b>			
Flared	Bscf	2.40	88.31
Fuel	Bscf	5.17	91.97
Injected	Bscf	84.47	1277.90
<b>Water Injected</b>	MMbbls	71.79	1320.03

## 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 2014-15 at the Terra Nova Field reached 17.98 MMbbls. The *Terra Nova FPSO* produced an average of 49,260 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, 2015, 371.71 MMbbls have been produced.

**Table 13: Terra Nova Field Production Statistics for 2014-2015**

		2014-15	Cumulative to March 31, 2015
<b>Production</b>			
Oil	MMbbls	17.98	371.71
Gas	Bscf	53.82	582.96
Water	MMbbls	32.58	247.17
<b>Gas Disposition</b>			
Flared	Bscf	2.82	54.92
Fuel	Bscf	5.22	53.47
Injected	Bscf	45.79	476.44
Lift	Bscf	14.32	83.68
<b>Water Injected</b>			
	MMbbls	52.98	594.38

**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 12.15 MMbbls. The White Rose Field averaged 33,292 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, 2015, 201.44 MMbbls had been produced.

A Development Plan Amendment application requesting approval of the White Rose Extension project (WREP) was received in the 2013-14 fiscal year. The WREP includes construction and operation of a wellhead platform for oil production from the West White Rose Pool and other potential resources. In December 2014, Husky Energy requested the application be deferred pending their own internal review of the exploitation scheme.

**Table 14: White Rose Field Production Statistics for 2014-2015**

		2014-15	Cumulative to March 31, 2015
<b>Production</b>			
Oil	MMbbls	12.15	201.44
Gas	Bscf	17.21	182.70
Water	MMbbls	13.45	105.90
<b>Gas Disposition</b>			
Flared	Bscf	1.30	30.77
Fuel	Bscf	2.95	25.65
Injected	Bscf	12.96	126.29
Lift	Bscf	12.76	66.43
<b>Water Injected</b>			
	MMbbls	37.35	423.38

**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, 40.76 MMbbls have been produced as of March 31, 2015. Total production at the North Amethyst Field for 2014-15 was 6.43 MMbbls and average daily production was 17,616 bbls/day.

**Table 15: North Amethyst Field Production Statistics for 2014-2015**

		2014-15	Cumulative to March 31, 2015
<b>Production</b>			
Oil	MMbbls	6.43	40.76
Gas	Bscf	6.59	29.73
Water	MMbbls	13.34	35.86
<b>Gas Disposition</b>			
Flared	Bscf	0.43	3.08
Fuel	Bscf	1.09	5.38
Injected	Bscf	5.07	21.27
Lift	Bscf	5.32	23.93
<b>Water Injected</b>			
	MMbbls	25.35	99.13

*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 2014-15, 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 Flemish Pass, 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.

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, 2015.

### EXPENDITURE AND EMPLOYMENT DATA

During the 2014 calendar year, Operators reported expenditures of \$6.32 billion related to work in the Offshore Area. Since 1966, cumulative expenditures total \$45.6 billion.

As of December 31, 2014, 11,686 Newfoundland and Labrador and other Canadian residents were working in direct support of petroleum-related activity in the Offshore Area.

During 2014, \$300.4 million was spent on exploration programs generating 3,037 person-months of employment. On-going production activities accounted for expenditures of \$2.6 billion in 2014, of which 51 percent of annual expenditures occurred in Newfoundland and Labrador and a further 22 percent in the rest of Canada.

Tables 16, 17, 18, and 19 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 MANAGEMENT AND DEVELOPMENT COMPANY LTD.

HMDC reported expenditures of \$992 million for the 2014-15 fiscal year, with 67 percent Canadian content including 45 percent Newfoundland and Labrador content. As of March 31, 2015, total direct employment in the province in support of the Hibernia project was 2,086 persons. Of this amount, 86 percent of the workers were Newfoundland and Labrador residents at the time of hire, and eight percent were other Canadian residents.

**Table 16: Hibernia Employment (as of March 31, 2015)**

Location	Residency			
	Newfoundland and Labrador	Other Canadians	Non-Canadians	Total
Onshore Operations	843	97	77	1,017
Offshore Operations	953	72	44	1,069
<b>Total</b>	<b>1,796</b>	<b>169</b>	<b>121</b>	<b>2,086</b>

## TERRA NOVA

Suncor Energy reported expenditures of \$714 million for the fiscal year 2014-15, with 71 percent Canadian content including 55 percent Newfoundland and Labrador content. As of March 31, 2015, total employment in support of the Terra Nova project was 977 persons. At the time of hire, 92 percent of this total was Newfoundland and Labrador residents and seven percent were other Canadian residents.

**Table 17: Terra Nova Employment** (as of March 31, 2015)

Location	Residency			
	Newfoundland and Labrador	Other Canadians	Non-Canadians	Total
Onshore Operations	490	36	12	538
Offshore Operations	406	32	1	439
<b>Total</b>	<b>896</b>	<b>68</b>	<b>13</b>	<b>977</b>

## WHITE ROSE/NORTH AMETHYST

Husky Energy reported expenditures of \$1.16 billion for the fiscal year 2014-15, with 89 percent Canadian content including 60 percent Newfoundland and Labrador content. As of March 31, 2015, total employment in support of the White Rose/North Amethyst projects was 2,282 persons. At the time of hire, 85 percent of this total was Newfoundland and Labrador residents and nine percent were other Canadian residents.

**Table 18: White Rose/North Amethyst Employment** (as of March 31, 2015)

Location	Residency			
	Newfoundland and Labrador	Other Canadians	Non-Canadians	Total
Onshore Operations	1,221	127	144	1,492
Offshore Operations	709	68	13	790
<b>Total</b>	<b>1,930</b>	<b>195</b>	<b>157</b>	<b>2,282</b>

## HEBRON

Of the expenditures reported by ExxonMobil during the fiscal year of 2014-15, total Canadian content was 64 percent, including 58 percent Newfoundland and Labrador. As of March 31, 2015, total employment in support of the Hebron project was 6,812 persons. At the time of hire, 59 percent of this total was Newfoundland and Labrador residents and four percent were other Canadian residents.

**Table 19: Hebron Employment** (as of March 31, 2015)

Location	Residency			
	Newfoundland and Labrador	Other Canadians	Non-Canadians	Total
Newfoundland & Labrador	3,990	240	242	4,472
Other Canada	1	30	1	32
Outside Canada	21	13	2,274	2,308
<b>Total</b>	<b>4,012</b>	<b>283</b>	<b>2,517</b>	<b>6,812</b>

## 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 2013 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 \$54 million was spent on R&D and E&T during 2013, bringing the total to approximately \$327 million since the C-NLOPB's guidelines came



into effect on April 1, 2004. Expenditures for the 2014 calendar year are required to be reported by March 31, 2015 and will be presented in the 2015-16 annual report.

A breakdown of 2013 expenditures for each project is provided in Table 20:

**Table 20: Project Expenditures for 2013** (\$ millions)

	Research & Development	Education & Training	Total
<b>Hibernia</b>	\$10.68	\$10.60	\$21.28
<b>Terra Nova</b>	\$13.78	\$2.81	\$16.59
<b>White Rose/North Amethyst</b>	\$7.14	\$4.17	\$11.31
<b>Hebron</b>	\$1.36	\$3.70	\$5.06
<b>Total</b>	<b>\$32.96</b>	<b>\$21.28</b>	<b>\$54.24</b>

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.





## REGULATORY AFFAIRS

### **OFFSHORE HEALTH AND SAFETY ACT**

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 passed by the federal government in 2014. The Government of Newfoundland and Labrador passed mirror legislation in 2013. This legislation incorporates Part III.1 in the *Accord Acts* and describes the OHS regime for the Offshore Area. The Act and the accompanying Transitional OHS regulations came into force on December 31, 2014.

Governments have begun the process of creating a modern set of regulations for OHS in Canada's Accord areas within five years from the passage of amending legislation, which will replace the transitional regulations. C-NLOPB staff are participating in a Project Team which oversees the development of these modernized OHS regulations, as well as the technical working group which provides advice to governments.

### **ENERGY SAFETY AND SECURITY ACT**

During 2014-15 the C-NLOPB continued its participation in a working group that provided advice to governments on the development of amendments to the *Accord Acts*, which resulted from the passage of the *Energy Safety and Security Act*. The legislation deals with matters such as increasing requirements for financial responsibility, introducing an administrative monetary penalty regime, the ability to cost recover expenditures from industry and providing regulatory boards with the power to allow the use of certain spill treating agents.

Arising from these amendments is the need to develop a suite of new regulations. During 2014-15, C-NLOPB staff participated in a Project Team which oversees the progress of the development of policy and 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.

### **FRONTIER AND OFFSHORE REGULATORY RENEWAL INITIATIVE**

In the fall of 2013, Natural Resources Canada (NRCan), 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. The modern regulations will then be consolidated into a single regulation called a *Framework Regulation*. During 2014-15, C-NLOPB staff participated on both the Project Team and technical working group for the *Newfoundland Offshore Petroleum Installations Regulations* and the *Newfoundland Offshore Certificate of Fitness Regulations* to begin the process of modernizing these regulations.

### **NEWFOUNDLAND OFFSHORE PETROLEUM DRILLING AND PRODUCTION REGULATIONS**

In 2014-15 the C-NLOPB participated in preparation of a response to the Standing Joint Committee for the Scrutiny of Regulations comments on the *Newfoundland Offshore Petroleum Drilling and Production Regulations*. This involved providing policy advice to governments and the consideration of views expressed by NRCan, the Department of Natural Resources Newfoundland and Labrador, Department of Energy Nova Scotia, the CNSOPB and the National Energy Board.

### **WHITE ROSE DEVELOPMENT PLAN AMENDMENT**

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 in the Argentia area. Staff deemed this application complete in June 2014 in order to move forward with their analysis. The public review process

commenced in June 2014 and concluded in September 2014. In December 2014, the Board became aware of Husky Energy’s intention to defer the project and formally notified the Board of this deferral in February 2015.

### MEMORANDA OF UNDERSTANDING

Staff also participated in updating several Memoranda 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 Department of Fisheries and Oceans, the Canadian Coast Guard and Transport Canada.

### AUTHORIZATIONS

During 2014-15 C-NLOPB staff coordinated the issuance of 16 authorizations which are captured in Table 21.

**Table 21: Authorizations issued by the C-NLOPB 2014-15**

Operator	Authorization Type	Installation/Vessel
EMGS	Geophysical Program Authorization	<i>M/V Boa Galatea</i>
ExxonMobil Canada	Geophysical Program Authorization	<i>M/V Maersk Chignecto</i>
HMDC	Geophysical Program Authorization	<i>M/V Maersk Chignecto</i>
Husky Energy	Diving Program Authorization	<i>DSV Wellservicer</i>
Husky Energy	Operations Authorization (Construction)	<i>Apache II</i>
Husky Energy	Operations Authorization (Renewal)	<i>SeaRose FPSO and GSF Grand Banks</i>
Husky Energy	Wellsite Survey (Under Existing Operations Authorization)	<i>M/V Maersk Chignecto</i>
MKI AS	Geophysical Program Authorization (Northeast NL Slope)	<i>M/V Sanco Spirit</i>
MKI AS	Geophysical Program Authorization (Labrador)	<i>M/V Atlantic Explorer</i>
MKI AS	Geophysical Program Authorization (Southern Grand Banks)	<i>M/V Atlantic Explorer</i>
TGS Canada	Geotechnical Program Authorization	<i>M/V Polar Prince</i>
Statoil Canada	Geophysical Program Authorization	<i>M/V Columbus</i>
Statoil Canada	Operations Authorization	MODU West Hercules
Suncor Energy	Diving Program Authorization	<i>DSV Seven Falcon and Seven Pacific</i>
Suncor Energy	Operations Authorization	LIV <i>Skandi Constructor</i>
Suncor Energy	Operations Authorization (Renewal)	<i>Terra Nova FPSO and Henry Goodrich</i>

## SUPPORT SERVICES

During 2014-15, the C-NLOPB received 439 requests for information from external parties through its Information Resources Centre. These requests were primarily related to access to non-privileged offshore petroleum technical data provided to the C-NLOPB by Operators. These did not require formal applications under the *Access to Information Act*. The C-NLOPB received 16 formal requests and 12 formal consultation requests under the *Access to Information Act* during 2014-15. As required by the *Access to Information Act*, a separate annual report on the C-NLOPB's administration of the *Act* during 2014-15 will be tabled in Parliament in 2015.

The C-NLOPB updated its risk assessments for workplace violence and held workplace violence prevention training workshops for its employees in recognition of the importance of this aspect of employee health and safety.

In an effort to modernize the C-NLOPB's image and improve public access to information online, the C-NLOPB underwent a rebranding during this past fiscal year which resulted in a new, modern logo, a restructuring and redesign of the website and new signage for each building. The new website has improved navigation and is adaptable to mobile devices.

Table 22 summarizes the 340 regulatory review, licencing, auditing and approval activities associated with the C-NLOPB's ongoing objectives during 2014-15. In addition to these regulatory actions, 12 fundamental decisions were made by the C-NLOPB in 2014-15, eight of which were subsequently approved by Governments.



**Table 22: Regulatory Review, Licencing, Auditing and Approval Activities for 2014-2015**

Regulatory Activity	#
Applications for Regulatory Equivalency (approved or denied)	112
Approval to Alter the Condition of a Well	21
Approval to Drill a Well	16
Benefits Plans Approvals (new or amended)	14
Commingled Production Approval	1
Diving Program Authorization	2
Environmental Assessments (new, amended or updated)	16
Environmental Audits and Inspections	1
Exploration Licences (new or amended)	5
Field Data Acquisition Program Approval	1
Flow System Application Approval	2
Flow System (Metering) Audits	8
Formation Flow Test Program Approval	0
Gas Flaring Approvals	3
Geological Programs (without fieldwork)	23
Geophysical Operations Authorization (with fieldwork)	9
Geophysical Program Authorization (without fieldwork)	0
Geotechnical Program Authorization	0
Notices of Non-Compliance	6
Operations Authorization (new or amended)	6
Operating Licences	21
Pooling Designation	1
Production Licences (new or amended)	0
Safety Assessments	18
Safety Audits/Inspections	26
Significant Discovery Licences (new or amended)	0
Strategic Environmental Assessments	2
Work Refusals Investigated	0
Offshore Worker Complaints Reviewed	6
Well Termination Notifications	20

## APPENDIX: FINANCIAL STATEMENTS



Financial Statements

Canada-Newfoundland and Labrador Offshore  
Petroleum Board

March 31, 2015



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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, 2015 and the statement of operations, statement of changes in accumulated surplus, statement of net debt and statement of 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, 2015 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 26, 2015

Chartered Accountants

# Canada-Newfoundland and Labrador Offshore Petroleum Board

## Statement of Financial Position

March 31	2015	2014
<b>Financial assets</b>		
Cash and cash equivalents	\$ 10,186,815	\$ 4,717,568
Receivables	<u>3,709,350</u>	<u>3,174,665</u>
	<u>13,896,165</u>	<u>7,892,233</u>
<b>Liabilities</b>		
Payables and accruals (Note 3)	10,120,828	4,645,232
Accrued employee future benefit obligation (Note 4)	5,902,300	5,284,300
Deferred revenue	<u>30,000</u>	<u>-</u>
	<u>16,053,128</u>	<u>9,929,532</u>
<b>Net debt</b>	<b>\$ (2,156,963)</b>	<b>\$ (2,037,299)</b>
<b>Non-financial assets</b>		
Prepays	\$ 466,850	\$ 347,189
Tangible capital assets (Page 16)	<u>3,222,098</u>	<u>3,154,180</u>
	<u>3,688,948</u>	<u>3,501,369</u>
<b>Accumulated surplus (Note 5)</b>	<b>\$ 1,531,985</b>	<b>\$ 1,464,070</b>

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 2015	(Note 8) Budget 2015	(Note 11) Actual 2014
Revenue			
Operating grants			
Government of Canada	\$ 8,297,109	\$ 8,835,000	\$ 7,628,098
Government of Newfoundland and Labrador	<u>8,297,109</u>	<u>8,835,000</u>	<u>7,628,098</u>
	16,594,218	17,670,000	15,256,196
Add:			
Costs recovered from industry	12,445,663	13,252,500	11,442,147
Interest and other	<u>163,729</u>	<u>39,045</u>	<u>132,162</u>
	29,203,610	30,961,545	26,830,505
Less:			
Cost recoveries refunded to governments	<u>12,445,663</u>	<u>13,252,500</u>	<u>(11,442,147)</u>
Net revenue	<u>16,757,947</u>	<u>17,709,045</u>	<u>15,388,358</u>
Expenses (Pages 17 and 18)			
Board and executive office	2,085,154	2,026,614	1,910,000
Environmental affairs	854,208	943,770	1,000,076
Exploration	1,313,731	1,414,121	994,458
Legal, regulatory affairs and public affairs	1,914,466	2,019,378	1,795,431
Operations	900,425	1,026,107	909,267
Resource management	2,232,413	2,401,431	2,046,211
Safety	2,419,603	3,099,683	1,885,038
Administration and industrial benefits	<u>4,970,032</u>	<u>5,014,541</u>	<u>4,890,539</u>
	<u>16,690,032</u>	<u>17,945,645</u>	<u>15,431,020</u>
Annual surplus (deficit)	<u>\$ 67,915</u>	<u>\$ (236,600)</u>	<u>\$ (42,662)</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 2015	(Note 8) Budget 2015	Actual 2014
Accumulated surplus, beginning of year	\$ 1,464,070	\$ 1,464,070	\$ 1,506,732
Annual surplus (deficit)	<u>67,915</u>	<u>(236,600)</u>	<u>(42,662)</u>
Accumulated surplus, end of year	<u>\$ 1,531,985</u>	<u>\$ 1,227,470</u>	<u>\$ 1,464,070</u>

See accompanying notes to the financial statements.

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

Year Ended March 31	Actual 2015	(Note 8) Budget 2015	Actual 2014
Annual surplus (deficit)	\$ 67,915	\$ (236,600)	\$ (42,662)
Acquisition of tangible capital assets	(701,325)	(396,807)	(449,010)
Disposal of tangible capital assets	-	-	22,890
Amortization of tangible capital assets	633,407	633,407	491,672
(Decrease) increase in prepaids	<u>(119,661)</u>	<u>-</u>	<u>38,095</u>
Decrease in net debt	(119,664)	-	60,985
Net debt, beginning of year	<u>(2,037,299)</u>	<u>(2,037,299)</u>	<u>(2,098,284)</u>
Net debt, end of year	<u>\$ (2,156,963)</u>	<u>\$ (2,037,299)</u>	<u>\$ (2,037,299)</u>

See accompanying notes to the financial statements.

# Canada-Newfoundland and Labrador Offshore Petroleum Board

## Statement of Cash Flows

Year Ended March 31

2015

2014

	2015	2014
Increase (decrease) in cash and cash equivalents		
<b>Operating</b>		
Annual surplus (deficit)	\$ 67,915	\$ (42,662)
Amortization of capital assets	<u>633,407</u>	<u>491,672</u>
	701,322	449,010
Change in non-cash items		
Accrued employee future benefit obligation	618,000	537,900
Receivables	(534,685)	(2,769,297)
Prepays	(119,661)	38,095
Payables and accruals	5,475,596	(358,669)
Deferred revenue	<u>30,000</u>	<u>-</u>
Cash (used for) provided by operating transactions	<u>6,170,572</u>	<u>(2,102,961)</u>
<b>Capital</b>		
Cash used to acquire tangible capital assets	(701,325)	(449,010)
Cash provided by sale of tangible capital assets	<u>-</u>	<u>22,890</u>
Cash used for capital transactions	<u>(701,325)</u>	<u>(426,120)</u>
Increase (decrease) in cash and cash equivalents	5,469,247	(2,529,081)
Cash and cash equivalents, beginning of year	<u>4,717,568</u>	<u>7,246,649</u>
Cash and cash equivalents, end of year	<u>\$ 10,186,815</u>	<u>\$ 4,717,568</u>

See accompanying notes to the financial statements.

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# Canada-Newfoundland and Labrador Offshore Petroleum Board

## Notes to the Financial Statements

March 31, 2015

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### 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.

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### 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.

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# Canada-Newfoundland and Labrador Offshore Petroleum Board

## Notes to the Financial Statements

March 31, 2015

### 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, 2015

### 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.

<b>3. Payables and accruals</b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Trade	\$ 3,499,826	\$ 1,704,680
Government of Canada	3,310,501	1,470,276
Government of Newfoundland and Labrador	<u>3,310,501</u>	<u>1,470,276</u>
	<b><u>\$ 10,120,828</u></b>	<b><u>\$ 4,645,232</u></b>



# Canada-Newfoundland and Labrador Offshore Petroleum Board

## Notes to the Financial Statements

March 31, 2015

### 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 and extrapolated to March 31, 2015.

	<u>2015</u>	<u>2014</u>
Accrued benefit obligation		
Balance, beginning of year	\$ 5,553,500	\$ 5,413,800
Current service cost	431,800	386,800
Interest cost	223,700	167,200
Benefits paid	(64,700)	(69,800)
Actuarial gain	<u>(1,634,000)</u>	<u>(344,500)</u>
Balance, end of year	<u>\$ 4,510,300</u>	<u>\$ 5,553,500</u>
Plans assets	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of funded status		
Funded status - deficit	\$ (4,510,300)	\$ (5,553,500)
Unamortized net actuarial (gain) loss	<u>(1,392,000)</u>	<u>269,200</u>
Accrued benefit liability	<u>\$ (5,902,300)</u>	<u>\$ (5,284,300)</u>
Net benefit expense		
Current service cost	\$ 431,800	\$ 386,800
Amortization of actuarial loss	27,200	53,700
Interest cost	<u>223,700</u>	<u>167,200</u>
	<u>\$ 682,700</u>	<u>\$ 607,700</u>

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

	<u>2015</u>	<u>2014</u>
Discount rate	2.40%	3.90%
Rate of increase in compensation levels	2.00%	3.00%
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, 2015

5. Accumulated surplus	<u>2015</u>	<u>2014</u>
Accumulated surplus, beginning of year	\$ 1,464,070	\$ 1,506,732
Capital funding received	701,322	449,010
Amortization of capital assets	<u>(633,407)</u>	<u>(491,672)</u>
Accumulated surplus, end of year	<u>\$ 1,531,985</u>	<u>\$ 1,464,070</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.

Effective on January 1, 2015, pension plan changes came into effect that required increase to contribution rates, and changes to pension eligibility. Plan members must now have a minimum of 10 years of pensionable service (with a 5 year transition under the old rules) 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) 10.75% of earnings up to the Year's Basic Exemption, the portion of earnings upon which no CPP contributions are required;
- (ii) 8.95% of earnings in excess of the Year's Basic Exemption up to and including the Year's Maximum Pensionable Earnings ("YMPE"); and
- (iii) 11.85% 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%. Employees who retire after January 1, 2015 shall have their pensions indexed only on the service credited before January 1, 2015. Indexing applies to benefits of pensioners who have attained age 65 prior to October 1 of each year.

For future service, pensions will be calculated by using the best 6 years of average pensionable earnings. For past service, pensions will be calculated by using the higher of: the frozen best 5 years of average pensionable earnings (calculated up to the effective date (January 1, 2015)), or the best 6 years average for all past and future service.

Employer contributions paid and expensed by the Board during the year totaled \$672,998 (2014 - \$591,126). Additional information about the plan surplus or deficit is not available.

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# Canada-Newfoundland and Labrador Offshore Petroleum Board

## Notes to the Financial Statements

March 31, 2015

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### 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, 2016	\$ 1,187,013
March 31, 2017	\$ 1,194,449
March 31, 2018	\$ 1,194,449
March 31, 2019	\$ 1,194,449
March 31, 2020	\$ 1,194,449

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### 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.

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### 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.

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### 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, 2015.

##### *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 \$10,120,828 (2014 - \$4,645,232), 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.

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# Canada-Newfoundland and Labrador Offshore Petroleum Board

## Notes to the Financial Statements

March 31, 2015

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### 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 \$3,709,350 (2014 - \$3,174,665). Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote.

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### 11. Comparative figures

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

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# Canada-Newfoundland and Labrador Offshore Petroleum Board

## Schedule of Tangible Capital Assets

Year Ended March 31, 2015

	Land and Parking Lot	Buildings	Leasehold Improvements	Furniture and Fixtures	Data Management System	Computer Software	Computer Equipment	2015	2014
<b>Cost</b>									
Cost, beginning of year	\$ 258,297	\$ 3,317,089	\$ 377,415	\$ 898,981	\$ 1,359,271	\$ 774,701	\$ 1,993,130	\$ 8,978,884	\$ 8,731,872
Additions during the year	-	-	-	84,431	-	217,269	399,625	701,325	449,010
Disposals during the year	-	-	-	(15,816)	-	-	(96,966)	(112,782)	(201,998)
Cost, end of year	<u>\$ 258,297</u>	<u>\$ 3,317,089</u>	<u>\$ 377,415</u>	<u>\$ 967,596</u>	<u>\$ 1,359,271</u>	<u>\$ 991,970</u>	<u>\$ 2,295,789</u>	<u>\$ 9,567,427</u>	<u>\$ 8,978,884</u>
<b>Accumulated amortization</b>									
Accumulated amortization, beginning of year	\$ -	\$ 1,118,896	\$ 376,312	\$ 743,091	\$ 1,359,271	\$ 668,182	\$ 1,558,952	\$ 5,824,704	\$ 5,512,140
Amortization	-	87,928	1,103	89,948	-	161,894	292,534	633,407	491,672
Reversal of accumulated depreciation relating to disposals	-	-	-	(15,816)	-	-	(96,966)	(112,782)	(179,108)
Accumulated amortization, end of year	-	<u>1,206,824</u>	<u>377,415</u>	<u>817,223</u>	<u>1,359,271</u>	<u>830,076</u>	<u>1,754,520</u>	<u>6,345,329</u>	<u>5,824,704</u>
Net book value of tangible capital assets	<u>\$ 258,297</u>	<u>\$ 2,110,265</u>	<u>\$ -</u>	<u>\$ 150,373</u>	<u>\$ -</u>	<u>\$ 161,894</u>	<u>\$ 541,269</u>	<u>\$ 3,222,098</u>	<u>\$ 3,154,180</u>

# Canada-Newfoundland and Labrador Offshore Petroleum Board

## Schedule of Expenses

(Note 11)

March 31

2015

2014

	<u>Actual</u>	<u>Actual</u>
<b>Board and executive office</b>		
Consultants fees	\$ 91,250	\$ 85,864
Miscellaneous	11,104	14,126
Training and conferences	157,834	111,073
Travel	36,561	32,331
Wages and benefits	<u>1,788,405</u>	<u>1,666,606</u>
	<u>\$ 2,085,154</u>	<u>\$ 1,910,000</u>
<b>Environmental affairs</b>		
Consultants fees	\$ 24,324	\$ 194,855
Miscellaneous	2,793	2,302
Training and conferences	39,133	26,744
Travel	5,183	12,350
Wages and benefits	<u>782,775</u>	<u>763,825</u>
	<u>\$ 854,208</u>	<u>\$ 1,000,076</u>
<b>Exploration</b>		
Consultant fees	\$ 13,512	\$ -
Miscellaneous	3,043	4,016
Training and conferences	118,475	50,692
Travel	4,422	2,656
Wages and benefits	<u>1,174,279</u>	<u>937,094</u>
	<u>\$ 1,313,731</u>	<u>\$ 994,458</u>
<b>Legal, regulatory affairs and public affairs</b>		
Consultants fees	\$ 182,377	\$ 196,590
Miscellaneous	6,514	2,401
Training and conferences	45,884	22,555
Travel	10,474	21,361
Wages and benefits	<u>1,669,217</u>	<u>1,552,524</u>
	<u>\$ 1,914,466</u>	<u>\$ 1,795,431</u>
<b>Operations</b>		
Consultants fees	\$ 20,175	\$ 20,407
Miscellaneous	4,687	2,914
Training and conferences	92,932	55,305
Travel	5,171	13,699
Wages and benefits	<u>777,460</u>	<u>816,942</u>
	<u>\$ 900,425</u>	<u>\$ 909,267</u>



# Canada-Newfoundland and Labrador Offshore Petroleum Board

## Schedule of Expenses

(Note 11)

March 31	2015	2014
<b>Resource management</b>		
Miscellaneous	\$ 9,168	\$ 5,090
Training and conferences	304,375	167,952
Travel	5,548	6,365
Wages and benefits	<u>1,913,322</u>	<u>1,866,804</u>
	<b>\$ 2,232,413</b>	<b>\$ 2,046,211</b>
<b>Safety</b>		
Consultants fees	\$ 602,002	\$ 399,267
Miscellaneous	8,893	6,177
Training and conferences	213,281	126,743
Travel	21,268	40,793
Wages and benefits	<u>1,574,159</u>	<u>1,312,058</u>
	<b>\$ 2,419,603</b>	<b>\$ 1,885,038</b>
<b>Administration and industrial benefits</b>		
Consultants fees	\$ 112,820	\$ 58,735
Amortization of capital assets	633,407	491,672
Computer support and maintenance	851,332	795,779
General office and maintenance	528,222	702,459
Rent	1,132,280	1,260,128
Training and conferences	20,592	27,474
Travel	1,115	3,049
Wages and benefits	<u>1,690,264</u>	<u>1,551,243</u>
	<b>\$ 4,970,032</b>	<b>\$ 4,890,539</b>
<b>Total expenses</b>	<b><u>\$ 16,690,032</u></b>	<b><u>\$ 15,431,020</u></b>

# Canada-Newfoundland and Labrador Offshore Petroleum Board

## Schedule of Reconciliation of the Financial Plan to the Budget

Year Ended March 31, 2015

	<u>Financial Plan</u>	<u>Amortization</u>	<u>PSAB Budget</u>
<b>Revenue</b>			
Operating grants			
Government of Canada	\$ 8,835,000	\$ -	\$ 8,835,000
Government of Newfoundland and Labrador	8,835,000	-	8,835,000
Costs recovered from industry	13,252,500	-	13,252,500
Interest and other	<u>39,045</u>	<u>-</u>	<u>39,045</u>
	30,961,545	-	30,961,545
Less:			
Cost recoveries refunded to government	<u>(13,252,500)</u>	<u>-</u>	<u>(13,252,500)</u>
<b>Net revenue</b>	<u>\$ 17,709,045</u>	<u>\$ -</u>	<u>\$ 17,709,045</u>
<b>Expenses</b>			
Board and executive office	\$ 2,026,614	\$ -	\$ 2,026,614
Environmental affairs	943,770	-	943,770
Exploration	1,414,121	-	1,414,121
Legal, regulatory affairs and public affairs	2,019,378	-	2,019,378
Operations	1,026,107	-	1,026,107
Resource management	2,401,431	-	2,401,431
Safety	3,099,683	-	3,099,683
Administration and industrial benefits	<u>4,381,134</u>	<u>633,407</u>	<u>5,014,541</u>
Total expenses	<u>\$ 17,312,238</u>	<u>\$ 633,407</u>	<u>\$ 17,945,645</u>
<b>Surplus (deficit)</b>	<u>\$ 396,807</u>	<u>\$ (633,407)</u>	<u>\$ (236,600)</u>





2014-15  
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