



2017–18

A N N U A L R E P O R T



June 29, 2018

The Honourable James Carr, P.C., M.P.  
Minister of Natural Resources  
Government of Canada

The Honourable Siobhan Coady, MHA  
Minister of Natural Resources  
Minister Responsible for the Status of Women  
Deputy Government House Leader  
Government of Newfoundland and Labrador

The Honourable Sherry Gambin-Walsh, MHA  
Minister of Service Newfoundland and Labrador  
Minister Responsible for Workplace Newfoundland and Labrador  
Minster Responsible for the Government Purchasing Agency  
Government of Newfoundland and Labrador

Dear Ministers:

Pursuant to Section 29 of the legislation implementing the *Atlantic Accord*, I am pleased to present the Annual Report, together with the financial statements, of the Canada-Newfoundland and Labrador Offshore Petroleum Board for the fiscal year ending March 31, 2018.

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



**Cynthia Hickman**  
Member



**Ted O'Keefe**  
Member

## MANAGEMENT

**Paul Alexander, P. Eng., PMP**  
Director of Safety and Chief Safety Officer

**Michael Baker, CPHR**  
Director of Industrial Benefits

**David G. Burley**  
Director of Environmental Affairs

**John Crocker**  
Director of Corporate Services and Regulatory Affairs

**Susan Gover, B. Comm. (Hons), LL.B.**  
General Counsel

**Stephanie Johnson, P. Geo**  
Director of Exploration and Information Resources (*Acting*)

**John Kennedy, P. Eng., CRSP**  
Director of Operations

**Jeff O'Keefe, P. Eng., P. Geo**  
Director of Resource Management and Chief Conservation Officer

**Craig Rowe, P. Geo**  
Director of Exploration and Information Resources

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## LIST OF ABBREVIATIONS

**ACW** (Approval to Alter the Condition of a Well)  
**ADW** (Approval to Drill a Well)  
**CA** (Certifying Authority)  
**CAPP** (Canadian Association of Petroleum Producers)  
**CCO** (Chief Conservation Officer)  
**CEAA** (*Canadian Environmental Assessment Act*)  
**C-NLOPB** (Canada-Newfoundland and Labrador Offshore Petroleum Board)  
**CNSOPB** (Canada Nova Scotia Offshore Petroleum Board)  
**CRISE** (Centre for Risk, Integrity and Safety Engineering)  
**CSEM** (Controlled-Source Electromagnetic)  
**CSO** (Chief Safety Officer)  
**CSRC** (Core Storage and Research Centre)  
**DNV-GL** (Det Norske Veritas – Germanischer Lloyd)  
**DPA** (Development Plan Amendment)  
**DVPA** (Diving Program Authorization)  
**EA** (Environmental Assessment)  
**E&T** (Education and Training)  
**EEM** (Environmental Effects Monitoring)  
**EL** (Exploration Licence)  
**EMCP** (ExxonMobil Canada Properties)  
**EMGS** (Electromagnetic Geoservices Canada, Inc.)  
**EN** (Eastern Newfoundland)  
**EOR** (Enhanced Oil Recovery)  
**EPP** (Environmental Protection Plan)  
**ESRF** (Environmental Studies Research Fund)  
**FORRI** (Frontier Offshore Regulatory Renewal Initiative)  
**FPPO** (Floating, Production, Storage and Offloading)  
**GLA** (Geological Program Authorization)  
**GOA** (Geophysical Operations Authorization)  
**GPA** (Geophysical Program Authorization)  
**HMDC** (Hibernia Management and Development Company)  
**IMP** (Ice Management Plan)  
**IOPER** (International Offshore Petroleum Environmental Regulators)  
**IRF** (International Regulators Forum)  
**JDA** (Jeanne d’Arc)  
**LN** (Labrador North)  
**LS** (Labrador South)  
**MKI AS** (Multi-Klient Invest AS)  
**MODU** (Mobile Offshore Drilling Unit)  
**MOU** (Memorandum of Understanding)  
**MUN** (Memorial University of Newfoundland)  
**NEN** (North Eastern Newfoundland)  
**NOIA** (Newfoundland and Labrador Oil and Gas Industries Association)  
**OA** (Operations Authorization)  
**Offshore Area** (Canada-Newfoundland and Labrador Offshore Area)  
**OHS** (Occupational Health and Safety)  
**OL** (Operating Licence)  
**OLS** (Offshore Loading System)

**PL** (Production Licence)  
**R&D** (Research and Development)  
**RSC** (Regulatory Strategy Committee)  
**SDL** (Significant Discovery Licence)  
**SEA** (Strategic Environmental Assessment)  
**SEN** (South Eastern Newfoundland)  
**SN** (Southern Newfoundland)  
**STEM** (Science, Technology, Engineering and Math)  
**TBD** (To Be Determined)  
**TQSP** (*Training and Qualifications Standard Practice*)  
**WHP** (Wellhead Platform)  
**WN** (Western Newfoundland)  
**WREP** (White Rose Extension Project)

## LIST OF UNITS

**bbl** (Barrel)  
**Bscf** (Billion Standard Cubic Feet)  
**CMP** (Common Midpoint Kilometres)  
**Km** (Kilometres)  
**MMbbls** (Million Barrels)





## INTRODUCTION

The Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB) is the independent regulatory agency created in 1986 under the *Atlantic Accord Implementation Acts* with a mandate that includes offshore safety, environmental protection, resource management and industrial benefits. With more than 30 years experience, the C-NLOPB is a respected world-class offshore regulator that has served as an effective means of joint management as per the *Atlantic Accord* and the Royal Commission on the Ocean Ranger Marine Disaster. Safety and environmental protection are paramount in all Board decisions.

The C-NLOPB has 86 permanent staff and its budget for 2017-18 was \$17,670,000. The Board's main office is located at 140 Water Street, St. John's, and its Core Storage and Research Centre is located at 30-32 Duffy Place, St. John's. Pursuant to the *Cost Recovery Regulations and Guidelines*, the C-NLOPB recovered 99.22% of its costs from industry for the 2017-18 fiscal year.

The Annual Report of the C-NLOPB highlights our accomplishments and activities for 2017-18. The report is aligned with the C-NLOPB's strategic plan and business plan and includes audited financial statements.

For more information about the activities of the C-NLOPB and offshore Operators, please visit [www.cnlopb.ca](http://www.cnlopb.ca), view the C-NLOPB on YouTube, follow on Twitter @CNLOPB, phone 709-778-1400 or email [information@cnlopb.ca](mailto:information@cnlopb.ca).



*Terra Nova FPSO*

## MESSAGE FROM THE CHAIR AND CHIEF EXECUTIVE OFFICER



First and foremost, I would like to thank our staff for their competence, professionalism and dedication during another year of excellence in regulatory oversight, with safety and environmental protection as our top priorities, as always.

On an organizational level, I am pleased with our progress in all of the priority areas under our strategic plan, with enhanced operational efficiency, more focus on management of change, and improved information and data management. We continue as well to place a high priority on our own training and competency, with a sharp focus on preparing for the transition to performance-based regulation.

Our world-class standing is underscored through our contributions to, and engagement with, the International Regulators Forum, the International Offshore Petroleum Environment Regulators, the North Sea Offshore Authorities Forum and the International Upstream Forum. The international safety conference we co-hosted last October with Memorial University's Centre for Risk, Integrity and Safety Engineering was by all accounts a milestone event.

As the petroleum industry around the world has now begun to recover from the global downturn, the Canada-Newfoundland and Labrador Offshore Area continued to see a relatively high level of industry activity and engagement. In particular, current and potential new Operators have been highly engaged in the C-NLOPB's scheduled land tenure process, with a record number of submissions in response to our Call for Nominations (Parcels) in the Eastern Newfoundland Region in November. There was also an unprecedented amount of new seismic data acquisition in 2017.

One particular highlight from last year for our staff, of which I am particularly proud, was their diligent work to complete the approvals and authorizations for the tow-to-field of the Hebron platform, which was followed later by first oil.

We continue to work closely with governments and our fellow Canadian offshore regulators on regulatory reform and enhancements to environmental assessment. We have strengthened our focus on local benefits within our regulatory oversight. We have also taken strong enforcement actions whenever warranted.

As always, I would like to thank my fellow Board members, Vice-Chair Ed Williams, Lidija Cicnjak-Chubbs and Cynthia Hickman, for their dedication and unwavering support. The Board was also delighted to welcome our newest colleague, Ted O'Keefe. Ted has a wealth of experience to contribute and has quickly become an integral part of the team.

Our Board and our staff are justifiably proud of our accomplishments, and we will continue our world-class regulatory oversight at a time when the petroleum industry's place in the environment and the economy is the subject of much interest. We look forward to further engagement, accountability and transparency, and we stand deeply committed to continuous improvement in the delivery of our mandate.

Scott Tessier  
**Chair and Chief Executive Officer**



# SAFETY OF OFFSHORE WORKERS

## SAFETY ASSESSMENTS

Prior to being issued an Operations Authorization (OA) in relation to any petroleum related activity in the Canada-Newfoundland and Labrador Offshore Area (Offshore Area), an Operator must submit information to the C-NLOPB to demonstrate they have taken all reasonable and practicable steps to achieve the required level of safety for the proposed work.

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 application. Audits and inspections may also be conducted prior to and/or after issuing an authorization.

In 2017-18, the C-NLOPB’s Safety Department conducted 23 safety assessments as part of this oversight as outlined in Table 1 below.

**Table 1: Safety Assessments Completed in 2017-2018**

OPERATOR	ACTIVITY
Electromagnetic Geoservices Canada, Inc. (EMGS)	<ul style="list-style-type: none"> <li>• Controlled source electromagnetic (CSEM) survey</li> </ul>
ExxonMobil Canada Properties (EMCP)	<ul style="list-style-type: none"> <li>• OA tow-to-field</li> <li>• OA for drilling and production operations</li> <li>• Diving Program Authorization (DVPA) for offshore loading system (OLS) subsea equipment installation</li> <li>• OA amendment for additional support vessel</li> </ul>
Fugro GeoSurvey	<ul style="list-style-type: none"> <li>• Geotechnical Seep Sampling program</li> <li>• OA amendment to include an additional support vessel</li> </ul>
Husky Energy	<ul style="list-style-type: none"> <li>• DVPA for subsea equipment installation</li> <li>• Wellsite survey</li> <li>• Two OA amendments to include additional support vessels</li> </ul>
Multi Klient Invest (MKI) AS	<ul style="list-style-type: none"> <li>• Geophysical Operations Authorization (GOA) for 2D Survey</li> <li>• Three GOAs for 3D surveys</li> </ul>
Statoil Canada	<ul style="list-style-type: none"> <li>• OA for a drilling and exploration program</li> <li>• OA amendment for a wellhead retrieval operation</li> </ul>
Suncor Energy	<ul style="list-style-type: none"> <li>• OA renewal for production operations</li> <li>• OA for drilling operations</li> <li>• DVPA for subsea inspection and maintenance</li> <li>• Three OA amendments to include additional support vessels</li> </ul>

## COMPLIANCE AND ENFORCEMENT

Safety Officers carry out investigations, issue orders, investigate work refusals and conduct safety inspections, safety audits, pre-approval safety audits and other oversight activities. During 2017-18, the C-NLOPB completed 33 audits, inspections and oversight activities listed in Table 2.

**Table 2: Audits, Inspections and Oversight Activities Completed in 2017-18**

OPERATOR/PROVIDER OF SERVICE	INSTALLATION/VESSEL	AUDIT/INSPECTION/OVERSIGHT
Atlantic Towing Ltd.	M/V <i>Atlantic Griffon</i>	<ul style="list-style-type: none"> <li>Observed Standby Vessel Trial</li> </ul>
Atlantic Towing Ltd.	M/V <i>Atlantic Heron</i>	<ul style="list-style-type: none"> <li>Observed Standby Vessel Trial</li> </ul>
Atlantic Towing Ltd.	M/V <i>Atlantic Shrike</i>	<ul style="list-style-type: none"> <li>Observed Standby Vessel Trial</li> </ul>
Det Norske Veritas - Germanischer Lloyd (DNV-GL)	N/A	<ul style="list-style-type: none"> <li>Certifying Authority (CA) Audit</li> </ul>
EMGS	M/V <i>Atlantic Guardian</i>	<ul style="list-style-type: none"> <li>Pre-Approval Audit</li> </ul>
EMCP	M/V <i>Atlantic Heron</i>	<ul style="list-style-type: none"> <li>Pre-Approval Audit</li> </ul>
EMCP	Hebron Platform	<ul style="list-style-type: none"> <li>Five Pre-Approval Audits</li> <li>Inspection</li> </ul>
Fugro GeoSurveys	M/V <i>Fugro Discovery</i>	<ul style="list-style-type: none"> <li>Pre-Approval Audit</li> </ul>
Fugro GeoSurveys	M/V <i>Maersk Norsemen</i>	<ul style="list-style-type: none"> <li>Pre-Approval Audit</li> </ul>
Hibernia Management and Development Company (HMDC)	Hibernia Platform	<ul style="list-style-type: none"> <li>Inspection</li> <li>Marine Operations and Materials Handling Audit</li> </ul>
Husky Energy	Mobile Offshore Drilling Unit (MODU) <i>Henry Goodrich</i>	<ul style="list-style-type: none"> <li>Inspection</li> <li>Marine Operations and Materials Handling Audit</li> </ul>
Husky Energy	M/V <i>Maersk Detector</i>	<ul style="list-style-type: none"> <li>Pre-Approval Audit</li> </ul>
Husky Energy	<i>SeaRose</i> Floating, Production, Storage and Offloading (FPSO)	<ul style="list-style-type: none"> <li>Two Inspections</li> <li>Marine Operations and Materials Handling Audit</li> </ul>
Lloyd's Register	N/A	<ul style="list-style-type: none"> <li>CA Audit</li> </ul>
MKI AS	M/V <i>Atlantic Explorer</i>	<ul style="list-style-type: none"> <li>Pre-Approval Audit</li> </ul>
MKI AS	M/V <i>Ramform Tethys</i>	<ul style="list-style-type: none"> <li>Pre-Approval Audit</li> </ul>
MKI AS	M/V <i>Ramform Titan</i>	<ul style="list-style-type: none"> <li>Pre-Approval Audit</li> </ul>
Statoil Canada	MODU <i>West Aquarius</i>	<ul style="list-style-type: none"> <li>Pre-Approval Audit</li> </ul>
Suncor Energy	<i>Terra Nova FPSO</i>	<ul style="list-style-type: none"> <li>Two Inspections</li> </ul>
Suncor Energy	MODU <i>Transocean Barents</i>	<ul style="list-style-type: none"> <li>Two Pre-Approval Audits</li> <li>Security Audit</li> <li>Inspection</li> </ul>

## **MONITORING**

Following authorization of an Operator's work activity, the Safety Department conducts monitoring activities that include the review of Operators' daily operational reports, incident reports, complaints, the installation's Workplace Committee meeting minutes and training exemptions or equivalencies submitted against the *Atlantic Canada Offshore Petroleum Industry: Training and Qualifications of Personnel Standard Practice (TQSP)*.

The Operator is required to report and investigate all incidents as described in the C-NLOPB *Incident Reporting and Investigation Guidelines*. During 2017-18, the Safety Department reviewed 263 safety related incident reports from Operators.

During this reporting period 5,576,746 hours were worked in the Offshore Area. There were 20 incidents that resulted in a reportable injury or illness, which translates to a reportable injury frequency rate of 3.59 per million hours worked.

During 2017-18, the C-NLOPB processed five health and safety complaints. Safety Officers reviewed the circumstances surrounding each complaint and recommended, or will recommend actions to be taken as necessary.

## **HUSKY ENERGY NEAR MISS ICEBERG INCIDENT**

On March 29, 2017, an iceberg entered the 0.25 nautical mile ice exclusion area of the *SeaRose FPSO*. There were 84 personnel and upwards of 340,000 barrels of crude onboard at that time. In accordance with Husky's Ice Management Plan (IMP) filed with the C-NLOPB as a requirement of Husky Energy's OA, the *SeaRose FPSO* should have disconnected and sailed away from the threatening iceberg. That action was not taken and personnel were at one point instructed to muster and 'brace for impact'.

Ultimately, the iceberg did not make contact with the *SeaRose FPSO* or subsea infrastructure. There were no injuries, no environmental damage and no damage to the facility.

Along with the public issuance of a C-NLOPB Incident Bulletin on March 30, 2017, the C-NLOPB's Chief Safety Officer (CSO) issued a Notice of Non-Compliance to Husky Energy for failing to comply with its IMP, along with an Order to Comply. Husky Energy submitted its Final Investigation Report for the incident on April 27, 2017 and a formal enquiry was launched by the C-NLOPB on May 9, 2017, conducted by C-NLOPB Safety and Environmental Compliance Officers.

Based on the preliminary report findings, the decision to suspend petroleum-operations on the *SeaRose FPSO* was taken on January 17, 2018. These findings included: Husky Energy did not follow its IMP; onshore senior management did not ensure the IMP was followed; and the Offshore Installation Manager failed to disconnect in accordance with the IMP.

On January 26, 2018, the C-NLOPB withdrew its suspension of petroleum-related operations on the *SeaRose FPSO*, when the CSO and staff were satisfied with the actions taken by Husky Energy in response to the preliminary report findings from the enquiry. As of March 31, 2018 the C-NLOPB's enquiry was ongoing.

## **SAFETY CONFERENCE**

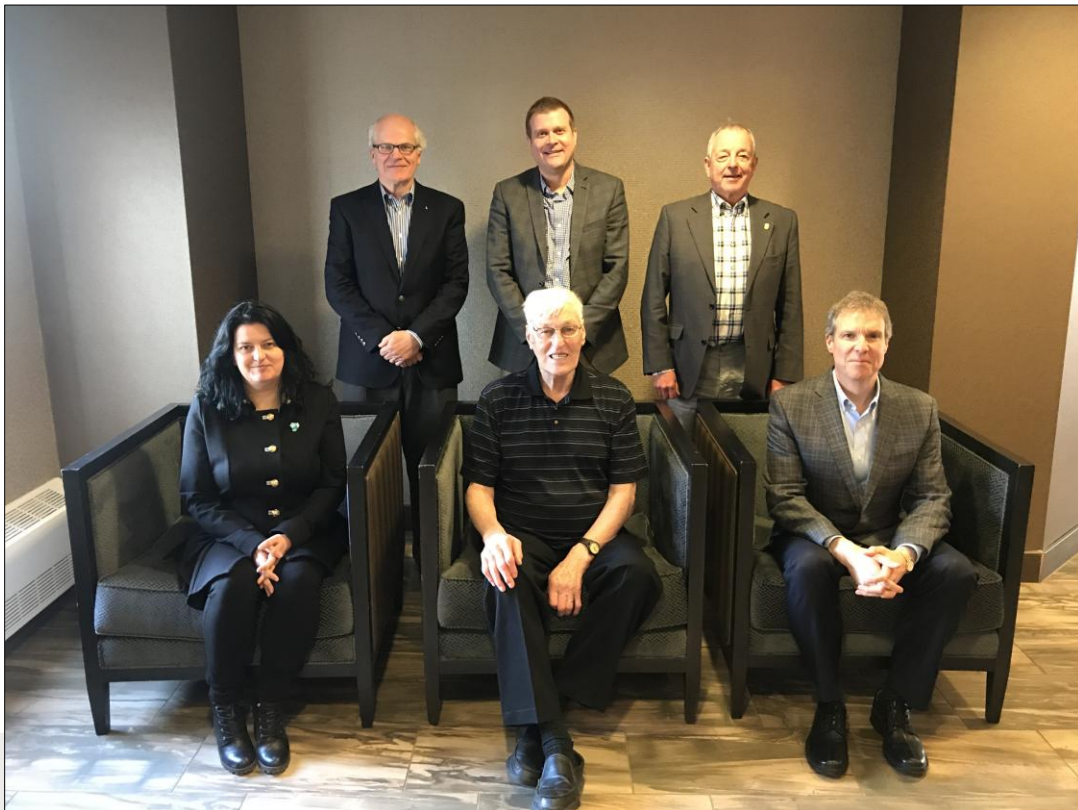
The C-NLOPB holds a safety conference every three years to provide a mechanism for stakeholders to exchange information on worldwide initiatives to improve offshore safety. In October, the C-NLOPB partnered with Memorial University of Newfoundland (MUN) and the Centre for Risk, Integrity and Safety Engineering (C-RISE) to organize and host the 3<sup>rd</sup> Safety and Integrity Management of Operations in Harsh Environment workshop and symposium.

Over the span of three days, 195 participants from 15 different countries took part in 55 presentations which covered a broad range of topics including: risk management; process safety; asset integrity; human factors; and innovation in data collection and remote monitoring.

At the symposium, the C-NLOPB was honoured to host a special panel on the *Ocean Ranger*, comprised of industry professionals and family members, who shared first hand personal accounts of the tragedy. The panel discussion included the evolution of offshore safety and the legacy of the Royal Commission into the disaster.

## **SAFETY FORUM**

The safety forum held during the reporting period focused on regulatory performance and oversight. The purpose of the C-NLOPB safety forum is to provide an opportunity for offshore industry stakeholders to exchange information so that safety issues can be proactively identified and addressed, and to highlight any additional areas of concern.



*Ocean Ranger Panel: (Back L-R) Howard Pike, Scott Tessier, Max Ruelokke; (Front L-R) Tina Putt, Ray Hawco, Brian Stacey; (Missing from photo) Oral Burry and Peter Noel*



## INTERNATIONAL REGULATORS FORUM

In keeping with its standing as a world-class regulator of offshore safety, the C-NLOPB is an active member of the International Regulators Forum (IRF). The IRF is comprised of offshore petroleum regulators from ten countries who are working together to improve health and safety in the oil and gas industry through collaboration of joint programs and information sharing on best practices and lessons learned.

The IRF held its mid-year meeting in Houston in May 2017 and its Annual General Meeting in Copenhagen in October 2017, to assess progress made by working groups on asset integrity, performance measures, safety culture and standards. Discussions also focused on other matters of collective interest including decommissioning, public confidence in regulators, and plans for the IRF Safety Conference taking place in Aberdeen in June 2018.

Further information about the IRF can be obtained from its website <http://www.irfoffshoresafety.com>.



*C-NLOPB Safety Officers visit the Hebron Platform*

## PROTECTION OF THE ENVIRONMENT

### ENVIRONMENTAL PROTECTION PLANS

The Environmental Protection Plan (EPP) is a document or set of documents that describes an Operator’s responsibilities, expectations and methodologies for environmental protection associated with an authorized work or activity. When an Operator amends its EPPs the C-NLOPB reviews the proposed changes for acceptability before the changes can be implemented. During the 2017-18 reporting period, 18 EPP amendments were reviewed for the following fields or installations.

**Table 3: Amended Environmental Protection Plans for 2017-2018**

OPERATOR	FIELD/INSTALLATION/VESSEL	NUMBER OF AMENDMENTS
EMCP	Hebron Field	4
HMDC	Hibernia Field	3
Husky Energy	MODU <i>Henry Goodrich</i>	1
Husky Energy	<i>SeaRose FPSO</i>	5
Suncor Energy	<i>Terra Nova FPSO</i>	5

Husky Energy also amended its Oil Spill Response Plan, a component of its Contingency Plan, that applies to the *SeaRose FPSO* and any MODU or drilling installation Husky Energy may bring into the Canada-Newfoundland and Labrador Offshore Area.

### STRATEGIC ENVIRONMENTAL ASSESSMENT

During the reporting period, the C-NLOPB issued a draft scoping document in English, Inuktitut and Innu-aimun, for an update to the August 2008 Labrador Shelf Offshore Area Strategic Environmental Assessment (SEA). The Scoping Document was finalized and a Request for Proposals for environmental consulting was issued in November 2017. The contract was awarded to Aivek Stantec Limited Partnership and a kickoff meeting was held in March, 2018.

### ENVIRONMENTAL ASSESSMENT

As part of its responsibilities under the *Accord Acts* for environmental protection, the C-NLOPB assesses the potential environmental effects of petroleum related work or activity proposed for the Offshore Area. Documents relating to all ongoing assessments, and completed assessments that still may apply to offshore activities, are provided on the C-NLOPB website.

During 2017-18, the C-NLOPB completed Environmental Assessments (EAs) in accordance with the *Accord Acts* for two projects as shown in Table 4.

**Table 4: Completed *Accord Acts* Environmental Assessments during 2017-2018**

OPERATOR	PROGRAM	LOCATION
EMGS	CSEM Survey	Western Newfoundland
Fugro GeoSurveys	Seafloor and Seep Sampling Program	Eastern Newfoundland



There were six EAs active as of March 31, 2018 as shown in Table 5.

**Table 5: Active *Accord Acts* Environmental Assessments as of March 31, 2018**

OPERATOR	PROGRAM	LOCATION
BSE Corp. and SPE Ltd.	Exploratory Drilling	Western Newfoundland (WN)
Chevron Canada Limited	3D Seismic	Eastern Newfoundland (EN)
Corridor Resources Inc.	Exploratory Drilling	WN
MKI AS	4D, 3D and 2D Seismic	Labrador Shelf, EN and Southern Newfoundland (SN)
Nexen Energy ULC	Geophysical, Geochemical, Environmental and Geotechnical	EN
Polarcus UK Ltd.	4D, 3D and 2D Seismic	EN

The following table outlines the status of amended, or EAs undergoing amendment, during the 2017-18 fiscal year.

**Table 6: *Accord Acts* Environmental Assessments Amended or Undergoing Amendment during 2017-2018**

OPERATOR	PROGRAM	LOCATION	STATUS
EMGS	CSEM Survey	EN	Amended
EMCP	Hebron Development Project	EN	Amended
Fugro GeoSurveys	Seafloor and Seep Sampling Program	EN	Amended
GXT Canada Ltd.	2D Seismic, Gravity and Magnetic Survey	Labrador Shelf	Amended
Husky Energy	Jeanne d'Arc Delineation Exploration Drilling Program	EN	Amended
MKI AS	Northeast Newfoundland Slope 2D and 3D Seismic Survey	EN	Amended
StatoilHydro Canada E&P Inc.	Exploration/Appraisal/Delineation Drilling	EN	Amended
WesternGeco Canada	4D, 3D and 2D Seismic	EN	Undergoing Amendment
WesternGeco Canada	4D, 3D and 2D Seismic	Southeastern Newfoundland (SEN)	Undergoing Amendment

During 2017-18, the C-NLOPB participated as a Federal Authority in five Environmental Assessments triggered by the *Canadian Environmental Assessment Act, 2012 (CEAA 2012)* that were initiated or continued during the reporting period. All five were still in progress as of March 31, 2018.

**Table 7: CEAA 2012 Environmental Assessments for 2017-2018**

OPERATOR	PROJECT	LOCATION
BP Canada Energy Group ULC	Exploration Drilling	EN
EMCP	Exploration Drilling	EN and Jeanne d'Arc (JDA)
Husky Energy	Exploration Drilling	JDA
Nexen Energy ULC	Exploration Drilling	EN
Statoil Canada	Exploration Drilling	EN

**CANADIAN ENVIRONMENTAL ASSESSMENT REVIEW AND BILL C-69: AN ACT TO ENACT THE IMPACT ASSESSMENT ACT AND THE CANADIAN ENERGY REGULATOR ACT**

There is some uncertainty as to what role in environmental assessment and Indigenous consultation the C-NLOPB will have upon the completion of the federal government's environmental assessment review. The C-NLOPB will continue to work with governments on regulatory reform including environmental assessment.

**COMPLIANCE AND ENFORCEMENT**

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

Of the six petroleum spills reported in 2017-18, five were one litre or less. A summary of spill information for 2017-18 is provided in Table 8.

**Table 8: Summary of Spill Information for 2017-2018**

COMPONENT	LITRES	PERCENTAGE OF ANNUAL TOTAL	NUMBER OF INCIDENTS
Synthetic Based Mud	2.4	68.8	1
Crude Oil	0.086	2.5	3
Hydraulic and Lubricating Oil	1.00	28.7	1
Other Petroleum	0.004	0.1	1

On September 25, 2017, the C-NLOPB informed MKI AS that it was not in conformance with the requirements of Geophysical Program Authorization (GPA) 45120-020-019. The *Atlantic Explorer*, while conducting work from September 8 to 10, 2017, fired its air guns within an area identified as a "quiet zone," where firing of air guns is specifically prohibited by a condition of authorization. MKI AS was required to investigate the occurrence and identify how it would be avoided in future.

On October 6, 2017, HMDC entered a guilty plea to a charge stemming from a pollution incident that occurred in December, 2013. An oil sheen had been observed while petroleum was being loaded onto a tanker from the Hibernia Platform. Operations ceased, but then resumed without ensuring that it could be done without causing pollution. This action was contrary to subsection 24(2) of the *Newfoundland Offshore Petroleum Drilling and Production Regulations*, and HMDC thereby committed an offence pursuant to paragraph 194(1)(a) of the *Canada-Newfoundland Atlantic Accord Implementation Act*. A fine of \$80,000 was imposed under the *Accord Act*, and HMDC was ordered to pay \$170,000 into the Environmental Damages Fund.

On November 1, 2017, the C-NLOPB issued a Notice of Non-Conformance to ExxonMobil Canada Properties in respect of total residual chlorine exceedances from the Hebron Platform.

During the reporting period, C-NLOPB Environmental Compliance Officers conducted a Marine Mammal and Seabird Observer qualification audit which applies to all Operators within the entire Offshore Area.

### **ENVIRONMENTAL EFFECTS MONITORING**

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

During the reporting period, the EEM reports for HMDC's Hibernia South Extension for 2015 and Husky Energy's White Rose Field for 2016, were ongoing. The review of HMDC's Hibernia Field and Suncor Energy's Terra Nova EEM Report for 2014 was completed and the Hebron project draft EEM Plan, provided by EMCP, was reviewed and approved.

Completed EEM reports are available in hard copy and electronic format from the C-NLOPB, with more recent reports available on the C-NLOPB website.

### **ENVIRONMENTAL STUDIES RESEARCH FUND**

The Environmental Studies Research Fund (ESRF) is a national research program which sponsors environmental and social studies. It is designed to assist in the decision-making process related to oil and gas exploration and development on Canada's frontier lands.

Funding is provided through levies on frontier lands paid by interest holders. The ESRF is directed by a joint government/industry/public Management Board of which the C-NLOPB is a member.

The following research projects relating to the Offshore Area were completed during the reporting period by the ESRF:

- Acoustic Modelling and Monitoring on Canada's East Coast (in publication);
- Mid-Labrador Marine Megafauna Visual and Acoustic Study;
- Baseline Surveys for Seabirds in the Labrador Sea;
- Effectiveness of Observers in Visually Detecting Dead Seabirds on the Open Ocean;
- Assessing the Quality of Marine Mammal Detection using Three Complementary Methods (in publication); and
- Effect of Platform Discharges on Juvenile Fish in the Field (in publication).

The following research projects were ongoing at the end of the reporting period:

- Realistic Oil Spill and Mitigation Exposure Scenario Effects on Commercially Harvested Species; and
- Assessment of the Potential Risks of Seismic Surveys to Affect Snow Crab Resources.

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 exploration and production industry.

During the reporting period, the C-NLOPB continued to participate in the IOPER forum, including attending its 2017 annual general meeting in Santa Barbara, California. IOPER working groups are currently addressing the following priority areas:

- Environment performance indicators;
- Regulating oil spill preparedness and response; and
- Effects of sound on marine life.

IOPER members also continue to share information concerning environmental impact research collaboration opportunities, compliance and enforcement tool research, and decommissioning.

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



*Supply vessel towing an iceberg*

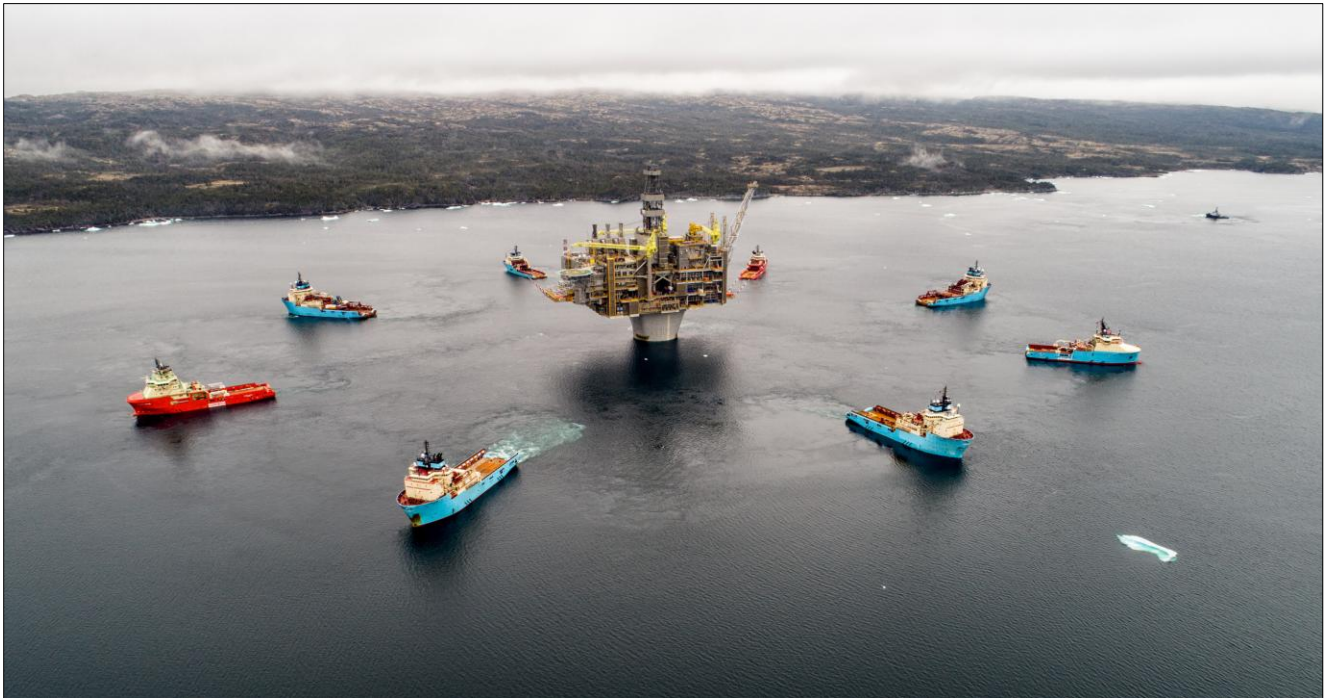


# OFFSHORE OPERATIONS

## WELL OPERATIONS

Regulatory oversight of industry's well operations is an important function of the C-NLOPB. Well operations activities may be approved 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.

During 2017-18, a significant milestone was the Hebron Platform Tow Operations Authorization issued on May 5; however ExxonMobil did not initiate the tow until June 3, due to pack ice encroachment. The Hebron platform was successfully and safely set down on site on June 14. After system integration tests and a final offshore audit by C-NLOPB Safety and Operations staff in July, the Operator advised that the platform was ready to commence drilling and production operations. The OA was issued on July 20, and first well was spud the same day. Since that time, ExxonMobil successfully commenced production activities and first oil was achieved on November 27, 2017.



*Hebron Tow-To-Field*

Additionally during the reporting period, the MODU *Transocean Barents* was successfully brought into the jurisdiction for the first time to execute drilling and intervention work for Suncor Energy. C-NLOPB staff undertook significant effort in audits, onboard inspections and review of the work by both the Operator and CA, prior to issuing the OA.

During 2017, a two-well deepwater exploration drilling campaign was concluded by Statoil Canada where the C-NLOPB's special oversight measures were applied. Special oversight measures provide enhanced regulatory visibility of critical well operations such as these deepwater drilling activities.

During the reporting period, the C-NLOPB also undertook a review of Statoil's program to remove five wellheads from suspended wells using the MV *Horizon Star*, which Statoil decided to postpone to a future date.

Table 9 summarizes the number of approvals and monitoring activities completed during the year.

**Table 9: Well Operations Oversight Activity for 2017-2018**

ACTIVITY	NUMBER COMPLETED
ACWs	13
ADWs	20
Well Operations Monitored	27
Development Wells - Integrity Monitoring	148
OA Operational Safety Assessments	5
Operational Audits/Inspections	6
Wells Subject to Special Oversight	3
Well Termination Notifications	31

#### **DEVELOPMENT WELL INTEGRITY MONITORING**

During the reporting period, the C-NLOPB continued efforts for quarterly reporting on the integrity status of all development wells within the Offshore Area, to be satisfied that Operators are maintaining well integrity to the highest standards. Additional mitigations and monitoring plans are in place for all wells with impairments, as plans progress toward repairs.

#### **INTERNATIONAL AND REGIONAL COLLABORATION**

The C-NLOPB's well operations engineers continued to exercise a lead role in liaising with external groups such as the Wells Working Group for the North Sea Offshore Authorities Forum and also with 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.



The C-NLOPB has been engaged with the Canada-Nova Scotia Offshore Petroleum Board (CNSOPB) and local Operators to assess and recommend revisions to well control training expectations, detailed in the *TQSP*, so as to modernize and enhance training expectations. This work was completed during the reporting period and recommendations are with the Training and Qualification Committee for review.

C-NLOPB staff also undertook a collaborative effort with the CNSOPB to prepare an update to the *Drilling and Production Guidelines*. The proposed updates underwent a stakeholder feedback process and were approved by both the C-NLOPB and CNSOPB Boards. This updated version is available on the C-NLOPB website.

### **CERTIFICATION OVERSIGHT**

The C-NLOPB’s certification engineers assess proposed Scopes of Work that describe the verification activities that CAs will conduct in order to issue and maintain Certificates of Fitness for prescribed installations operating in the Offshore Area. These are assessed for compliance with the regulations and then presented for approval by the CSO, as required by the legislation. As part of the ongoing oversight of certification activities, certification engineers also receive periodic CA reports, meet regularly with the CAs and attend select CA offshore surveys.

Table 10 outlines the installations that were monitored for CA activities during 2017-18.

**Table 10: Installations Monitored for Certifying Authority Activities in 2017-2018**

<b>INSTALLATION NAME</b>	<b>INSTALLATION TYPE</b>	<b>CERTIFYING AUTHORITY</b>
<i>DSV Seven Falcon</i>	Diving	DNV-GL
Hebron Platform	Production	DNV-GL and Lloyd’s Register North America Inc
Hibernia Platform	Production	Lloyd’s Register North America Inc
MODU <i>Henry Goodrich</i>	Drilling	DNV-GL
MODU <i>Transocean Barents</i>	Drilling	DNV-GL
MODU <i>West Aquarius</i>	Drilling	DNV-GL
<i>MV Maersk Detector</i>	Diving	Lloyd’s Register North America Inc
<i>SeaRose FPSO</i>	Production	DNV-GL
<i>Terra Nova FPSO</i>	Production	Lloyd’s Register North America Inc

Table 11 outlines the CA oversight activities for this past fiscal year.

**Table 11: Certifying Authority Oversight Activity for 2017-2018**

<b>ACTIVITY</b>	<b>NUMBER COMPLETED</b>
CA Oversight Meetings	54
Scope of Work Assessments	5

## WHITE ROSE EXTENSION PROJECT

In 2017, Husky Energy officially resumed the White Rose Extension Project (WREP), which includes the design and construction of a Wellhead Platform (WHP). The related Development Plan Amendment (DPA) had been approved by the C-NLOPB in 2015. Husky Energy advised C-NLOPB staff of design changes that had been progressed since 2015 and of the change of CA from DNV-GL to Lloyd's Register. C-NLOPB staff has been undertaking a review of the design changes against the approved DPA. Staff has also been monitoring the work of the new CA. This will be an ongoing project for the next several years until the WHP is in operation.

## SUBSTITUTIONS, EQUIVALENCIES OR EXEMPTIONS

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 is in place to evaluate and render decisions in respect to applications for regulatory equivalencies, substitutions or exemptions. Table 12 outlines the Regulatory Query activity for this past fiscal year.

**Table 12: Regulatory Query Activity for 2017-2018**

STATUS	NUMBER OF EQUIVALENCIES, SUBSTITUTIONS OR EXEMPTIONS
Applications Received	116
Approved	115
Not Required	1
Rejected	0
Still Under Consideration	43
Withdrawn	22

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

## RIGHTS MANAGEMENT

### CALLS FOR NOMINATIONS

Pursuant to the Scheduled Land Tenure System, the C-NLOPB issued the following Calls for Nominations in 2017-18:

**Table 13: Calls for Nominations during 2017-2018**

CALL FOR NOMINATIONS	ISSUANCE DATE	CLOSING DATE
NL17-CFN01 (Areas of Interest)*	February 2, 2017	April 26, 2017
NL17-CFN02 (Parcels)	September 5, 2017	November 15, 2017
NL17-CFN03 (Parcels)	September 5, 2017	November 15, 2017
NL18-CFN01 (Areas of Interest)*	January 31, 2018	April 25, 2018

\* 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 Board and Ministerial approval), during the scheduled land rights issuance cycle and land tenure timing cycle.

### CALLS FOR BIDS

Pursuant to the Scheduled Land Tenure System, these Calls for Bids were offered as of March 31, 2018:

**Table 14: Calls for Bids during 2017-2018**

CALL FOR BIDS	PARCELS OFFERED	PARCELS AWARDED	CLOSING DATE	SUCCESSFUL BID (WORK EXPENDITURE COMMITMENTS)
NL16-CFB03 (Labrador South (LS))	10	TBD	TBD*	TBD
NL17-CFB01 (JDA)	3	1	November 8, 2017	\$15,098,888.00
NL18-CFB01 (EN)	16	TBD	November 7, 2018	TBD
NL18-CFB02 (JDA)	1	TBD	November 7, 2018	TBD
NL18-CFB03 (JDA) (Production Licence)	1	TBD	November 7, 2018	TBD

\*120 days following the completion of the SEA update

### STATUS OF LICENCES

The C-NLOPB issues land rights in the form of exploration licences (ELs), significant discovery licences (SDLs) and production licences (PLs). One EL was issued in the 2017-18 fiscal year from the Call for Bids licencing round and one new licence was issued in exchange for a licence surrender and consolidation. There was one SDL and one PL issued and overall, one EL expired.

As of March 31, 2018, there were 28 ELs, 56 SDLs and 12 PLs in the Offshore Area. In January 2018, Period I was extended for EL 1125.

### SIGNIFICANT DISCOVERY LICENCES

During the reporting year, the Chair appointed a technical committee to review a significant discovery application for Bay du Nord, in accordance with the *Accord Acts* and guidelines. On September 27, 2017 the C-NLOPB issued the Significant Discovery Declaration and on November 17, 2017, SDL 1055 was issued.

## OPERATING LICENCES

Any person planning to undertake any petroleum-related work or activity in the Offshore Area must obtain an Operating Licence (OL). Table 15 shows the 17 OLs issued by the C-NLOPB during the 2017-18 fiscal year.

**Table 15: Operating Licences Issued During Fiscal Year 2017-2018**

OPERATING LICENCE	OPERATOR
OL 1701	Husky Oil Operations Limited
OL 1702	Schlumberger Canada Limited, as Managing Partner of WesternGeco Canada
OL 1703	Imperial Oil Resources Limited
OL 1704	Chevron Canada Limited
OL 1705	Chevron Canada Limited, as Managing Partner for Chevron Canada Resources
OL 1706	MultiKlient Invest AS
OL 1707	Suncor Energy Inc.
OL 1708	Statoil Canada Ltd.
OL 1709	GX Technology Canada Ltd.
OL 1710	Hibernia Management and Development Company Ltd.
OL 1711	ElectroMagnetic GeoServices Canada Inc.
OL 1712	ExxonMobil Canada Ltd.
OL 1713	ExxonMobil Canada Ltd., as Managing Partner for ExxonMobil Canada Properties
OL 1714	Shoal Point Energy Ltd.
OL 1715	Ptarmigan Energy Inc.
OL 1716	Corridor Resources Inc.
OL 1717	Fugro GeoSurveys, a division of Fugro Canada Corp.

## FUNDS COLLECTED

Under the *Accord Acts*, the C-NLOPB is responsible for the collection of certain fees, forfeitures and rentals. In 2017-18, \$9,826,870.00 was collected and remitted to the Receiver General for Canada (see Table 16). Since its inception, the C-NLOPB has collected \$296,864,330, on behalf of the Crown.

**Table 16: Funds Collected on Behalf of the Receiver General for Fiscal Year 2017-2018**

FEES, FORFEITURES AND RENTALS	AMOUNT COLLECTED
Rentals	\$4,060,895.00
Forfeitures (Security Deposits)	\$765,540.00
Operating Licences	\$400.00
Access to Information Requests	\$35.00
Forfeitures (Drilling Deposits)	\$5,000,000.00
<b>Total</b>	<b>\$9,826,870.00</b>

## MANAGEMENT OF RESOURCES

### CORE STORAGE AND RESEARCH

The C-NLOPB's Core Storage and Research Centre (CSRC) archives core, cuttings, fluid samples, petrographic slides, biostratigraphic slides, and other geological material derived from wells drilled in the Offshore Area. The CSRC provides public access to materials once the legislated privilege period has expired. The review of CSRC material storage methods completed in August 2017, resulted in the decision to transition to palletized storage and the acquisition of a new forklift. This will provide efficiencies and safer handling procedures at the CSRC.

### GEOSCIENTIFIC PROGRAMS

Through the CSRC, the C-NLOPB offers various samples for geological studies to enhance the knowledge of offshore basins of Newfoundland and Labrador. A total of 20 geological programs without fieldwork, covering various land tenure regions were authorized during 2017-18. The type of studies conducted covered a wide range, as shown in Table 17, with the Jeanne d'Arc and Eastern Newfoundland regions being the most frequently studied.

**Table 17: Geological Programs without Fieldwork Authorized during 2017-2018**

COMPANY	STUDY TYPE	REGION
Chemostrat Limited	Chemostratigraphy	EN, JDA, NEN, SEN
EMCP	Petroleum System	EN, SEN
EMCP	Biostratigraphic	EN, SEN
EMCP	Petrographic \ Petroleum System	EN
EMCP	Petroleum System	JDA
Geological Survey of Canada	Biostratigraphic	EN
MUN	Petrographic	WN
MUN	Petroleum System	JDA
MUN	Reservoir Fluids	JDA
MUN	Petrographic	JDA
Nalcor Energy	Fluid Inclusion	SEN, SN
Petrostrat Limited	Stratigraphic and Biostratigraphic	EN, NEN, SEN
Petrostrat Limited	Stratigraphic and Biostratigraphic	EN, JDA
Rockwash Prep and Store Ltd.	Petrographic	EN, NEN
St. Mary's University	Provenance	LS
Statoil Canada	Petrographic	JDA
Statoil Canada	Fluid Inclusion	EN
Suncor Energy	Fluid Inclusion	EN
University of South Carolina	Provenance	LN
University of South Carolina	Provenance	LN

The C-NLOPB reviewed and authorized four applications for geophysical programs with fieldwork and one geological program with fieldwork in the Offshore Area in 2017-18. These programs included CSEM surveying, 2D and 3D seismic, a geohazards survey, gravity surveys and geochemical sampling/seabed coring. This reporting period experienced a record breaking season for 3D seismic as it has almost doubled the previous single season acquisition record.

**Table 18: Geoscientific Programs with Fieldwork Authorized during 2017-2018**

OPERATOR	PROGRAM	REGION	SEISMIC Acquired	GRAVITY/MAGNETIC Acquired	OTHER Data
EMGS	CSEM	WNL	N/A	354 Km	N/A
Fugro GeoSurveys	Seabed Mapping and Seep Sampling	EN	N/A	N/A	6391 Km 100 cores 13 HF
Husky Energy	Geohazards Survey	JDA	567 Km	N/A	1984 Km
MKI AS	3D Seismic and Gravity Survey	EN, JDA and SEN	19848.17 Km <sup>2</sup>	18156 Km	N/A
MKI AS	2D Seismic and Gravity	LS, NEN, SEN and SN	21200 Km	21385 Km	N/A

*Note: Other Data includes information such as sidescan sonar, multibeam, bathymetry and oil slick sampling/seabed coring.*

**Key for Tables 17 and 18**

2D = Two Dimensional	HF = Heat Flow	NEN = North Eastern Newfoundland
3D = Three Dimensional	JDA = Jeanne d’Arc	SEN = South Eastern Newfoundland
CSEM = Controlled Source Electromagnetic	LN = Labrador North	SN = Southern Newfoundland
EMGS = Electromagnetic Geoservices Canada	LS = Labrador South	WNL = Western Newfoundland and Labrador
EN = Eastern Newfoundland	MKI AS = Multi Klient Invest AS	



**C-NLOPB Core Storage and Research Centre**



## PRODUCTION ACTIVITIES

As part of the C-NLOPB’s mandate, the Resource Management Department provides oversight of Operator production activities for consistency with maximum recovery, good oilfield practice, production accounting and approved plans. Resource Management staff provide daily monitoring and review monthly production data to ensure Operators are following all approved plans.

### HIBERNIA

Total oil production at the Hibernia Field for 2017-18 was 51.14 million barrels (MMbbls) with a daily average of 140,165 barrels (bbls). The C-NLOPB estimates oil reserves at the Hibernia Field to be 1,644 MMbbls.

**Table 19: Hibernia Field Production Statistics for 2017-2018**

		2017-18	CUMULATIVE TO MARCH 31, 2018
<b>Production</b>			
Oil	MMbbls	51.14	1066.55
Gas	Bscf	104.20	1747.31
Water	MMbbls	37.18	582.85
<b>Gas Disposition</b>			
Flared	Bscf	1.93	95.00
Fuel	Bscf	5.60	108.09
Injected	Bscf	96.68	1544.22
Lift	Bscf	3.93	6.15
<b>Water Injected</b>			
	MMbbls	81.85	1558.45

### TERRA NOVA

Total oil production at the Terra Nova Field for 2017-18 was 11.31 MMbbls, with a daily average of 31,079 bbls. The C-NLOPB estimates oil reserves and resources at the Terra Nova Field to be 506 MMbbls.

**Table 20: Terra Nova Field Production Statistics for 2017-2018**

		2017-18	CUMULATIVE TO MARCH 31, 2018
<b>Production</b>			
Oil	MMbbls	11.31	406.08
Gas	Bscf	58.27	739.55
Water	MMbbls	26.90	330.58
<b>Gas Disposition</b>			
Flared	Bscf	2.54	60.92
Fuel	Bscf	4.69	67.31
Injected	Bscf	51.04	611.32
Lift	Bscf	13.11	120.39
<b>Water Injected</b>			
	MMbbls	41.83	725.09

## WHITE ROSE

Total oil production at the White Rose Field for 2017-18 was 9.91 MMbbls with a daily average of 27,142 bbls. The C-NLOPB estimates oil reserves and resources at the White Rose Field to be 404 MMbbls.

**Table 21: White Rose Field Production Statistics for 2017-2018**

		2017-18	CUMULATIVE TO MARCH 31, 2018
<b>Production</b>			
Oil	MMbbls	9.91	236.35
Gas	Bscf	30.44	255.87
Water	MMbbls	11.05	142.46
<b>Gas Disposition</b>			
Flared	Bscf	1.76	36.22
Fuel	Bscf	3.54	36.45
Injected	Bscf	25.14	183.21
Lift	Bscf	13.76	105.42
<b>Water Injected</b>			
	MMbbls	21.90	515.39

## NORTH AMETHYST

Total oil production at the North Amethyst Field for 2017-18 was 4.32 MMbbls, with a daily average rate of 11,820 bbls. The C-NLOPB estimates oil reserves and resources at the North Amethyst Field to be 75 MMbbls.

**Table 22: North Amethyst Field Production Statistics for 2017-2018**

		2017-18	CUMULATIVE TO MARCH 31, 2018
<b>Production</b>			
Oil	MMbbls	4.32	51.56
Gas	Bscf	5.81	40.80
Water	MMbbls	9.52	66.23
<b>Gas Disposition</b>			
Flared	Bscf	0.34	3.83
Fuel	Bscf	0.68	6.97
Injected	Bscf	4.78	29.98
Lift	Bscf	6.67	43.43
<b>Water Injected</b>			
	MMbbls	57.25	129.05

*Note: North Amethyst gas injection goes into White Rose Field.*

## HEBRON

First oil was achieved on November 27, 2017. Total oil production at the Hebron Field for 2017-18 was 4.30 MMbbls, with a daily average rate of 28,598 bbls. The C-NLOPB estimates oil reserves and resources at the Hebron Field to be 707 MMbbls.

**Table 23: Hebron Field Production Statistics for 2017-2018**

		2017-18	CUMULATIVE TO MARCH 31, 2018
<b>Production</b>			
Oil	MMbbls	4.30	4.30
Gas	Bscf	1.37	1.37
Water	MMbbls	0.01	0.01
<b>Gas Disposition</b>			
Flared	Bscf	0.82	0.82
Fuel	Bscf	0.55	0.55
Lift*	Bscf	0.60	0.60

\* Initial gross gas volume equals production gas plus lift gas



*Hibernia Platform*

# INDUSTRIAL BENEFITS

## BENEFITS PLANS

In 2017-18, the offshore exploration and production activities of the Hibernia, Terra Nova, White Rose and North Amethyst projects 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). Staff also continued to monitor contracting, procurement and employment associated with the Hebron project as it transitioned from a construction project to a producing project.

Specifically, staff reviewed and assessed benefits plans and supplementary benefits information for various offshore activities, including:

- Husky Energy Air Dive Program Benefits Plan Supplement;
- EMGS Exploration Benefits Plan;
- Suncor Energy Saturation Dive Program Benefits Plan Supplement;
- Hebron OLS Installation Saturation Dive Program Benefits Plan Supplement;
- Hebron Tow-to-Field, Installation and Commissioning Benefits Plan Supplement;
- MKI AS Exploration Benefits Plan;
- Suncor Energy Transocean Barents Benefits Plan Supplement;
- Statoil West Aquarius Benefits Plan Supplement;
- Fugro GeoSurveys Exploration Benefits Plan; and
- ExxonMobil Exploration Benefits Plan.

In addition, Industrial Benefits staff reviewed complaints from persons and companies regarding Operator employment and procurement practices. The C-NLOPB's role in such reviews is to ensure that a full and fair opportunity is provided to companies from within Canada, and that first consideration is afforded to Newfoundland and Labrador residents and companies for any employment or procurement opportunities that arise. Seven comprehensive reviews were conducted in these areas in 2017-18, along with multiple others of lesser scope.

The C-NLOPB also designated numerous Operator contracts for detailed review and encouraged Operators to consider the impact of their procurement choices on the Newfoundland and Labrador market and supply chain.

## EXPENDITURE AND EMPLOYMENT DATA

During the 2017 calendar year, Operators reported expenditures of \$3.3 billion related to work in the Offshore Area. Since 1966, cumulative expenditures total \$59.4 billion.

As of December 31, 2017, there were 4,915 Newfoundland and Labrador and other Canadian residents working in direct support of petroleum-related activity in the Offshore Area.

During 2017, \$221.7 million was spent on exploration programs generating approximately 3,136 person-months of employment. Ongoing production activities accounted for expenditures of \$1.7

billion in 2017, of which approximately 63 percent of annual expenditures occurred in Newfoundland and Labrador and a further 18 percent in the rest of Canada.

The following tables summarize the participation of Newfoundland and Labrador residents and other Canadians in the production phase at Hibernia, Terra Nova, White Rose/North Amethyst/West White Rose pre-development and the construction/production phase of the Hebron project.

#### **HIBERNIA MANAGEMENT AND DEVELOPMENT COMPANY LTD.**

HMDC reported expenditures of \$586 million for the 2017-18 fiscal year, with 83 percent Canadian content including 59 percent Newfoundland and Labrador content.

As of March 31, 2018, total direct employment in the province in support of the Hibernia project was 1,339 persons. Of this amount, 91 percent of the workers were Newfoundland and Labrador residents at the time of hire, and six percent were other Canadian residents.

**Table 24: Hibernia Employment** (as of March 31, 2018)

LOCATION	RESIDENCY			
	NEWFOUNDLAND AND LABRADOR	OTHER CANADIANS	NON-CANADIANS	TOTAL
Onshore Operations	556	46	33	635
Offshore Operations	659	35	10	704
<b>Total</b>	<b>1,215</b>	<b>81</b>	<b>43</b>	<b>1,339</b>

#### **TERRA NOVA**

Suncor Energy reported expenditures of \$488 million for the fiscal year 2017-18, with 72 percent Canadian content including 56 percent Newfoundland and Labrador content.

As of March 31, 2018, total direct employment in support of the Terra Nova project was 1,030 persons. At the time of hire, 86 percent of this total were Newfoundland and Labrador residents and eight percent were other Canadian residents.

**Table 25: Terra Nova Employment** (as of March 31, 2018)

LOCATION	RESIDENCY			
	NEWFOUNDLAND AND LABRADOR	OTHER CANADIANS	NON-CANADIANS	TOTAL
Onshore Operations	409	31	26	466
Offshore Operations	475	57	32	564
<b>Total</b>	<b>884</b>	<b>88</b>	<b>58</b>	<b>1,030</b>

## WHITE ROSE/NORTH AMETHYST/WEST WHITE ROSE

Husky Energy reported expenditures of \$817 million for the fiscal year 2017-18, with 73 percent Canadian content including 51 percent Newfoundland and Labrador content.

As of March 31, 2018, total direct employment in support of the White Rose/North Amethyst/West White Rose projects was 1,923 persons. At the time of hire, 81 percent of this total were Newfoundland and Labrador residents and six percent were other Canadian residents.

**Table 26: White Rose/North Amethyst/West White Rose Employment (as of March 31, 2018)**

LOCATION	RESIDENCY			TOTAL
	NEWFOUNDLAND AND LABRADOR	OTHER CANADIANS	NON-CANADIANS	
Onshore Operations	1,037	73	254	1,364
Offshore Operations	512	40	7	559
<b>Total</b>	<b>1,549</b>	<b>113</b>	<b>261</b>	<b>1,923</b>

## HEBRON

Of the expenditures reported by ExxonMobil during the fiscal year of 2017-18, total Canadian content was 75 percent, including 67 percent Newfoundland and Labrador content.

As of March 31, 2018, total direct employment in support of the Hebron project was 1,077 persons. At the time of hire, 87 percent of this total were Newfoundland and Labrador residents and eight percent were other Canadian residents.

**Table 27: Hebron Employment (as of March 31, 2018)**

LOCATION	RESIDENCY			TOTAL
	NEWFOUNDLAND AND LABRADOR	OTHER CANADIANS	NON-CANADIANS	
Onshore Operations	437	47	44	528
Offshore Operations	498	42	9	549
<b>Total</b>	<b>935</b>	<b>89</b>	<b>53</b>	<b>1,077</b>

## RESEARCH AND DEVELOPMENT, EDUCATION AND TRAINING

The C-NLOPB continued to monitor Operator's obligations to carry out R&D and E&T in the province. Before making R&D/E&T expenditures, Operators may submit proposed projects to the C-NLOPB for determination of eligibility under the C-NLOPB's R&D/E&T guidelines. There were a total number of 24 R&D/E&T applications approved during 2017-18. These applications account for approximately \$23 million in potential R&D/E&T funding. Areas of interest related to submitted applications include:

- Science, Technology, Engineering and Math (STEM) programs;
- Employee health and safety;
- Enhanced Oil Recovery (EOR);
- Seismic exploration technologies; and
- Various educational scholarships and donations.



Expenditures for the 2016 calendar year were reviewed in 2017 to determine eligibility under the C-NLOPB's guidelines. Based on a review of work expenditure reports, it was determined that approximately \$43 million was spent on eligible R&D and E&T, bringing the total expenditure to approximately \$506 million since the C-NLOPB's guidelines came into effect on April 1, 2004. A breakdown of expenditures for the 2016 calendar year can be found on the C-NLOPB's website. Updates to these expenditures will be posted on an annual basis.



*SeaRose FPSO*

# CORPORATE SERVICES AND REGULATORY AFFAIRS

## REGULATORY INITIATIVES

During the reporting period, C-NLOPB staff participated in the following government-led regulatory initiatives:

- Frontier Offshore Regulatory Renewal Initiative (FORRI) – Framework Regulations;
- Occupational Health and Safety (OHS) Regulations;
- Methane Regulations; and
- Spill Treating Agent Regulations.

Staff provided technical advice to the federal and provincial governments in drafting policy intent documents for these regulations. The C-NLOPB has established a team of senior staff to plan for the transition to a modern goal based suite of technical regulations, which are noted above.

During the reporting period, Grant Thornton completed a risk-based audit on the C-NLOPB's internal controls related to malware prevention and detection. This audit was completed in June 2017 and recommendations are being addressed.

During 2017-18, the C-NLOPB updated the following Memoranda of Understanding (MOU):

- Geological Survey of Canada;
- Environment and Climate Change Canada; and
- Fisheries and Oceans Canada.

Also, during the reporting period, discussions were initiated with the National Research Council (NRC) in respect to providing support to the C-NLOPB on research and development matters through a MOU.

In 2017-18 staff participated in the Regional Oversight Committee on Oceans Management, whose role is to principally oversee marine protected and costal management areas for the Offshore Area.

Senior C-NLOPB staff participated in a Regulatory Strategy Committee (RSC) along with staff of the Canadian Association of Petroleum Producers (CAPP) and local Operators. The primary function of the RSC is to discuss strategic issues of common interest, in particular, transition to performance-based regulations. In January 2018 the RSC hosted a Performance-Based Regulating Workshop which included representation from government, Operators, Canadian regulators and other guest speakers. Outcomes from this workshop are now being reviewed and implemented through the committee.

In 2017-18 the C-NLOPB also updated the following guidelines:

- *Compensation Guidelines Respecting Damages Relating to Offshore Petroleum Activity;*
- *Incident Reporting and Investigation Guideline; and*
- *Drilling and Production Guidelines.*

During the reporting period the CSO issued two Codes of Practice:

- *Atlantic Canada Offshore Petroleum Standard Practice for the Training and Qualifications of Offshore Personnel, November 2017; and Fatigue Management in the Canada-Newfoundland and Labrador Offshore Petroleum Industry, January 2018.*

The C-NLOPB also issued an Interpretation Note clarifying “Construction and Support Activity in the definition of ‘Marine Installation or Structure’.”

During July 2017, the C-NLOPB received a DPA from Husky Energy for ‘Gas Flood in Support of Oil Production at the North Amethyst Field’. A completeness review was undertaken by staff and on December 4, 2017 the C-NLOPB requested Husky Energy to resubmit the application.

### AUTHORIZATIONS

During 2017-18, C-NLOPB staff coordinated the issuance of 13 Authorizations, which are captured in Table 28. It is worth noting that two of these authorizations were issued to EMCP for the tow-to-field and drilling and production activities in support of the Hebron project.

C-NLOPB staff also issued 12 amendments to Authorizations, mainly covering the addition of support vessels to existing Authorizations.

**Table 28: Authorizations Issued by the C-NLOPB during 2017-2018**

OPERATOR	AUTHORIZATION TYPE	INSTALLATION/VESSEL
EMGS	Geophysical Program Authorization (GPA) (Gulf St. Lawrence)	<i>MV Atlantic Guardian</i>
EMCP	OA (Drilling and Production)	Hebron Platform
EMCP	OA (Construction) Tow-to-Field	Hebron Platform
EMCP	DVPA	<i>DSV Seven Falcon</i>
Fuguro GeoSurveys	Geological Program Authorization (GLA) (Flemish/Orphan Basin)	<i>MV Fugro Discovery</i>
Husky Energy	DVPA	<i>MV Maersk Detector and Seahunter</i>
Husky Energy	OA (Wellsite Survey)	<i>MV Fugro Discovery</i>
MKI AS	GPA (Southern Grand Banks/Northeast Newfoundland and Labrador (NL) Slope/Labrador Sea)	<i>MV Atlantic Explorer</i>
MKI AS	GPA (Northeast NL Slope)	<i>MV Ramform Tethys, MV Ramform Titan, and MV Ramform Sterling</i>
Statoil Canada	OA (Drilling)	MODU <i>West Aquarius</i>
Suncor Energy	OA (Drilling)	MODU <i>Transocean Barents</i>
Suncor Energy	OA (Production)	<i>Terra Nova FPSO</i>
Suncor Energy	DVPA	<i>DSV Seven Falcon</i>

Table 29 shows all regulatory review, licencing, auditing and approved activities for the C-NLOPB during the 2017-18 fiscal year.

**Table 29: Regulatory Review, Licencing, Auditing and Approval Activities for 2017-2018**

ACTIVITY	NUMBER
Application for Regulatory Equivalency	143
Approval to Alter the Condition of a Well	13
Approval to Drill a Well	20
Benefits Plan Approval (new or amended)	10
Commingled Production Approval	0
Diving Program Authorization	3
Environmental Assessment (new, amended or updated)	14
Environmental Audit and Inspection	1
Exploration Licence (new or amended)	2
Field Data Acquisition Program Approval	1
Flow System Application Approval	3
Flow System (Metering) Audit/Witness	6
Formation Flow Test Program Approval	0
Gas Flaring Approval	4
Geological Program (without fieldwork)	20
Geological Program (with fieldwork)	1
Geophysical Operations Authorization (with fieldwork)	5
Geophysical Program Authorization (without fieldwork)	1
Geotechnical Program Authorization	0
Notice of Non-Compliance/Non-Conformance	4
Offshore Worker Complaints Reviewed	5
Operations Authorization (new or amended)	17
Operating Licence	17
Pooling Designation	2
Production Licence (new or amended)	1
Safety Assessment	28
Safety Audit/Inspection	33
Significant Discovery Licence (new or amended)	1
Strategic Environmental Assessment	1
Well Termination Notification	31
Work Refusals Received	0

## **PUBLIC AFFAIRS**

### **SPEAKING ENGAGEMENTS**

As part of the C-NLOPB's public outreach initiatives, C-NLOPB staff gave presentations at a number of institutions and events during 2017-18, including:

- Norwegian School of Economics and MUN Joint Energy Workshop on Energy Economics;
- College of the North Atlantic;
- Expo Labrador 2017;
- Annual Newfoundland Oil and Gas Industries Association (NOIA) Conference;
- Placentia Bay Industry Showcase;
- 3<sup>rd</sup> Workshop & Symposium on Safety & Integrity Management of Operations in Harsh Environments;
- Society of Petroleum Engineers Workshop;
- Northern Lights 2018;
- Advance 2030; and
- Oil and Gas Week, Geoscience Day, 2018.

C-NLOPB staff also hosted students from Mount Pearl Senior High and Esteem Women Inc. at the CSRC during Oil and Gas Week. Students received presentations from staff and a tour of the facility.

A copy of presentations and speaking notes by C-NLOPB staff are available on the C-NLOPB's website.

### **PUBLIC CONSULTATIONS**

The C-NLOPB consults stakeholders on a wide variety of matters including public disclosure, SEAs and draft guidelines. In 2017-18 the C-NLOPB conducted consultations on the following:

- Draft Policy Respecting Public Disclosure of Incidents;
- Draft Scoping Document for Labrador SEA Update;
- Joint C-NLOPB/CNSOPB Revisions to the *Compensation Guidelines Respecting Damages Relating to Offshore Petroleum Activity*; and
- Joint C-NLOPB/CNSOPB Revisions to the *Incident Reporting and Investigation Guideline*.

### **C-NLOPB BLOG**

Staff of the C-NLOPB wrote six blogs during the reporting period. Members of the public are invited to visit the C-NLOPB website, where staff members share their thoughts on matters of interest such as:

- Core Storage and Research Centre;
- A Safe and Supportive Work Environment;
- Update on C-NLOPB Activities – Summer 2017;
- 3<sup>rd</sup> Workshop & Symposium on Safety and Integrity Management of Operations in Harsh Environments;
- C-NLOPB Gives Back...Again!; and
- Public Disclosure of Incidents.



## INFORMATION AND DATA MANAGEMENT

The C-NLOPB receives and disseminates information relevant to work authorized in the Offshore Area. Requests for this information are received and processed in the C-NLOPB Information Resources Centre. Any information which has passed the statutory privilege period may be requested either in person or by emailing [information@cnlopb.ca](mailto:information@cnlopb.ca).

During 2017-18, the C-NLOPB received 434 requests for information from external parties. 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 eight formal requests and seven formal consultation requests under the *Access to Information Act* during 2017-18. As required by the *Access to Information Act*, a separate annual report on the C-NLOPB's administration of the *Act* during 2017-18 will be tabled in Parliament in 2018.

**Table 30: Requests Under the *Access to Information Act* for 2017-2018**

<b>INFORMAL REQUESTS</b>	
Informal requests received during reporting period	2
<b>FORMAL REQUESTS</b>	
Formal requests were received during reporting period from	
<i>Media</i>	4
<i>Academia</i>	1
<i>Business (private sector)</i>	3
<i>Organization</i>	0
<i>Public</i>	0
<i>Decline to Identify</i>	0
<b>Total</b>	<b>8</b>
<b>REQUESTS CLOSED DURING REPORTING PERIOD</b>	
<i>Requests where all records disclosed</i>	0
<i>Requests where partial records disclosed</i>	4
<i>Requests where no records existed</i>	1
<i>Requests where all records were exempted</i>	0
<b>Total</b>	<b>5</b>
Requests brought forward to next reporting period	4
<b>CONSULTATIONS</b>	
Consultations received during reporting period	7
Number of pages reviewed	239
<b>COMPLAINTS</b>	
Complaints registered	1
<b>COURT ACTION</b>	
Requests where Federal Court review initiated	1
<b>REQUESTS FOR INFORMATION</b>	
Requests for Information Received	434
<i>Government of Newfoundland and Labrador (Provincial)</i>	51
<i>Government of Canada (Federal)</i>	20
<i>Education</i>	37
<i>Industry</i>	326

**APPENDIX: FINANCIAL STATEMENTS**

Financial Statements of

**CANADA - NEWFOUNDLAND AND  
LABRADOR OFFSHORE PETROLEUM  
BOARD.**

Year ended March 31, 2018

# 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 Professional Accountants of Canada (CPA Canada).

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.

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



Chair



Director



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www.kpmg.ca

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Canada - Newfoundland and Labrador Offshore Petroleum Board, which comprise the statement of financial position as at March 31, 2018, the statements of operations, changes in accumulated surplus, net debt and cash flows for the year then ended, and notes, comprising 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.

### *Auditors' 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 an 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 our 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, we consider internal control relevant to the entity'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 entity'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, 2018, and its results of operations and the changes in its accumulated surplus and net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants

St. John's, Canada

May 28, 2018



# Canada - Newfoundland and Labrador Offshore Petroleum Board

Statement of Financial Position  
March 31, 2018 with comparative information for 2017

	2018	2017
<b>Financial assets</b>		
Cash and cash equivalents	\$ 12,407,810	\$ 9,590,431
Receivables	436,953	1,772,801
	<u>12,844,763</u>	<u>11,363,232</u>
<b>Liabilities</b>		
Payables and accruals (note 2)	6,910,887	6,269,594
Accrued employee future benefit obligation (note 3)	8,822,900	7,940,800
	<u>15,733,787</u>	<u>14,210,394</u>
Net debt	<u>(2,889,024)</u>	<u>(2,847,162)</u>
<b>Non-financial assets</b>		
Prepays	633,159	591,296
Tangible capital assets (schedule 1)	2,845,921	2,774,519
	<u>3,479,080</u>	<u>3,365,815</u>
Commitments (note 5)		
Contingencies (note 6)		
Accumulated surplus	<u>\$ 590,056</u>	<u>\$ 518,653</u>

See accompanying notes to the financial statements.

On behalf of the Board



Chair



Director

# Canada - Newfoundland and Labrador Offshore Petroleum Board

Statement of Operations

Year ended March 31, 2018 with comparative information for 2017

	Actual 2018	Budget 2018	Actual 2017
Revenue:			
Operating grants:			
Government of Canada	\$ 8,757,795	\$ 8,835,000	\$ 8,694,964
Government of Newfoundland and Labrador	8,757,795	8,835,000	8,694,964
	17,515,590	17,670,000	17,389,928
Add:			
Costs recovered from industry	17,378,947	17,670,000	17,389,928
Interest and other	59,324	27,382	29,132
	17,438,271	17,697,382	17,419,060
Less:			
Cost recoveries refunded to governments	17,378,947	17,670,000	(17,389,928)
Net revenue	17,574,915	17,697,382	17,419,060
Expenses (schedule 2)			
Board and executive office	2,356,004	2,002,332	2,223,506
Environmental affairs	879,286	980,810	873,747
Exploration	1,951,902	2,261,243	2,073,832
Legal, regulatory affairs and public affairs	1,058,763	1,088,056	1,004,761
Operations	1,296,407	1,381,496	1,169,699
Resource management	2,437,699	2,473,805	2,445,563
Safety	2,536,432	2,757,376	2,450,740
Administration and industrial benefits	4,987,019	5,314,464	5,233,812
	17,503,512	18,259,582	17,475,660
Annual (deficit) surplus	\$ 71,403	\$ (562,200)	\$ (56,600)

See accompanying notes to the financial statements.

# Canada - Newfoundland and Labrador Offshore Petroleum Board

Statement of Changes in Accumulated Surplus  
Year ended March 31, 2018 with comparative information for 2017

	Actual 2018	Budget 2018	Actual 2017
Accumulated surplus, beginning of year	\$ 518,653	\$ 663,053	\$ 575,253
Annual (deficit) surplus	71,403	(562,200)	(56,600)
Accumulated surplus, end of year	\$ 590,056	\$ 100,853	\$ 518,653

See accompanying notes to financial statements.

# Canada - Newfoundland and Labrador Offshore Petroleum Board

Statement of Net Debt

Year ended March 31, 2018 with comparative information for 2017

	Actual 2018	Actual 2017
Annual (deficit) surplus	\$ 71,403	\$ (56,600)
Acquisition of tangible capital assets	(693,607)	(493,673)
Amortization of tangible capital assets	622,205	550,274
Decrease (increase) in prepaids	(41,863)	236,897
Decrease (increase) in net debt	(41,862)	236,898
Net debt, beginning of year	(2,847,162)	(3,084,060)
Net debt, end of year	\$ (2,889,024)	\$ (2,847,162)

See accompanying notes to financial statements.

# Canada - Newfoundland and Labrador Offshore Petroleum Board

Statement of Cash Flows

Year ended March 31, 2018 with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ 71,403	\$ (56,600)
Amortization of tangible capital assets	622,205	550,274
	693,608	493,674
Change in non-cash items:		
Accrued employee future benefit obligation	882,100	922,600
Receivables	1,335,848	1,979,967
Prepays	(41,863)	236,897
Payables and accruals	641,294	(506,399)
Operating transactions	3,510,987	3,126,739
Capital activity:		
Cash used to acquire tangible capital assets	(693,608)	(493,673)
Increase in cash and cash equivalents	2,817,379	2,633,066
Cash and cash equivalents, beginning of year	9,590,431	6,957,365
Cash and cash equivalents, end of year	\$ 12,407,810	\$ 9,590,431



# Canada - Newfoundland and Labrador Offshore Petroleum Board

Notes to the financial statements

Year ended March 31, 2018

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The Canada-Newfoundland & Labrador Offshore Petroleum Board (the 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.

## 1. Significant accounting policies:

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.

### a) 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 tangible capital assets, estimated accrued employee future benefits, 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.

### b) 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.

### c) Cash and cash equivalents:

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

### 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 surplus (deficit), provides the change in net debt for the year.

# Canada - Newfoundland and Labrador Offshore Petroleum Board

Notes to the financial statements

Year ended March 31, 2018

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## 1. Significant accounting policies (continued):

### e) 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.

Buildings	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

### f) Impairment of tangible capital assets:

Tangible capital 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.

### g) Capital grants:

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

### h) 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).

### i) Retiring allowance:

The Board also provides a retirement allowance benefit for eligible employees. This benefit accrues over the estimated service life of the employees and is expensed according to actuarial estimates and assumptions.

# Canada - Newfoundland and Labrador Offshore Petroleum Board

Notes to the financial statements

Year ended March 31, 2018

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## 1. Significant accounting policies (continued):

### j) 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.

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.

# Canada - Newfoundland and Labrador Offshore Petroleum Board

Notes to the financial statements

Year ended March 31, 2018

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## 2. Payables and accruals:

	2018	2017
Trade	\$ 1,767,362	\$ 1,854,028
Government of Canada	2,571,763	2,207,783
Government of Newfoundland and Labrador	2,571,763	2,207,783
	<u>\$ 6,910,888</u>	<u>\$ 6,269,594</u>

## 3. Accrued employee future benefit obligation:

Group life and group health plans:

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, 2018.

	2018	2017
Reconciliation of funded status	\$ 10,146,700	\$ 7,519,900
Unamortized net actuarial loss	(2,273,200)	(420,600)
Accrued benefit liability	<u>\$ 7,873,500</u>	<u>\$ 7,099,300</u>

# Canada - Newfoundland and Labrador Offshore Petroleum Board

Notes to the financial statements  
Year ended March 31, 2018

### 3. Accrued employee future benefit obligation (continued):

	2018	2017
Net benefit expense		
Current service cost	\$ 597,200	\$ 627,000
Amortization of actuarial loss	41,000	98,300
Interest cost	242,100	226,500
	\$ 880,300	\$ 951,800

#### Retiring allowance:

The board provides a retiring allowance to employees upon death or retirement. The allowance is equal to one week's pay for each year of employment with the Board, to a maximum of 20 week's pay. Employees must have a minimum of five year's employment with the Board to qualify under this policy.

	2018	2017
Accrued benefit liability	\$ 949,400	\$ 841,500

	2018	2017
Net benefit expense:		
Current service cost	\$ 92,800	\$ 93,300
Amortization of actuarial gain (loss)	(3,100)	(2,000)
Interest cost	27,200	24,100
	\$ 116,900	\$ 115,400

Significant actuarial assumptions used in calculating the accrued benefit liability and expense for the employee future benefit and the retiring allowance is as follows:

	2018	2017
Discount rate	2.70%	3.00%
Rate of increase in compensation levels	2.00%	2.00%
Dental inflation rate	4.50%	4.50%
Medical inflation rate	6.95%	4.50%

# Canada - Newfoundland and Labrador Offshore Petroleum Board

Notes to the financial statements

Year ended March 31, 2018

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## 4. 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 \$966,874 (2017 - \$1,002,146). Additional information about the plan surplus or deficit is not available.

## 5. Commitments:

The Board is committed under terms of a premises lease to make the following minimum annual lease payments:

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March 31, 2019	\$ 1,241,308
March 31, 2020	1,241,308
March 31, 2021	103,442

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# Canada - Newfoundland and Labrador Offshore Petroleum Board

Notes to the financial statements

Year ended March 31, 2018

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## 6. 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.

## 7. Financial instruments 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, 2018.

### *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 \$6,910,888 (2017 - \$6,269,594), 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.

### *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 \$436,953 (2017 - \$1,772,801). Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote.

The Board does not believe there is exposure to interest rate risk or foreign currency risk.

## 8. Related party transactions:

The Board is jointly controlled due to ability to appoint board members by the federal Government of Canada and the provincial Government of Newfoundland and Labrador. During the year, the Board had the following transactions with these governments:

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### Operating grant:

Government of Canada	\$ 8,757,795
Government of Newfoundland and Labrador	8,757,795
Cost recoveries refunded to Government of Canada	8,689,473
Cost recoveries refunded to Government of Newfoundland and Labrador	8,689,473

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# Canada - Newfoundland and Labrador Offshore Petroleum Board

Schedule 1 - Tangible Capital Assets

Year ended March 31, 2018

	Land and parking lot	Buildings	Leasehold improvements	Furniture and fixtures	Data management system	Computer software	Computer equipment	2018	2017
Cost, beginning of year	\$ 258,297	\$ 3,317,089	\$377,415	\$ 1,068,747	\$ 1,108,298	\$ 1,274,250	\$ 2,598,863	\$ 10,002,959	\$ 9,521,680
Additions during the year	–	–	–	115,672	–	189,716	388,219	693,607	493,673
Disposals during the year	–	–	–	–	–	–	–	–	(12,394)
Cost, end of year	\$ 258,297	\$ 3,317,089	\$ 377,415	\$ 1,184,419	\$ 1,108,298	\$ 1,463,966	\$ 2,987,082	\$ 10,696,566	\$ 10,002,959
Accumulated amortization, beginning of year	\$ –	\$ 1,372,269	\$ 377,415	\$ 945,929	\$ 1,108,298	\$ 1,133,109	\$ 2,291,820	\$ 7,228,440	\$ 6,690,560
Amortization	–	77,793	–	64,016	–	235,998	244,398	622,205	550,274
Reversals of accumulated depreciation relating to disposals	–	–	–	–	–	–	–	–	(12,394)
Accumulated amortization, end of year	\$ –	\$ 1,450,062	\$ 377,415	\$ 1,009,545	\$ 1,108,298	\$ 1,369,107	\$ 2,536,218	\$ 7,850,645	\$ 7,228,440
Net book value of tangible capital assets	\$ 258,297	\$ 1,867,027	\$ –	\$ 174,874	\$ –	\$ 94,859	\$ 450,864	\$ 2,845,921	\$ 2,774,519

# Canada - Newfoundland and Labrador Offshore Petroleum Board

Schedule 2 - Expenses  
Year ended March 31, 2018

	2018	2017
Board and executive office:		
Consultants fees	\$ 508,166	\$ 289,524
Miscellaneous	7,471	6,660
Training and conferences	62,004	55,331
Travel	41,310	32,018
Wages and benefits	1,737,053	1,839,973
	<u>2,356,004</u>	<u>2,223,506</u>
Environmental affairs:		
Miscellaneous	2,164	2,612
Training and conferences	13,609	13,822
Travel	2,597	6,102
Wages and benefits	860,916	851,211
	<u>879,286</u>	<u>873,747</u>
Exploration:		
Miscellaneous	5,550	5,327
Training and conferences	61,696	49,230
Travel	-	3,773
Wages and benefits	1,884,656	2,015,502
	<u>1,951,902</u>	<u>2,073,832</u>
Legal, regulatory affairs and public affairs:		
Miscellaneous	2,123	3,923
Training and conferences	32,206	7,471
Travel	8,067	7,279
Wages and benefits	1,016,367	986,088
	<u>1,058,763</u>	<u>1,004,761</u>
Operations:		
Miscellaneous	3,112	2,913
Training and conferences	43,162	40,753
Travel	12,393	26,304
Wages and benefits	1,237,740	1,099,729
	<u>1,296,407</u>	<u>1,169,699</u>
Resource management:		
Miscellaneous	5,656	7,006
Training and conferences	78,104	111,268
Travel	3,156	1,145
Wages and benefits	2,350,783	2,326,144
	<u>2,437,699</u>	<u>2,445,563</u>

# Canada - Newfoundland and Labrador Offshore Petroleum Board

Schedule of Expenses (continued)  
Year ended March 31, 2018

	2018	2017
Safety:		
Consultants fees	\$ 247,641	\$ 199,344
Miscellaneous	5,778	7,505
Training and conferences	138,814	129,561
Travel	34,148	28,271
Wages and benefits	2,110,051	2,086,059
	<u>2,536,432</u>	<u>2,450,740</u>
Administration and industrial benefits:		
Amortization of tangible capital assets	622,205	550,274
Computer support and maintenance	903,329	956,917
General office maintenance	458,133	499,602
Rent	1,437,003	1,452,784
Training and conferences	16,901	5,293
Travel	1,088	-
Wages and benefits	1,548,360	1,768,942
	<u>4,987,019</u>	<u>5,233,812</u>
	<u>\$ 17,503,512</u>	<u>\$ 17,475,660</u>



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