



CANADA-NEWFOUNDLAND & LABRADOR

CNLOPB

OFFSHORE PETROLEUM BOARD



2015—16

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



June 29, 2016

The Honourable Jim 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 Office of Public Engagement
Deputy Government House Leader
Government of Newfoundland and Labrador

The Honourable Eddie Joyce, MHA
Minister of Service Newfoundland and Labrador
Minister of Municipal Affairs
Minister Responsible for Fire and Emergency Services
Minister Responsible for Government Purchasing Agency
Minister Responsible for WorkplaceNL and Registrar General
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, 2016.

Respectfully submitted,

Scott Tessier

Chair and Chief Executive Officer

BOARD MEMBERS



Scott Tessier
Chair and
Chief Executive Officer



Ed Williams
Vice-Chair



Lidija Cicnjak-Chubbs
Member



Ed Drover
Member



Cynthia Hickman
Member



Conrad Sullivan
Member

SENIOR STAFF

Michael Baker, CHRP

David G. Burley

Daniel B. Chicoyne, MSS

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

John Kennedy, P. Eng, CRSP

Craig Rowe, M.Sc., P. Geo

Director of Administration and Industrial Benefits

Director of Environmental Affairs

Director of Safety and Chief Safety Officer

Director of Resource Management and Chief Conservation Officer

Director of Operations

Director of Exploration and Information Resources

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Robert Young

MESSAGE FROM THE CHAIR AND CHIEF EXECUTIVE OFFICER



I am pleased to report on the accomplishments and activities of the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB) for the 2015-16 fiscal year. Our financial statements and an audited report on the C-NLOPB's finances are included in this report.

In 2015-16, the C-NLOPB was pleased to participate in the implementation of new and important legislative changes that improved offshore safety and environmental protection. C-NLOPB staff assisted governments in the development of financial requirements guidance under the new federal *Energy, Safety and Security Act* and corresponding provincial legislation. Staff are presently working with governments and other Canadian offshore regulators to develop modernized occupational health and safety regulations.

The Board prepared its first, five-year strategic plan that focuses on three priority areas: operational efficiency and effectiveness, effective change management, and effective information and data management. The plan will guide the Board in meeting the challenges and opportunities that lie ahead.

Under our Scheduled Land Tenure System, the Board issued seven Calls for Nominations and three Calls for Bids. The Board also released the results of the first Call for Bids in the Eastern Newfoundland Region under the Scheduled Land Tenure System. Call for Bids NL15-01 EN offered 11 parcels totaling 2,581,655 hectares. The total value of the bids was \$1,204,953,713 in work commitments.

I want to thank Ed Williams for his continued support as the Board's Vice-Chair and our dedicated, professional staff who work tirelessly to advance safety, environmental protection, resource management, exploration and industrial benefits in the offshore oil and gas industry. Thank you as well to Board Members Lidija Cicnjak-Chubbs, Ed Drover, Cynthia Hickman and Conrad Sullivan, for continued sound advice and leadership.

I am honoured to continue to lead a highly professional organization that has the respect of governments, stakeholders, the public and the international regulatory community. I look forward to the year ahead with confidence that the C-NLOPB will continue to regulate effectively in the public interest.

Scott Tessier
Chair and Chief Executive Officer

C-NLOPB OVERVIEW

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

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

The C-NLOPB had a budget of \$17,670,000 for the fiscal year 2015-16.

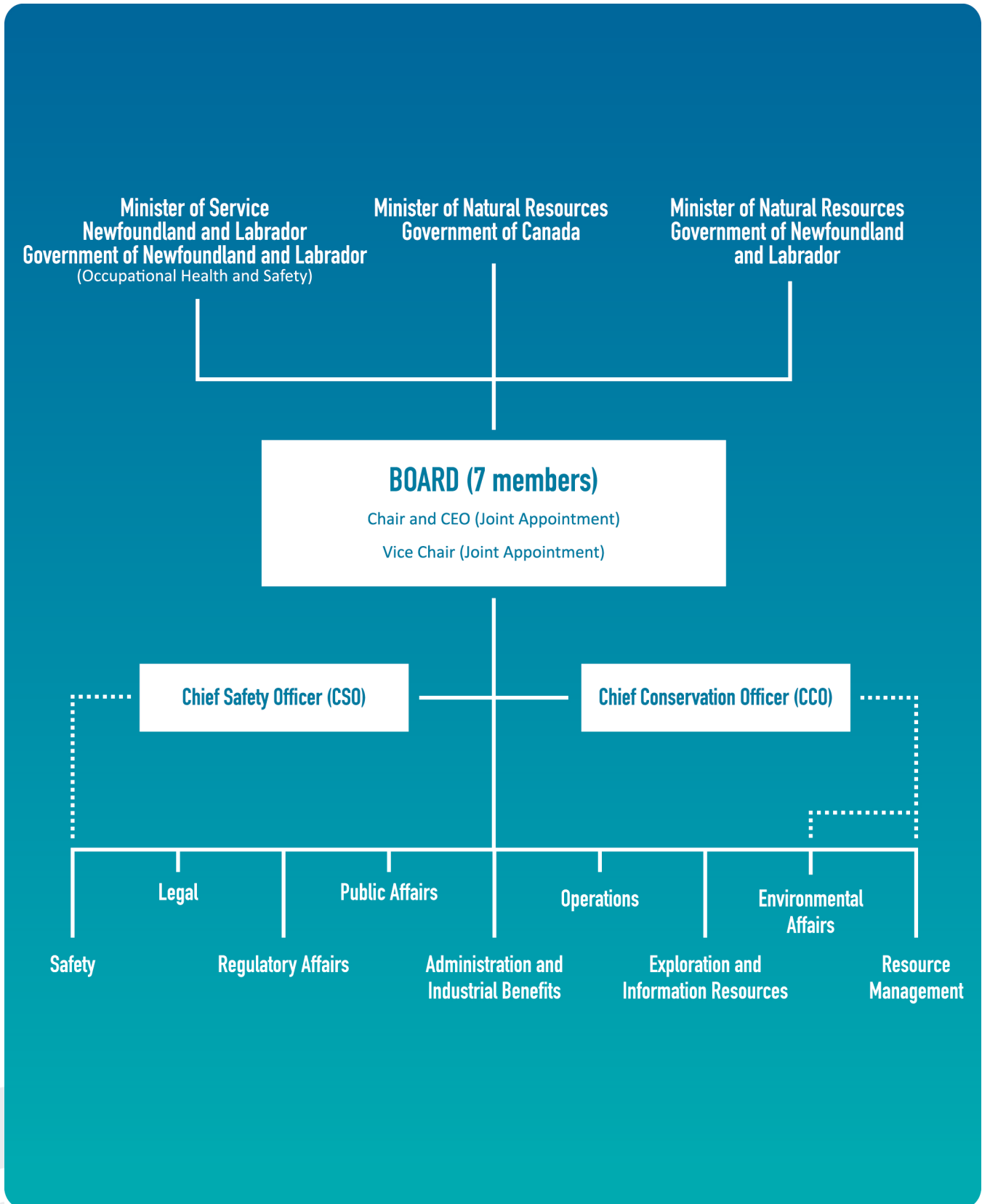
At the end of the fiscal year the C-NLOPB had a staff of 84. Seventy-nine of these employees have degrees or diplomas, 68 are graduates of post-secondary institutions in Newfoundland and Labrador and 40 have professional designations in engineering, geoscience, safety, finance and public relations.

NEW STAFF



*L-R Back: Chris Quigley, Mark Pope, Chris Quinton, Dawn Higgins, Matthew Scott, Kristina Kean
L-R Front: Shania Barry, Jessica Clowe, Yolanda Gaulton*

ORGANIZATION CHART



SAFETY OF OFFSHORE WORKERS

SAFETY PLANS

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 a safety plan that demonstrates to the C-NLOPB that the Operator has taken all reasonable and practicable steps to achieve the required level of safety for the proposed work. In 2015-16, the C-NLOPB's Safety Department reviewed 20 safety plans.

SAFETY ASSESSMENTS

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

All C-NLOPB Safety Officers are appointed as both Operational Safety Officers and Occupational Health and Safety Officers, herein referred to as 'Safety Officers'. Emergency Response Plans were a particular focus of the Department in all safety assessments conducted during the reporting period. Safety Officers looked at both the onshore and offshore components that included Operator's safety plans, contingency plans, emergency preparedness, and management systems.

During 2015-16, the C-NLOPB completed the following safety assessments which included a review of safety plans for the following:

- Hibernia Management Development Company (HMDC)'s seismic program over the Hibernia Field (involving two vessels and therefore assessment of two safety plans);
- HMDCs construction OA for subsea installation;
- Renewal for HMDC's OA for drilling in the Hibernia field;
- Suncor Energy's OA amendment for additional support vessel;
- Husky Energy's OA amendment for an additional Mobile Offshore Drilling Unit (MODU);
- Husky Energy's OA amendment to existing OA for additional MODU;
- Statoil Canada's Wellsite Survey under existing OA;
- Statoil Canada's Geophysical Program Authorization (GPA) for Flemish Pass area;
- ExxonMobil's OA Construction for Offshore Loading System pipeline (two different vessels were being used and two different safety plans were submitted);
- Multi Klient Invest (MKI) AS' GPA for three separate seismic programs in the Northeast Newfoundland Slope area (three different vessels were used and three different safety plans were submitted);
- MKI AS' GPA for a seismic program in Southern Grand Bank area;
- MKI AS' GPA for two different seismic programs in the Southern Labrador Sea area (two different vessels were assessed with two different safety plans);
- MG3's GPA for a geochemical seep/core sampling program in the Labrador Sea; and
- Electromagnetic Geoservices Canada Inc.'s. (EMGS) GPA for Electromagnetic Controlled Source Electromagnetic Survey (CSEM) for the Northeast Newfoundland area.

COMPLIANCE AND ENFORCEMENT

Safety Officers carry out investigations, issue orders, investigate work refusals and conduct safety inspections, safety audits and pre-approval safety audits. During 2015-16, the C-NLOPB completed the 28 audits and inspections listed in Table 1.

Table 1: Audits and Inspections completed in 2015-16

Operator	Installation/Vessel	Audit Inspection
ExxonMobil Canada Properties	<i>M/V Western Trident</i>	Pre-Approval Audit
ExxonMobil Canada Properties	<i>M/V WG Tasman</i>	Pre-Approval Audit
ExxonMobil Canada Properties	<i>M/V Audacia</i>	Pre-Approval Audit
ExxonMobil Canada Properties	<i>M/V Calamity Jane</i>	Pre-Approval Audit
HMDC	<i>Hibernia Platform</i>	Safety Inspection
HMDC	<i>Hibernia Platform</i>	Safety Inspection
HMDC	<i>M/V Siem Daya 1</i>	Pre-Approval Audit
HMDC	<i>MODU West Aquarius</i>	Safety Inspection
HMDC	<i>Hibernia Platform</i>	Emergency Response Audit
HMDC	<i>MODU West Aquarius</i>	Emergency Response Audit
HMDC	<i>MODU West Aquarius</i>	Safety Inspection
Husky Energy	<i>MODU GSF Grand Banks</i>	Safety Audit (Training and Competency)
Husky Energy	<i>MODU GSF Grand Banks</i>	Safety Inspection
Husky Energy	<i>MODU Henry Goodrich</i>	Pre-Approval Audit
Husky Energy	<i>SeaRose FPSO</i>	Safety Inspection
Husky Energy	<i>SeaRose FPSO</i>	Emergency Response Audit
MG3	<i>M/V Neptune</i>	Pre-Approval Audit
MKI	<i>M/V Ramform Valiant</i>	Pre-Approval Audit
MKI	<i>M/V EM Leader</i>	Pre-Approval Audit
MKI	<i>M/V Ramform Viking</i>	Pre-Approval Audit
Statoil Canada	<i>M/V Fugro Searcher</i>	Pre-Approval Audit
Statoil Canada	<i>MODU West Hercules</i>	Safety Inspection
Statoil Canada	<i>M/V Maersk Chancellor</i>	Pre-Approval Audit
Statoil Canada	<i>MODU West Hercules</i>	Emergency Response Audit
Suncor Energy	<i>Cougar Heliport</i>	Helicopter Oversight Safety Review
Suncor Energy	<i>Terra Nova FPSO</i>	Safety Audit (Training and Competency)
Suncor Energy	<i>Terra Nova FPSO</i>	Safety Inspection
Suncor Energy	<i>Terra Nova FPSO</i>	Emergency Response Audit

RIGHT TO REFUSE UNSAFE WORK

Offshore workers have the right to refuse work they believe to be unsafe until they are either satisfied with the remedial action taken by the employer, or a Safety Officer has investigated the matter and rendered a decision. In 2015-16, there were no work refusals received by the C-NLOPB.

MONITORING

Following authorization of an Operator's work activity, the Safety Department conducts monitoring activities that include the review of Operators' daily reports, incident reports, complaints, the installation's Workplace Committee meeting minutes and training exemptions against the *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 2015-16, the C-NLOPB reviewed 244 incident reports from Operators.

During the reporting period 5,028,909 hours were worked in the Offshore Area. There were 26 incidents that resulted in a reportable injury or illness, which translates to a Reportable Injury Frequency Rate of 5.17 per million hours worked.

During 2015-16, the C-NLOPB processed six health and safety complaints. A Safety Officer is assigned to assess each complaint, conducts a review of the facts surrounding the event and either takes, or recommends action as necessary and responds to the complainant.

SECURITY OF OFFSHORE FACILITIES

The C-NLOPB works with Transport Canada's Marine Security Inspectors, Company Security Officers, local Government departments and the Maritime Security Operations Centre. In order to facilitate communications, the C-NLOPB has established a semi-annual meeting with the Company Security Officers to discuss security issues of mutual concern. Further refinement and exercising of the C-NLOPB Emergency Response Procedure also took place within the reporting period.

SAFETY OVERSIGHT MANAGEMENT SYSTEM

Progress continued in 2015-16 on the creation of both a formal management system and enhanced computer database system for the Safety Department.

SAFETY FORUMS

The C-NLOPB held two Safety Forums during 2015-16. Several topics were discussed including risk tolerance, risk management, risk reduction, asset integrity, mental health, and offshore helicopter safety.

INTERNATIONAL REGULATORS FORUM

The C-NLOPB participated in the 2015 International Regulators' Forum (IRF) Offshore Safety Conference "From Desktop to Deckplate: A Holistic Approach to Risk Management" held in Washington, D.C. on 19 and 20 October. More than 200 participants from 21 countries attended the conference, which focused on moving safety in the offshore petroleum industry from concepts discussed in the boardroom to effective implementation out in the field. It provided a forum for regulators, industry, academia, federal organizations and other practitioners to openly discuss best practices and industry trends. This year, the IRF Conference featured speakers and panelists from several different industries discussing a holistic approach to risk reduction that could be applied in the

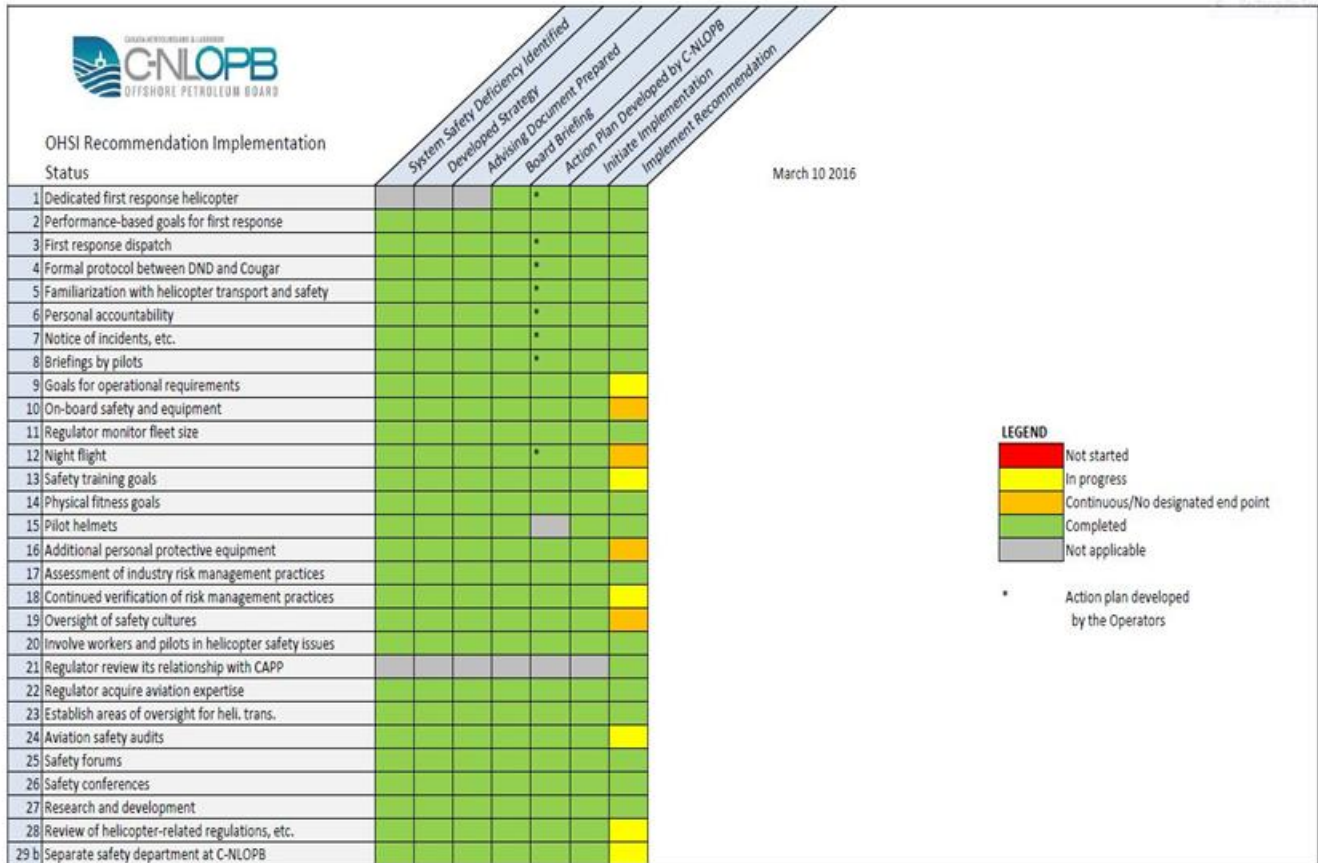
offshore oil and gas sector. The agenda was developed to provide new inspiration for implementing risk reduction strategies offshore.

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

OFFSHORE HELICOPTER SAFETY INQUIRY RECOMMENDATION IMPLEMENTATION

Work continued during 2015-16 on the implementation of recommendations from the Offshore Helicopter Safety Inquiry (OHSI). The chart below illustrates the status of the 29 recommendations.

Chart 1: Status of Implementation of OHSI Recommendations



PROTECTION OF THE ENVIRONMENT

ENVIRONMENTAL PROTECTION PLANS

The Environmental Protection Plan (EPP) is an Operator's plan for all project personnel including contractors and describes the responsibilities, expectations and methodologies for environmental protection associated with an authorized work or activity. When Operators amend their EPPs they provide the C-NLOPB with an opportunity to review and comment on the plans before they are implemented. During the 2015-16 reporting period, 13 EPPs were amended for the following fields or installations:

- HMDC's EPP for the Hibernia Field;
- Husky Energy's EPP for the Henry Goodrich;
- Suncor's check for gas under Temporary Abandonment cap for replacement;
- Suncor's EPP for the Terra Nova Field;
- Suncor's discharges associated with trouble shooting valves C5-P;
- Suncor's check for gas under TA Cap G4-P;
- Suncor's request to discharge Transaqua during work over;
- Suncor's request to discharge Sea tight, a well sealant;
- Suncor's request to discharge of Trans Aqua from QCDC Room;
- Statoil's Function test BOP hydraulic line discharge;
- Statoil's request to discharge testing cement unit;
- ExxonMobil Canada Properties (Hebron) OA for Offshore Loading System (OLS) pipe installation;
- ExxonMobil Canada Properties (Hebron) OA SAL installation;

Husky Energy also updated its Environmental Protection and Compliance Monitoring Plan and Chemical Screening Procedures during the reporting period.

HMDC updated its Environmental Management Plans for the Hibernia South Extension and *Siem Daya*.

STRATEGIC ENVIRONMENTAL ASSESSMENT

During the reporting period the C-NLOPB completed a five year review of the Southern Newfoundland SEA and concluded that an update to the Southern SEA was not required at that time.

Additionally, the C-NLOPB, in collaboration with the Nunatsiavut Government, commenced planning for an update to the August 2008 Labrador Shelf Strategic Environmental Assessment

ENVIRONMENTAL ASSESSMENT

The C-NLOPB assesses the potential environmental effects of petroleum related work or activity proposed for the Offshore Area. Documents relating to all assessments may be found on the C-NLOPB website.

During 2015-16, the C-NLOPB completed Environmental Assessments (EAs) for the following projects in accordance with the *Accord Acts*:

- HMDC's 2D/3D/4D Seismic Projects for the Hibernia Oil and Gas Production Field, 2013 to the remaining life of the Field;
- Suncor Energy Eastern Newfoundland Offshore Area 2D/3D/4D Seismic Program, 2014 to 2024;
- Bridgeport Holdings Ltd. and JEBCO Seismic Company North Flemish Pass Gravity Survey, 2015 to 2019;
- MG3 (Survey) UK Limited Offshore Labrador Geochemical and Seabed Sampling Program, Newfoundland and Labrador Offshore Area, 2015 to 2024;
- WesternGeco Canada Southeastern Newfoundland Offshore Seismic Program, 2015 to 2024; and
- WesternGeco Canada Eastern Newfoundland Offshore Seismic Program, 2015 to 2024

There were seven EAs active as of March 31, 2016:

- Corridor Resources' Exploration Well on the Old Harry Prospect, EL 1105;
- Black Spruce Exploration Corp., and Shoal Point Energy Ltd., Western Newfoundland Drilling Program, 2013 to 2019;
- ARKeX Ltd. and TGS-NOPEC Geophysical Company ASA Labrador Sea Gravity Gradient Survey, 2014 to 2018;
- ExxonMobil Canada Ltd., Eastern Newfoundland Offshore Geophysical, Geochemical, Environmental and Geotechnical Program, 2015 to 2024;
- CGG Services (Canada) Inc., Newfoundland Offshore 2D, 3D and 4D Seismic Program, 2016 to 2025;
- Seitel Canada Ltd. (Seitel) East Coast Offshore Seismic Program, 2016 to 2025; and
- Polarcus UK Ltd., Eastern Newfoundland Offshore 2D, 3D and 4D Seismic Program, 2016 to 2022.

During the reporting period, the C-NLOPB received five amendments to previously completed environmental assessments:

- Multi Klient Invest AS Northeast Newfoundland Slope Seismic Program, 2012 to 2017 to include: concurrent three dimensional activities involving two vessels; onboard incineration of waste; seismic activities in Ecologically and Biologically Sensitive Areas; and for multi-vessel acquisition during a single operation (three separate amendments);
- GX Technology Canada Ltd. GrandSPAN Marine 2D Seismic, Gravity and Magnetic Survey, 2014 to 2018 to include three dimensional activities and concurrent two dimensional activities involving two vessels; and
- ExxonMobil Canada Ltd. Eastern Newfoundland Offshore Geophysical, Geochemical, Environmental and Geotechnical Program, 2015 to 2024 to expand the geographic extent.

COMPLIANCE AND ENFORCEMENT

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

Of the five petroleum spills reported in 2015-16, two were one litre or less. A summary of spill information for 2015-16 is provided in Table 2.

Table 2: Summary of Spill Information for 2015-2016

Component	Litres	Percentage of Annual Total	Number of Incidents
Synthetic Based Mud	143.00	96.55	1
Crude Oil	0.010	0.00675	1
Hydraulic and Lubricating Oil	2.100	1.42	2
Other Petroleum	3.00	2.03	1

At year end, the matter related to a spill of petroleum at or near Hibernia offloading system remained before the Courts. It is alleged that HMDC did cause a spill of crude in the Offshore Area. The matter was referred to the prosecutor after an investigation by C-NLOPB officers. A not guilty plea has been entered by HMDC.

During the reporting period, Environmental Compliance Officers conducted environmental audits of the following installations:

- The *Terra Nova Floating, Production, Storage and Offloading (FPSO) Vessel*, operated by Suncor Energy on the Terra Nova field;
- The *SeaRose FPSO*, operated by Husky Energy on the White Rose field; and
- The Mobile Offshore Drilling Unit (MODU) *West Aquarius*, operated by HMDC on the Hibernia field

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 EEM reports were received from HMDC, Suncor and Husky Energy. The reports are currently being reviewed and comments are being collected for transmittal back to the Operators. Completed EEM reports are available in hard copy from the C-NLOPB, with more recent reports available through the C-NLOPB website.

ENVIRONMENTAL STUDIES RESEARCH FUNDS

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

- Biodegradation of Chemically Dispersed and Non-Chemically Dispersed Oil;
- Biodegradation of Chemically Dispersed and Non-Chemically Dispersed Condensate; and
- Characterization of Ocean Currents, Variability and Dispersion in the Vicinity of Sackville Spur.

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

- Mid-Labrador Marine Megafauna and Acoustic Surveys on the Labrador Coast;
- Baseline Surveys for Seabirds on the Labrador Sea;
- Simulation of the Fate and Detectability of Dead Seabirds;
- Effect of Platform Discharges on Juvenile Fish in the Field;
- Development, Validation and Implementation of an Operational Ocean Forecasting System for the Grand Banks and Orphan Basin for Daily Operational Delivery at the Canadian Meteorological Centre;
- Assessment of the Potential Risks of Seismic Surveys to Affect Snow Crab Resources;
- Acoustic Modelling and Monitoring on Canada's East Coast;
- Assessing the Quality of Marine Mammal Detection using Three Complimentary Methods; and
- Realistic Oil Spill and Mitigation Exposure Scenario Effects on Commercially Harvested Species.

Further information on the ESRF is available at www.esrfunds.org.

OFFSHORE OPERATIONS

WELL OPERATIONS

The C-NLOPB continued to exercise oversight of industry's well operations activities throughout 2015-16. 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.

The C-NLOPB processed four applications (including two amendments) for OA, 16 applications for ADW, 12 applications for ACW and 27 well termination notifications in 2015-16.

SPECIAL OVERSIGHT OF DEEPWATER OPERATIONS

The C-NLOPB continued its special oversight measures for deepwater wells (considered by the Board to be any well drilled in a water depth in excess of 500 metres). Special oversight measures primarily focused on well control, kick detection, blowout preparedness, and oil spill response. A special oversight team under the leadership of the C-NLOPB's Chief Safety Officer and the Director of Operations, and supported by a multi-disciplinary technical team, continued to critically assess the adequacy of Operator's deepwater drilling programs and to exercise close oversight of operations from spud to abandonment/suspension. Formal bi-weekly meetings with the Operator, daily submission of reports, scrutiny of primary and back-up Blowout Preventer (BOP) testing and increased presence of C-NLOPB's Well Operations Engineers to witness critical operations offshore were key elements of the special oversight activities.

During 2015-16, eight wells required special oversight as each of these met the C-NLOPB's criteria of a deepwater well. One well was subjected to "intensified" special oversight measures due to ultra-deepwater (2828 meters).

A formation flow test was also approved for an exploration well at Bay-du-Nord. Staff participated in oversight of the test onboard the *West Hercules*.

SPECIAL OVERSIGHT OF MATURE DEVELOPMENTS

Special focus was also placed on implementing additional oversight of the well integrity of mature developments to monitor Operator's management of a minimum of two tested well barrier envelopes in place at all times. Additionally, staff increased focus on the number of well impairments being observed, and conducted bi-weekly sessions with Operators (as needed) to place heightened attention to their efforts to shorten repair times for these impairments.

As a new initiative, H₂S workshops were conducted to review considerations for souring of the more mature fields. These sessions focused on personnel safety, training and detection methods, prevention techniques, and equipment limitations. A review of specifications and limitations of all the

equipment exposed to flow was conducted; including wellbore equipment, subsea piping and risers, topsides and processing facilities.

A H₂S workshop session was also held to discuss Hebron’s preparedness to manage the anticipated H₂S formation within certain pools. This included a review of potential souring prevention activities, as well as a review of the facility and well equipment design to understand the Operator’s application of the NACE MR0175 sour service limitations.

INTERNATIONAL COLLABORATION

The C-NLOPB’s Well Operations Engineers exercised 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 International Regulators Forum (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.

CERTIFICATION PROCESS

The C-NLOPB’s Certification Engineers received periodic reports and met regularly with the Certifying Authorities (CAs) as part of the process for overseeing certification activities. During 2015-16, the activities of the CA were monitored for the following installations:

Table 3: Certification Activities monitored for 2015-2016

Installation Name	Installation Type	Certifying Authority
Hibernia Platform	Production	Lloyd’s Register North America Inc
Hebron Platform	Production	Det Norske Veritas – Germanischer Lloyd
<i>SeaRose FPSO</i>	Production	Det Norske Veritas – Germanischer Lloyd
<i>Terra Nova FPSO</i>	Production	Lloyd’s Register North America Inc
Husky Wellhead Platform	Production	Det Norske Veritas – Germanischer Lloyd
<i>GSF Grand Banks</i>	Drilling	Det Norske Veritas – Germanischer Lloyd
<i>Henry Goodrich</i>	Drilling	Det Norske Veritas – Germanischer Lloyd
<i>West Aquarius</i>	Drilling	Det Norske Veritas – Germanischer Lloyd
<i>West Hercules</i>	Drilling	Det Norske Veritas – Germanischer Lloyd
<i>West Mira</i>	Drilling	Det Norske Veritas – Germanischer Lloyd

A special initiative from the previous fiscal year was continued to ensure that the scopes of work for the certification of prescribed installations are updated to reflect the transitional Occupational Health and Safety (OHS) regulations that came into force on December 31, 2014. Focus was also placed on

harmonizing the scopes of work between installations and among the CAs so that best practices are applied to the certification process. A particular focus during the 2015-2016 fiscal year was to monitor that installation owners and the CAs had developed and implemented performance standards and respective verification elements for all Safety and Environmentally Critical (SEC) elements on their installation. Six scopes of works were assessed during the 2015-2016 fiscal year.

ASSET INTEGRITY

Production installations in the Offshore Area range from 12 to 20 years old. Aging infrastructure poses challenges to Operators in the maintenance and repair of equipment and matching new equipment and systems to that which was manufactured many years ago.

In conjunction with the Certifying Authorities, the C-NLOPB monitors Operators' maintenance plans and activities, and inspects the facilities to have confidence that risks are appropriately managed by Operators and plans are executed to keep the facilities in an appropriate state of repair. Asset integrity continues to be a key focus area and a high priority in terms of the oversight of certification activities. Special attention has been paid to temporary repairs as well as review of the scope of the maintenance, repair and replacement activities during the annual turn-around periods to have confidence that these are both comprehensive and complete.

A special initiative was commenced during the fiscal year to critically assess shutdown scopes of work for production installations to independently review how all safety critical items are identified for inclusion in the scope of work for annual turnarounds; be satisfied that no regulatory items get overlooked, enable a critical examination of the operator's work scopes for turnaround periods to assess if they are meeting or exceeding expectations of the C-NLOPB; and provide a basis for assessing the adequacy of the turnaround scopes of work.

SUBSTITUTIONS, EQUIVALENCIES OR EXEMPTIONS

The Chief Safety Officer (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 4 outlines the Regulatory Query activity for this past fiscal year.

Table 4: Regulatory Query activity for 2015-16

Status	Number of equivalencies, substitutions or exemptions
Applications Received	266
Applications Processed	220
Approved	146
Rejected	1
Withdrawn	46
Not Required	27
Still Under Consideration	74

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

In consideration of the Part III.1 OHS provisions in the *Atlantic Accord Acts* and regulations, the regulatory query process reflects the need to post any applications for substitutions against the transitional OHS regulations at the workplace and to make them available for public comment on the C-NLOPB website. At the same time, the process provides clarity of expectations regarding the lines of communication as well as the quality and completeness of applications. Codes and standards that have been accepted for use on numerous occasions continue to be an area of focus in respect to reforms to the Regulatory Query process.

RIGHTS MANAGEMENT

CALLS FOR NOMINATIONS

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

Table 5: Calls for Nominations, 2015-2016

Call for Nominations	Issuance Date	Closing Date
NL15-01LS (Areas of Interest)	February 3, 2015	April 30, 2015
NL15-01SEN (Areas of Interest)	February 3, 2015	April 30, 2015
NL15-01EN (Parcels)	August 25, 2015	October 20, 2015
NL15-01JDA (Parcels)	August 25, 2015	October 20, 2015
NL16-CFN01 (Areas of Interest)	January 25, 2016	April 27, 2016*
NL16-CFN02 (Areas of Interest)	January 25, 2016	April 27, 2016*
NL16-CFN03 (Parcels)	January 25, 2016	March 16, 2016

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

CALLS FOR BIDS

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

Table 6: Calls for Bids, 2015-2016

Call for Bids	Parcels Offered	Closing Date	Successful Bid (work expenditure commitments)
NL15-01EN (Eastern Newfoundland)	11	November 12, 2015	\$1,204,953,713
NL16-CFB01 (Eastern Newfoundland)	13	November 9, 2016	-
NL16-CFB02 (Jeanne d'Arc)	3	November 9, 2016	-

STATUS OF LICENCES

The C-NLOPB issues land rights in the form of exploration licences (ELs), significant discovery licences (SDLs) and production licences (PLs). Seven ELs and two SDLs were issued in the 2015-16 fiscal year. Three ELs were relinquished and two ELs were surrendered in the 2015-16 fiscal year. As of March 31, 2016, there were 29 ELs, 56 SDLs and 11 PLs in the Offshore Area (see pages 22 and 23).

The Board extended Period I of Corridor Resources' EL 1105 to provide additional time to complete the environmental assessment of the proposed exploratory drilling project, including appropriate public and Aboriginal consultations.

In January 2016, Period I was extended for Exploration Licences 1105 and 1120, held by Corridor Resources Ltd. and Black Spruce Exploration Ltd., respectively.

SIGNIFICANT DISCOVERY LICENCES

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

OPERATING LICENCES

Any person wishing to undertake any petroleum related work or activity in the Offshore Area must obtain an Operating Licence (OL). Table 7 shows the 20 OLs issued by the C-NLOPB during the 2015-16 fiscal year.

Table 7: Operating Licences issued during Fiscal Year 2015-2016

Operating Licence	Operator
1. OL 1501	Statoil Canada Ltd.
2. OL 1502	Husky Oil Operations Limited
3. OL 1503	GX Technology Canada Ltd.
4. OL 1504	Electromagnetic Geoservices Canada Inc.
5. OL 1505	Imperial Oil Resources Limited
6. OL 1506	Imperial Oil Resources Ventures Limited
7. OL 1507	Suncor Energy Inc.
8. OL 1508	Schlumberger Canada Ltd., as Managing Partner of WesternGeco Canada
9. OL 1509	Multi Klient Invest AS
10. OL 1510	Shell Canada Limited
11. OL 1511	Ptarmigan Energy Inc.
12. OL 1512	Hibernia Management and Development Company Ltd.
13. OL 1513	ExxonMobil Canada Ltd.
14. OL 1514	ExxonMobil Canada Ltd. as Managing Partner for ExxonMobil Canada Properties
15. OL 1515	Chevron Canada Limited
16. OL 1516	Chevron Canada Limited, as Managing Partner of Chevron Canada Resources
17. OL 1517	Shoal Point Energy Ltd.
18. OL 1518	Black Spruce Exploration Corp.
19. OL 1519	Corridor Resources Inc.
20. OL 1520	MG3 (Survey) UK Ltd.

REGISTRY OFFICE

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

FUNDS COLLECTED

Under the *Accord Acts*, the C-NLOPB is responsible for the collection of certain fees, forfeitures and rentals. In 2015-16, \$16,339,934.78 was collected and remitted to the Receiver General for Canada (see Table 8). Since its inception, the C-NLOPB has collected \$258,771,925.77 on behalf of the Crown.

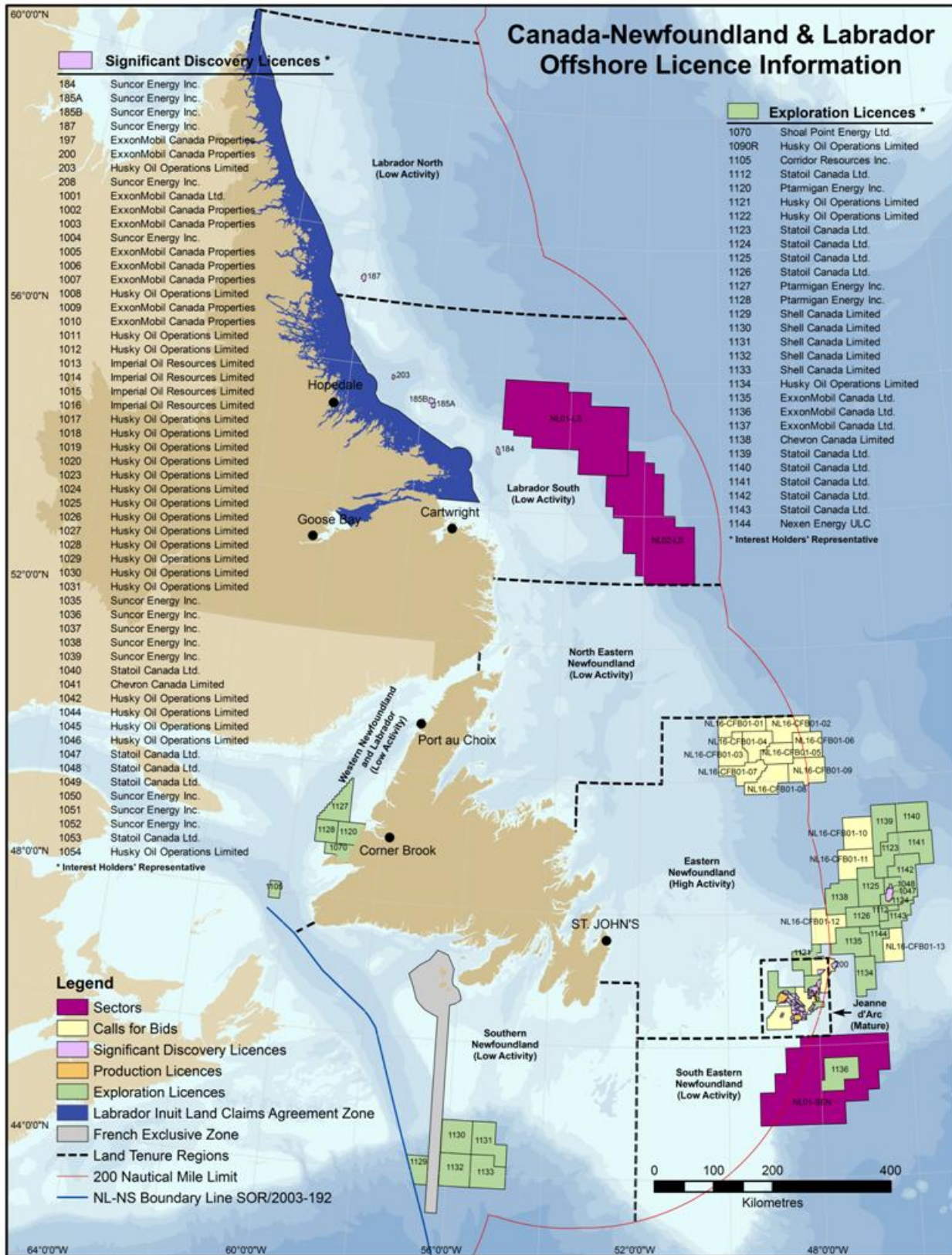
Table 8: Funds collected on behalf of the Receiver General for Canada for Fiscal Year 2015-2016

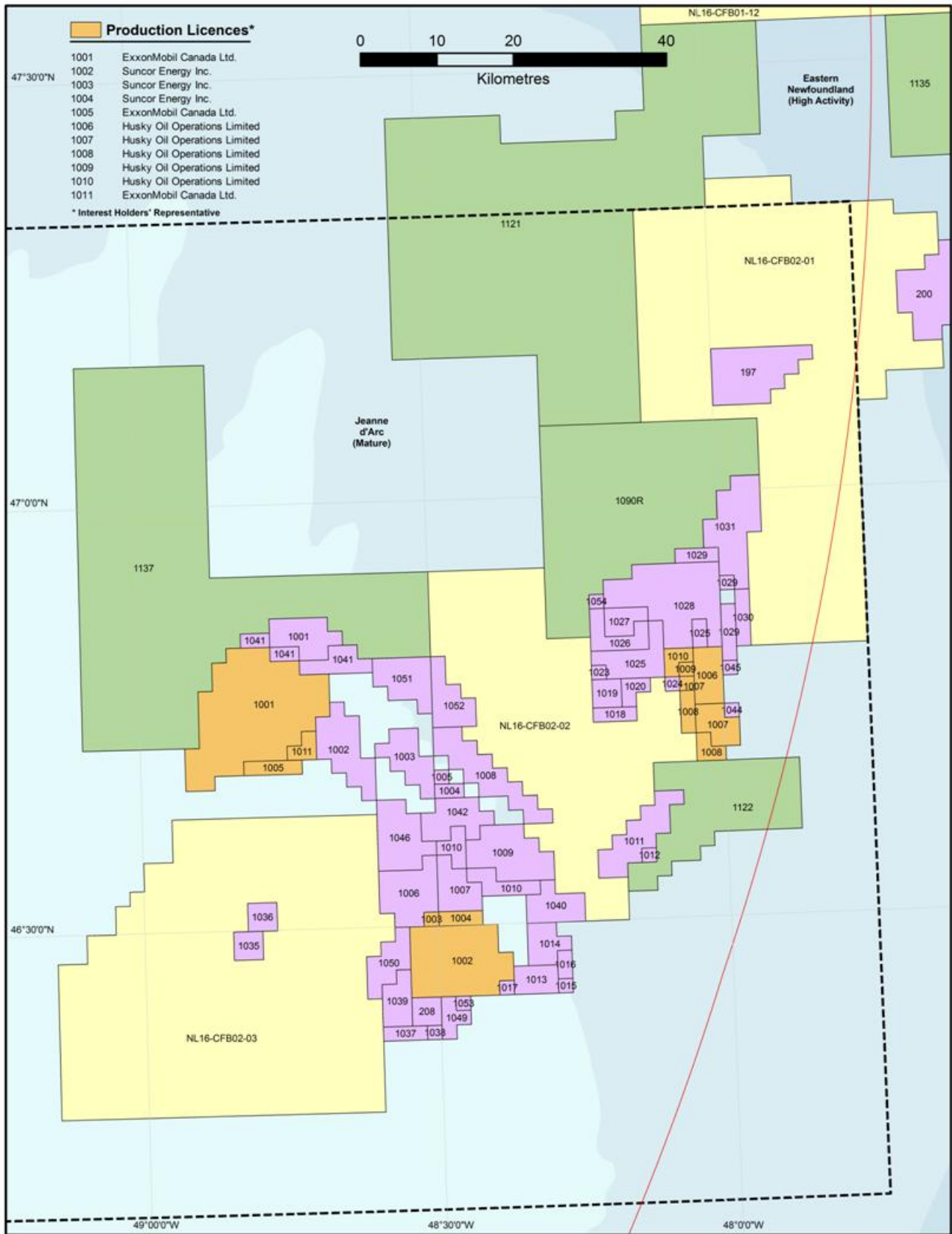
Fees, Forfeitures and Rentals	Amount Collected
Rentals	\$257,530.85
Forfeitures (Security Deposits)	\$11,062,293.93
Operating Licences	\$525.00
Registry Fees	\$19,545.00
Access to Information Requests	\$40.00
Forfeitures (Drilling Deposits)	\$5,000,000.00
Total	\$16,339,934.78

UNCLOS CAVEAT

Any sector, parcel or licence depicted on the following map, (found on pages 22 and 23), beyond Canada's 200 nautical mile exclusive economic zone off is not represented by the Board to reflect the full extent of Canada's extended continental shelf. Canada has filed a submission regarding the limits of the Outer Continental Shelf in the Atlantic Ocean with the Commission on the Limits of the Continental Shelf, the review of which is pending. Any call for bids based on a sector or parcel identified in this map and any licences issued in those areas will be subject to approval as a Fundamental Decision under applicable legislation. The boundaries of sectors, parcels or licences in areas beyond 200 nautical miles may be revised to reflect the limits of the Outer Continental Shelf established by Canada. All interest holders of production licences containing areas beyond 200 nautical miles may be required, through legislation, regulation, licence terms and conditions, or otherwise, to make payments or contributions in order for Canada to satisfy obligations under Article 82 of the United Nations Convention on the Law of the Sea.

SUPPLEMENT





MANAGEMENT OF RESOURCES

DATA STORAGE AND RESEARCH

The C-NLOPB's Core Storage and Research Centre (CSRC) archives core, cuttings, fluid samples, petrographic slides, biostratigraphic slides, and other geological material derived from wells drilled in the Offshore Area. Currently there are approximately 8,000 m of core, 7,500 sidewall core samples, 5,500 boxes of cuttings samples, 200 fluid samples and 40,000 geological slides from over 400 wells available at the CSRC. The CSRC provides public access to materials once the legislated privilege period has expired.

During this reporting period, the CSRC received 180 boxes of cuttings and approximately 240 m of core, and was utilized for 88 days for material viewing, from which over 6900 boxes of material were retrieved. Of those viewing days, 74 percent were by industry, 13 percent by governments and 13 percent by educational institutions.

GEOSCIENTIFIC PROGRAMS

The C-NLOPB reviewed and authorized nine applications for geophysical and geological programs with field work in the Offshore Area in 2015-16.

Table 9: Geoscientific programs with fieldwork authorized during Fiscal Year 2015-16

Operator	Program	Region	Seismic CMP Km	Other Km	Gravity/Magnetic Km
HMDC	4D Seismic	JDA	90 818.1	N/A	N/A
MG3	Geochemical	LS, NEN, and EN	N/A	136 Samples, 6 176	N/A
MKI	2D Seismic	LS and NEN	9 951	N/A	9 951
MKI	3D Seismic	EN	166 219.4	N/A	N/A
MKI	3D Seismic	EN	211 734.4	N/A	N/A
MKI	2D Seismic	EN and NEN	2 483	N/A	2 483
MKI	2D Seismic	SN and SEN	14 403.9	N/A	14 403.9
Statoil	Seabed Survey	EN	N/A	2 672.1	N/A
Statoil	Geotechnical	EN	N/A	20 Locations	N/A

Note: Other Km includes data such as sidescan sonar, multibeam, bathymetry and CSEM.

Tables Key

CMP = Common Midpoint Kilometres
 HMDC = Hibernia Management and Development Company Ltd.
 EN = Eastern Newfoundland
 LN = Labrador North
 NEN = North Eastern Newfoundland
 SN = Southern Newfoundland

CSEM = Controlled Source ElectroMagnetics
 MKI = Multi Klient Invest
 JDA = Jeanne d'Arc
 LS = Labrador South
 SEN = South Eastern Newfoundland

In addition, 20 applications for geological programs without fieldwork were authorized during this reporting period by the C-NLOPB. Those studies used materials stored and managed at the CSRC.

Table 10: Geological programs without fieldwork authorized during Fiscal Year 2015-16

Company	Study Type (Numbers)	Region
Chemostrat	Chemostratigraphy	EN and JDA
ConocoPhillips	Petrographic	EN
ConocoPhillips	Source Rock	EN and JDA
ExxonMobil	Biostratigraphic	JDA
ExxonMobil	Reservoir Quality	EN
Fluid Inclusion Technologies	Fluid Inclusion	SN
Geological Survey of Canada (GSC)	Palynological (2)	LN
Geological Survey of Denmark and Greenland (GEUS)	Thermochronological	LN, LS, NEN, EN, and SEN
Husky Energy	Provenance and Geochronology	JDA
Memorial University of Newfoundland and Labrador	Enhanced Oil Recovery	JDA
Nalcor Energy	Biostratigraphic	SEN, and SN
Nalcor Energy	Fluid Inclusion (2)	LN, LS, EN, and SN
Nexen Petroleum	Regional Rock Evaluation	EN and JDA
Petrostrat	Biostratigraphic	EN and JDA
Robertson	Regional Reservoir Quality	EN and SEN
Rockwash	Cuttings Digital Imaging	EN and JDA
Rockwash	Conventional Core and Cuttings Imaging	LN, LS, EN, JDA, SEN, and SN
Statoil	Regional Provenance	SEN and SN

RESOURCE ASSESSMENT AND PRODUCTION

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

Table 11: Resource Assessment and Production

Petroleum Reserves ¹ and Resources ² – Canada-Newfoundland and Labrador Offshore Area				
Field	Oil		Gas	NGLs ⁶
	Initial Estimate MMbbls ³	Produced ⁴ MMbbls	BSCF ⁵	MMbbls
Grand Banks				
Reserves				
Hibernia	1644	963		
Hebron	707	0		
Terra Nova	506	382		
White Rose ⁷	404	215		
North Amethyst ⁸	75	44		
Subtotal	3336	1604		
Resources				
Hibernia	-		2353	225
Terra Nova ⁹	22		64	5
White Rose ⁷	22		3018	92
North Amethyst	-		315	-
Ben Nevis	252		429	30
Mizzen	102		-	-
West Ben Nevis	36		-	-
West Bonne Bay	36		-	-
Mara	23		-	-
North Ben Nevis	18		116	4
Springdale	14		238	-
Nautilus	13		-	-
King's Cove	10		-	-
South Tempest	8		-	-
East Rankin	7		-	-
Fortune	6		-	-
South Mara	4		144	8
North Dana	-		472	11
Trave	-		30	1
Ballicatters	-		1143	21
Subtotal	573		8322	397
Labrador Shelf				
North Bjarni	-		2247	82
Gudrid	-		924	6
Bjarni	-		863	31
Hopedale	-		105	2
Snorri	-		105	2
Subtotal	0		4244	123
Total	3909		12 566	520
Produced		1604	0	0
Remaining	2305		12 566	520

Notes for Table 11

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

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

³ MMbbls = million barrels.

⁴ Produced oil reserve volumes as of March 31, 2016. This also includes a small quantity of NGLs⁶.

⁵ BSCF = billion standard cubic feet.

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

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

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

⁹ Terra Nova resources include the West Flank.

HIBERNIA

The Hibernia Field, discovered in 1979, consists of three principal reservoirs: the Hibernia, Ben Nevis/Avalon and Catalina formations. The Hibernia Field is operated by HMDC and is produced using the Hibernia Platform. Total oil production for 2015-16 was 34.23 million barrels (MMbbls) with a daily average of 93,533 barrels (bbls).

The C-NLOPB estimates oil reserves at the Hibernia Field to be 1,644 MMbbls. As of March 31, 2016, 962.82 MMbbls were produced.

Table 12: Hibernia Field Production Statistics for 2015-2016

		2015-16	Cumulative to March 31, 2016
Production			
Oil	MMbbls	34.23	962.82
Gas	Bscf	85.69	1543.87
Water	MMbbls	39.38	511.20
Gas Disposition			
Flared	Bscf	2.38	90.70
Fuel	Bscf	4.98	96.95
Injected	Bscf	78.38	1356.29
Water Injected	MMbbls	68.82	1392.02

TERRA NOVA

The Terra Nova Field, discovered in 1984 and operated by Suncor Energy, consists of one reservoir: the Jeanne d'Arc Formation. Total production for 2015-16 at the Terra Nova Field reached 10.64 MMbbls. The *Terra Nova FPSO* produced an average of 29,077 bbls/day during the past fiscal year. The C-NLOPB estimates oil reserves and resources at the Terra Nova Field to be 528 MMbbls. As of March 31, 2016, 382.29 MMbbls have been produced.

Table 13: Terra Nova Field Production Statistics for 2015-2016

		2015-16	Cumulative to March 31, 2016
Production			
Oil	MMbbls	10.64	382.29
Gas	Bscf	43.11	626.04
Water	MMbbls	28.76	275.93
Gas Disposition			
Flared	Bscf	1.83	56.74
Fuel	Bscf	4.09	57.57
Injected	Bscf	37.19	511.74
Lift	Bscf	10.34	94.02
Water Injected			
	MMbbls	37.41	631.79

WHITE ROSE

The White Rose Field, discovered in 1984 and operated by Husky Energy, has one principal reservoir: the Ben Nevis/Avalon Formation and a secondary reservoir, the Hibernia Formation. Total oil production at the White Rose Field for the reporting period was 13.82 MMbbls. The White Rose Field averaged 37,762 bbls/day.

During 2015-2016, the C-NLOPB conducted a reassessment of reserves and resources at the White Rose Field. An updated estimate of oil reserves and resources is 426 MMbbls, which includes the South Avalon Pool, the South White Rose Pool, the West White Rose Pool, North Avalon Pool and the Hibernia Formation. As of March 31, 2016, 215.26 MMbbls had been produced.

A Development Plan Amendment application requesting approval of the White Rose Extension Project (WREP) was received in the 2013-14 fiscal year and conditionally approved in 2015. The WREP includes construction and operation of a wellhead platform for oil production from the West White Rose Pool and other potential resources.

Table 14: White Rose Field Production Statistics for 2015-2016

		2015-16	Cumulative to March 31, 2016
Production			
Oil	MMbbls	13.82	215.26
Gas	Bscf	18.74	201.44
Water	MMbbls	13.94	119.84
Gas Disposition			
Flared	Bscf	1.74	32.50
Fuel	Bscf	3.48	29.13
Injected	Bscf	13.33	139.61
Lift	Bscf	11.88	78.31
Water Injected			
	MMbbls	35.00	458.38

NORTH AMETHYST

The North Amethyst Field, discovered in 2006, is a satellite field adjacent to the White Rose development operated by Husky Energy and produced using the *SeaRose FPSO*. Reserves in the North Amethyst Field are contained within two reservoirs, the Ben Nevis/Avalon Formation and Hibernia Formation, and are estimated by the C-NLOPB to be 75 MMbbls. Of this, 43.79 MMbbls have been produced as of March 31, 2016. Total production at the North Amethyst Field for 2015-16 was 3.03 MMbbls and average daily production was 8,280 bbls/day.

Table 15: North Amethyst Field Production Statistics for 2015-2016

		2015-16	Cumulative to March 31, 2016
Production			
Oil	MMbbls	3.03	43.79
Gas	Bscf	2.44	32.17
Water	MMbbls	12.13	47.99
Gas Disposition			
Flared	Bscf	0.22	3.29
Fuel	Bscf	0.47	5.86
Injected	Bscf	1.75	23.02
Lift	Bscf	10.00	28.91
Water Injected			
	MMbbls	16.60	115.73

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

HEBRON

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

INDUSTRIAL BENEFITS ADMINISTRATION

In 2015-16, 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). Information relating to implementation of benefits plans is available from each operator.

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

Analysis of an amendment to the White Rose benefits plan and related socio-economic impact statement was completed in 2015 for the White Rose Extension Project. Staff recommended conditional approval of both items following the submission of strategies to monitor and mitigate potential traffic issues in the Argentia area, as well as a plan to ensure workers have appropriate accommodations should the local market not be able to meet housing needs. The Board approved the White Rose benefits plan amendment subject to these two conditions being met. To date, staff has received a response to the condition regarding traffic studies which is now being reviewed at year end.

During 2015-16, staff undertook revision of the Benefits Plan Guidelines, which included the R&D/E&T Guidelines. These were last updated in 2006 and 2004, respectively. After administering the current guidelines for the past decade, staff made a number of proposed changes to the entire suite of guidelines to reflect lessons learned and current practices. Public consultation was sought during the first quarter of 2016, with staff now finalizing the guidelines for Board approval.

EXPENDITURE AND EMPLOYMENT DATA

During the 2015 calendar year, Operators reported expenditures of \$5.8 billion related to work in the Offshore Area. Since 1966, cumulative expenditures total \$51.4 billion.

As of December 31, 2015, 9,392 Newfoundland and Labrador and other Canadian residents were working in direct support of petroleum-related activity in the Offshore Area.

During 2015, \$836.7 million was spent on exploration programs generating 6,951 person-months of employment. On-going production activities accounted for expenditures of \$2.1 billion in 2015, of which approximately 54 percent of annual expenditures occurred in Newfoundland and Labrador and a further 23 percent in the rest of Canada.

Tables 16, 17, 18, and 19 summarize the participation of Newfoundland and Labrador residents and other Canadians in the production phase at Hibernia, Terra Nova, White Rose/North Amethyst and Hebron projects respectively.

HIBERNIA MANAGEMENT AND DEVELOPMENT COMPANY LTD.

HMDC reported expenditures of \$1.2 billion for the 2015-16 fiscal year, with 63 percent Canadian content including 38 percent Newfoundland and Labrador content.

As of March 31, 2016, total direct employment in the province in support of the Hibernia project was 2,099 persons. Of this amount, 86 percent of the workers were Newfoundland and Labrador residents at the time of hire, and nine percent were other Canadian residents.

Table 16: Hibernia Employment (as of March 31, 2016)

Location	Residency			
	Newfoundland and Labrador	Other Canadians	Non-Canadians	Total
Onshore Operations	829	108	58	995
Offshore Operations	979	79	46	1,104
Total	1,808	187	104	2,099

TERRA NOVA

Suncor Energy reported expenditures of \$336 million for the fiscal year 2015-16, with 76 percent Canadian content including 55 percent Newfoundland and Labrador content.

As of March 31, 2016, total direct employment in support of the Terra Nova project was 840 persons. At the time of hire, 93 percent of this total was Newfoundland and Labrador residents and five percent were other Canadian residents.

Table 17: Terra Nova Employment (as of March 31, 2016)

Location	Residency			
	Newfoundland and Labrador	Other Canadians	Non-Canadians	Total
Onshore Operations	458	24	17	499
Offshore Operations	320	20	1	341
Total	778	44	18	840

WHITE ROSE/NORTH AMETHYST

Husky Energy reported expenditures of \$619 million for the fiscal year 2015-16, with 91 percent Canadian content including 66 percent Newfoundland and Labrador content.

As of March 31, 2016, total direct employment in support of the White Rose/North Amethyst projects was 1,159 persons. At the time of hire, 89 percent of this total was Newfoundland and Labrador residents and six percent were other Canadian residents.

Table 18: White Rose/North Amethyst Employment (as of March 31, 2016)

Location	Residency			
	Newfoundland and Labrador	Other Canadians	Non-Canadians	Total
Onshore Operations	751	46	57	854
Offshore Operations	283	21	1	305
Total	1,034	67	58	1,159

HEBRON

Of the expenditures reported by ExxonMobil during the fiscal year of 2015-16, total Canadian content was 62 percent, including 57 percent Newfoundland and Labrador. As of March 31, 2016, total direct employment in support of the Hebron project was 8,662 persons. At the time of hire, 40 percent of this total was Newfoundland and Labrador residents and one percent was other Canadian residents.

Table 19: Hebron Employment (as of March 31, 2016)

Location	Residency			
	Newfoundland and Labrador	Other Canadians	Non-Canadians	Total
Newfoundland & Labrador	3,410	103	163	3,676
Other Canada	-	10	1	11
Outside Canada	15	12	4,948	4,975
Total	3,425	125	5,112	8,662

RESEARCH AND DEVELOPMENT, EDUCATION AND TRAINING

The C-NLOPB continued to monitor industry's obligations to carry out R&D and E&T in the province. Expenditures for the 2015 calendar year were reviewed to determine eligibility with the C-NLOPB's guidelines. Based on a review of work expenditure reports, it was determined that approximately \$74 million was spent on eligible R&D and E&T during 2015, bringing the total to approximately \$401 million since the C-NLOPB's guidelines came into effect on April 1, 2004. Expenditures for the 2015 calendar year are required to be reported by March 31, 2016 and will be presented in the 2016-17 annual report.

A breakdown of 2015 eligible expenditures for each project is provided in Table 20:

Table 20: Project Eligible Expenditures for 2015 (\$ millions)

Location	Research & Development	Education & Training	Total
Hibernia	\$38.11	\$3.76	\$41.87
Terra Nova	\$9.82	\$3.05	\$12.87
White Rose/North Amethyst	\$12.65	\$3.25	\$15.90
Hebron	\$1.10	\$2.57	\$3.67
Total	\$61.68	\$12.63	\$74.31

The C-NLOPB continued to advise Operators of their annual expenditure obligations using the benchmarks established in C-NLOPB guidelines. Reconciliation of expenditures versus obligations is

undertaken prior to the renewal of an OA. This normally occurs every three years, which is the term of a typical authorization.



REGULATORY AFFAIRS

OFFSHORE HEALTH AND SAFETY LEGISLATION

New offshore health and safety legislation and the accompanying transitional OHS regulations came into force on December 31, 2014. Governments have begun the process of creating a modern set of regulations for OHS in Canada's Accord areas within five years from the passage of amending legislation, which will replace the transitional regulations. C-NLOPB staff are participating in a Project Team which oversees the development of these modernized OHS regulations, as well as the technical working group which provides advice to governments.

ENHANCED SAFETY, SECURITY AND ENVIRONMENTAL PROTECTION

Amendments to the *Accord Acts* included new requirements for increased financial responsibility and resources, introduced an administrative monetary penalty regime, provided the ability to cost recover expenditures from industry and provided the C-NLOPB and other Canadian offshore regulatory boards with the power to allow the use of certain spill treating agents.

Arising from these amendments is the need to develop a suite of new regulations. During 2015-16, C-NLOPB staff participated in a Project Team which oversees the progress of the development of policy and regulations. Staff also participated in technical working groups responsible for providing policy advice to governments relating to the development of regulations for financial responsibility and resource requirements, cost recovery and administrative monetary penalties.

FRONTIER AND OFFSHORE REGULATORY RENEWAL INITIATIVE

Natural Resources Canada (NRCan), in partnership with provincial and territorial governments, and regulatory agencies is undertaking a Frontier and Offshore Regulatory Renewal Initiative (FORRI). FORRI's objective is to modernize frontier and offshore petroleum regulations by adopting a goal-oriented approach where appropriate. The modern regulations will then be consolidated into a single regulation called a Framework Regulation. During 2015-16, C-NLOPB staff participated on both the Project Team and technical working group for the Newfoundland Offshore Petroleum Installations Regulations and the Newfoundland Offshore Certificate of Fitness Regulations to begin the process of modernizing these regulations.

MEMORANDA OF UNDERSTANDING

Staff also participated in updating several Memoranda of Understanding (MOU) as a result of recommendations from the Commissioner of the Environment and Sustainable Development Auditor General's Report. The updated MOUs included those with the Petroleum Safety Authority in Norway, Environment Canada, and the Canadian Transportation Accident Investigation and Safety Board (TSB).

AUTHORIZATIONS

During 2015-16, C-NLOPB staff coordinated the issuance of 12 authorizations which are captured in Table 21.

Table 21: Authorizations issued by the C-NLOPB 2015-16

Operator	Authorization Type	Installation/Vessel
HMDC	Operations Authorization (Renewal)	<i>Hibernia GBS</i>
HMDC	Operations Authorization (Construction)	<i>M/V Siem Daya 1</i>
HMDC	Geophysical Program Authorization	<i>M/V Trident and Tasman</i>
MG3	Geological/Geotechnical/Environmental Authorization	<i>M/V Neptune</i>
MKI AS	Geophysical Program Authorization (Northeast NL Slope)	<i>M/V Sanco Spirit</i>
MKI AS	Geophysical Program Authorization (Labrador)	<i>M/V Sanco Spirit</i>
MKI AS	Geophysical Program Authorization (Southern Grand Banks)	<i>M/V Atlantic Explorer</i>
MKI AS	Geophysical Program Authorization (Northeast NL Slope)	<i>M/V Ramform Viking</i>
MKI AS	Geophysical Program Authorization (Northeast NL Slope)	<i>M/V Ramform Valiant</i>
MKI AS	Geophysical Program Authorization (Labrador)	<i>M/V Ramform Viking</i>
Statoil	Wellsite Survey	<i>M/V Fugro Searcher</i>
Statoil	Geological/Geotechnical/Environmental Authorization	<i>M/V Maersk Chancellor</i>

Support Services

During 2015-16, the C-NLOPB received 534 requests for information from external parties through its Information Resources Centre. These requests were primarily related to access to non-privileged offshore petroleum technical data provided to the C-NLOPB by Operators. These did not require formal applications under the *Access to Information Act*. The C-NLOPB received 10 formal requests and two formal consultation requests under the *Access to Information Act* during 2015-16. As required by the *Access to Information Act*, a separate annual report on the C-NLOPB's administration of the *Act* during 2015-16 will be tabled in Parliament in 2016.

The C-NLOPB leased additional office space in the TD Place Building. Once renovations are complete the office space will provide a dedicated work space for the C-NLOPB Safety Department.

The C-NLOPB provided administrative and logistical support to the Oil & Gas Committee hearings which were held at the Sheraton Hotel, St. John's during July 2015 and January 2016.

The Board formulated new cost recovery guidelines in conjunction with Canada-Nova Scotia Offshore Petroleum Board (CNSOPB) to coincide with the promulgation of the new Canada-Newfoundland and Labrador Offshore Petroleum Cost Recovery Regulations.

Table 22 summarizes the 565 regulatory review, licencing, auditing and approval activities associated with the C-NLOPB's ongoing objectives during 2015-16. In addition to these regulatory actions, 10 fundamental decisions were made by the C-NLOPB in 2015-16, 9 of which were subsequently approved by Governments.



Table 22: Regulatory Review, Licencing, Auditing and Approval Activities for 2015-2016

Activity	Number
Applications for Regulatory Equivalency	264
Approval to Alter the Condition of a Well	12
Approval to Drill a Well	16
Benefits Plans Approvals (new or amended)	10
Commingled Production Approval	2
Diving Program Authorization	0
Environmental Assessments (new, amended or updated)	14
Environmental Audits and Inspections	1
Exploration Licences (new or amended)	29
Field Data Acquisition Program Approval	0
Flow System Application Approval	1
Flow System (Metering) Audits/Witness	6
Formation Flow Test Program Approval	1
Gas Flaring Approvals	3
Geological Programs (without field work)	20
Geophysical Operations Authorization (with field work)	9
Geophysical Program Authorization (without field work)	0
Geotechnical Program Authorization	1
Notices of Non-Compliance	4
Operations Authorization (new or amended)	4
Operating Licences	20
Pooling Designation	0
Production Licences (new or amended)	11
Safety Assessments	20
Safety Audits/Inspections	28
Significant Discovery Licences (new or amended)	56
Strategic Environmental Assessments	0
Work Refusals Investigated	0
Offshore Worker Complaints Reviewed	6
Well Termination Notifications	27



Financial Statements

Canada-Newfoundland and Labrador Offshore
Petroleum Board

March 31, 2016

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Statement of Responsibility

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

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

 Chair  Director

Independent auditors' report

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To the Directors of

Canada-Newfoundland and Labrador Offshore Petroleum Board

We have audited the accompanying financial statements of Canada-Newfoundland and Labrador Offshore Petroleum Board, which comprise the statement of financial position as at March 31, 2016 and the statement of operations, statement of changes in accumulated surplus, statement of net debt and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canada-Newfoundland and Labrador Offshore Petroleum Board as at March 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

St. John's, Canada

May 30, 2016



Chartered Professional Accountants

Canada-Newfoundland and Labrador Offshore Petroleum Board

Statement of Financial Position

March 31	2016	2015
Financial assets		
Cash and cash equivalents	\$ 6,957,365	\$ 10,186,815
Receivables	<u>3,752,768</u>	<u>3,709,350</u>
	<u>10,710,133</u>	<u>13,896,165</u>
Liabilities		
Payables and accruals (Note 3)	6,990,539	10,120,828
Accrued employee future benefit obligation (Note 4)	6,237,900	5,902,300
Deferred revenue	<u>-</u>	<u>30,000</u>
	<u>13,228,439</u>	<u>16,053,128</u>
Net debt	\$ (2,518,306)	\$ (2,156,963)
Non-financial assets		
Prepays	\$ 828,193	\$ 466,850
Tangible capital assets (Page 15)	<u>2,831,120</u>	<u>3,222,098</u>
	<u>3,659,313</u>	<u>3,688,948</u>
Accumulated surplus	\$ 1,141,007	\$ 1,531,985

Commitments (Note 6)

Contingencies (Note 8)

On behalf of the Board

 Chair
  Director

See accompanying notes to the financial statements.

Canada-Newfoundland and Labrador Offshore Petroleum Board

Statement of Operations

Year Ended March 31	Actual 2016	(Note 7) Budget 2016	Actual 2015
Revenue			
Operating grants			
Government of Canada	\$ 8,577,820	\$ 8,835,000	\$ 8,297,109
Government of Newfoundland and Labrador	<u>8,577,820</u>	<u>8,835,000</u>	<u>8,297,109</u>
	17,155,640	17,670,000	16,594,218
Add:			
Costs recovered from industry	12,866,730	13,252,500	12,445,663
Interest and other	<u>118,892</u>	<u>74,180</u>	<u>163,729</u>
	30,141,262	30,996,680	29,203,610
Less:			
Cost recoveries refunded to governments	<u>(12,866,730)</u>	<u>(13,252,500)</u>	<u>(12,445,663)</u>
Net revenue	<u>17,274,532</u>	<u>17,744,180</u>	<u>16,757,947</u>
Expenses (Pages 16 and 17)			
Board and executive office	1,453,734	1,727,762	2,085,154
Environmental affairs	921,126	924,206	854,208
Exploration	1,565,586	1,677,016	1,313,731
Legal, regulatory affairs and public affairs	2,010,051	1,857,142	1,914,466
Operations	1,282,750	1,175,878	900,425
Resource management	2,380,676	2,444,363	2,232,413
Safety	2,832,597	3,225,952	2,419,603
Administration and industrial benefits	<u>5,218,990</u>	<u>5,244,655</u>	<u>4,970,032</u>
	<u>17,665,510</u>	<u>18,276,974</u>	<u>16,690,032</u>
Annual (deficit) surplus	<u>\$ (390,978)</u>	<u>\$ (532,794)</u>	<u>\$ 67,915</u>

See accompanying notes to the financial statements.

Canada-Newfoundland and Labrador Offshore Petroleum Board

Statement of Changes in Accumulated Surplus

Year Ended March 31	Actual 2016	(Note 7) Budget 2016	Actual 2015
Accumulated surplus, beginning of year	\$ 1,531,985	\$ 1,531,985	\$ 1,464,070
Annual (deficit) surplus	<u>(390,978)</u>	<u>(532,794)</u>	<u>67,915</u>
Accumulated surplus, end of year	<u>\$ 1,141,007</u>	<u>\$ 999,191</u>	<u>\$ 1,531,985</u>

See accompanying notes to the financial statements.

Canada-Newfoundland and Labrador Offshore Petroleum Board

Statement of Net Debt

Year Ended March 31	Actual 2016	(Note 7) Budget 2016	Actual 2015
Annual (deficit) surplus	\$ (390,978)	\$ (532,794)	\$ 67,915
Acquisition of tangible capital assets	(234,616)	(92,800)	(701,325)
Amortization of tangible capital assets	625,594	625,594	633,407
Increase in prepaids	<u>(361,343)</u>	<u>-</u>	<u>(119,661)</u>
Increase in net debt	(361,343)	-	(119,664)
Net debt, beginning of year	<u>(2,156,963)</u>	<u>(2,156,963)</u>	<u>(2,037,299)</u>
Net debt, end of year	<u>\$ (2,518,306)</u>	<u>\$ (2,156,963)</u>	<u>\$ (2,156,963)</u>

See accompanying notes to the financial statements.

Canada-Newfoundland and Labrador Offshore Petroleum Board

Statement of Cash Flows

Year Ended March 31

2016

2015

Increase (decrease) in cash and cash equivalents

Operating

Annual (deficit) surplus	\$ (390,978)	\$ 67,915
Amortization of capital assets	<u>625,594</u>	<u>633,407</u>

	234,616	701,322
--	---------	---------

Change in non-cash items

Accrued employee future benefit obligation	335,600	618,000
Receivables	(43,418)	(534,685)
Prepays	(361,343)	(119,661)
Payables and accruals	(3,130,289)	5,475,596
Deferred revenue	<u>(30,000)</u>	<u>30,000</u>

Cash (used for) provided by operating transactions	<u>(2,994,834)</u>	<u>6,170,572</u>
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Capital

Cash used to acquire tangible capital assets	<u>(234,616)</u>	<u>(701,325)</u>
--	------------------	------------------

Cash used for capital transactions	<u>(234,616)</u>	<u>(701,325)</u>
------------------------------------	------------------	------------------

(Decrease) increase in cash and cash equivalents	(3,229,450)	5,469,247
--	-------------	-----------

Cash and cash equivalents, beginning of year	<u>10,186,815</u>	<u>4,717,568</u>
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Cash and cash equivalents, end of year	<u>\$ 6,957,365</u>	<u>\$ 10,186,815</u>
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See accompanying notes to the financial statements.

Canada-Newfoundland and Labrador Offshore Petroleum Board

Notes to the Financial Statements

March 31, 2016

1. Purpose of organization

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

2. Summary of significant accounting policies

Basis of presentation

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

Use of estimates

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

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

Revenue recognition

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

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

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

Cash and cash equivalents

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

Canada-Newfoundland and Labrador Offshore Petroleum Board

Notes to the Financial Statements

March 31, 2016

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

Non-financial assets

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

Tangible capital assets

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

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

Impairment of long-lived assets

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

Capital grants

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

Employee future benefits

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

Canada-Newfoundland and Labrador Offshore Petroleum Board

Notes to the Financial Statements

March 31, 2016

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

Financial instruments

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

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

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

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

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

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

Financial liabilities measured at cost include payables and accruals.

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

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

3. Payables and accruals	<u>2016</u>	<u>2015</u>
Trade	\$ 2,755,449	\$ 3,499,826
Government of Canada	2,117,545	3,310,501
Government of Newfoundland and Labrador	<u>2,117,545</u>	<u>3,310,501</u>
	<u>\$ 6,990,539</u>	<u>\$ 10,120,828</u>

Canada-Newfoundland and Labrador Offshore Petroleum Board

Notes to the Financial Statements

March 31, 2016

4. Accrued employee future benefit obligation

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

The following information for these plans is based upon an actuarial valuation completed as at March 31, 2014 and extrapolated to March 31, 2016.

	<u>2016</u>	<u>2015</u>
Accrued benefit obligation		
Balance, beginning of year	\$ 4,510,300	\$ 5,553,500
Current service cost	395,200	431,800
Interest cost	116,900	223,700
Benefits paid	(78,000)	(64,700)
Actuarial loss (gain)	<u>2,557,800</u>	<u>(1,634,000)</u>
Balance, end of year	<u>\$ 7,502,200</u>	<u>\$ 4,510,300</u>
Plans assets	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of funded status		
Funded status - deficit	\$ (7,502,200)	\$ (4,510,300)
Unamortized net actuarial loss (gain)	<u>1,264,300</u>	<u>(1,392,000)</u>
Accrued benefit liability	<u>\$ (6,237,900)</u>	<u>\$ (5,902,300)</u>
Net benefit expense		
Current service cost	\$ 395,200	\$ 431,800
Amortization of actuarial (loss) gain	(98,500)	27,200
Interest cost	<u>116,900</u>	<u>223,700</u>
	<u>\$ 413,600</u>	<u>\$ 682,700</u>

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

	<u>2016</u>	<u>2015</u>
Discount rate	2.80%	2.40%
Rate of increase in compensation levels	2.00%	2.00%
Dental inflation rate	4.50%	4.50%
Medical inflation rate	4.50%	4.50%

Canada-Newfoundland and Labrador Offshore Petroleum Board

Notes to the Financial Statements

March 31, 2016

5. 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 \$946,294 (2015 - \$672,998). Additional information about the plan surplus or deficit is not available.

6. Commitments

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

March 31, 2017	\$ 1,238,421
March 31, 2018	\$ 1,241,308
March 31, 2019	\$ 1,241,308
March 31, 2020	\$ 1,241,308
March 31, 2021	\$ 103,442

Canada-Newfoundland and Labrador Offshore Petroleum Board

Notes to the Financial Statements

March 31, 2016

7. Budget figures

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

8. 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.

9. 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, 2016.

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 \$6,990,539 (2015 - \$10,120,828), which have a maturity of not later than one year. The Board reduces its exposure to liquidity risk by monitoring its cash flows and ensuring that it has sufficient cash available to meet its obligations and liabilities. In the opinion of management the liquidity risk exposure to the Board is low and not material.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Board's credit risk is attributable to receivables in the amount of \$3,752,768 (2015 - \$3,709,350). Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote.

Canada-Newfoundland and Labrador Offshore Petroleum Board

Schedule of Tangible Capital Assets

Year Ended March 31, 2016

	Land and Parking Lot	Buildings	Leasehold Improvements	Furniture and Fixtures	Data Management System	Computer Software	Computer Equipment	2016	2015
Cost									
Cost, beginning of year	\$ 258,297	\$ 3,317,089	\$ 377,415	\$ 967,596	\$ 1,359,271	\$ 991,970	\$ 2,295,789	\$ 9,567,427	\$ 8,978,884
Additions during the year	-	-	-	33,552	-	16,742	184,322	234,616	701,325
Disposals during the year	-	-	-	(4,108)	(250,973)	-	(25,282)	(280,363)	(112,782)
Cost, end of year	<u>\$ 258,297</u>	<u>\$ 3,317,089</u>	<u>\$ 377,415</u>	<u>\$ 997,040</u>	<u>\$ 1,108,298</u>	<u>\$ 1,008,712</u>	<u>\$ 2,454,829</u>	<u>\$ 9,521,680</u>	<u>\$ 9,567,427</u>
Accumulated amortization									
Accumulated amortization, beginning of year	\$ -	\$ 1,206,824	\$ 377,415	\$ 817,223	\$ 1,359,271	\$ 830,076	\$ 1,754,520	\$ 6,345,329	\$ 5,824,704
Amortization	-	84,411	-	66,785	-	161,893	312,505	625,594	633,407
Reversal of accumulated depreciation relating to disposals	-	-	-	(4,108)	(250,973)	-	(25,282)	(280,363)	(112,782)
Accumulated amortization, end of year	-	<u>1,291,235</u>	<u>377,415</u>	<u>879,900</u>	<u>1,108,298</u>	<u>991,969</u>	<u>2,041,743</u>	<u>6,690,560</u>	<u>6,345,329</u>
Net book value of tangible capital assets	<u>\$ 258,297</u>	<u>\$ 2,025,854</u>	<u>\$ -</u>	<u>\$ 117,140</u>	<u>\$ -</u>	<u>\$ 16,743</u>	<u>\$ 413,086</u>	<u>\$ 2,831,120</u>	<u>\$ 3,222,098</u>

Canada-Newfoundland and Labrador Offshore Petroleum Board

Schedule of Expenses

March 31

2016

2015

	<u>Actual</u>	<u>Actual</u>
Board and executive office		
Consultants fees	\$ 61,257	\$ 91,250
Miscellaneous	6,217	11,104
Training and conferences	113,640	157,834
Travel	39,196	36,561
Wages and benefits	<u>1,233,424</u>	<u>1,788,405</u>
	\$ 1,453,734	\$ 2,085,154
Environmental affairs		
Consultants fees	\$ 5,325	\$ 24,324
Miscellaneous	2,131	2,793
Training and conferences	17,081	39,133
Travel	10,341	5,183
Wages and benefits	<u>886,248</u>	<u>782,775</u>
	\$ 921,126	\$ 854,208
Exploration		
Consultant fees	\$ 30,687	\$ 13,512
Miscellaneous	3,807	3,043
Training and conferences	75,280	118,475
Travel	4,544	4,422
Wages and benefits	<u>1,451,268</u>	<u>1,174,279</u>
	\$ 1,565,586	\$ 1,313,731
Legal, regulatory affairs and public affairs		
Consultants fees	\$ 515,746	\$ 182,377
Miscellaneous	3,431	6,514
Training and conferences	25,994	45,884
Travel	19,269	10,474
Wages and benefits	<u>1,445,611</u>	<u>1,669,217</u>
	\$ 2,010,051	\$ 1,914,466
Operations		
Consultants fees	\$ 47,867	\$ 20,175
Miscellaneous	3,766	4,687
Training and conferences	58,333	92,932
Travel	11,657	5,171
Wages and benefits	<u>1,161,127</u>	<u>777,460</u>
	\$ 1,282,750	\$ 900,425

Canada-Newfoundland and Labrador Offshore Petroleum Board

Schedule of Expenses

March 31	2016	2015
Resource management		
Miscellaneous	\$ 5,254	\$ 9,168
Training and conferences	132,243	304,375
Travel	4,297	5,548
Wages and benefits	<u>2,238,882</u>	<u>1,913,322</u>
	\$ 2,380,676	\$ 2,232,413
Safety		
Consultants fees	\$ 763,971	\$ 602,002
Miscellaneous	5,126	8,893
Training and conferences	153,320	213,281
Travel	16,008	21,268
Wages and benefits	<u>1,894,172</u>	<u>1,574,159</u>
	\$ 2,832,597	\$ 2,419,603
Administration and industrial benefits		
Consultants fees	\$ 68,461	\$ 112,820
Amortization of capital assets	625,594	633,407
Computer support and maintenance	940,310	851,332
General office and maintenance	561,879	528,222
Rent	1,300,369	1,132,280
Training and conferences	11,289	20,592
Travel	2,539	1,115
Wages and benefits	<u>1,708,549</u>	<u>1,690,264</u>
	\$ 5,218,990	\$ 4,970,032
Total expenses	\$ 17,665,510	\$ 16,690,032

Canada-Newfoundland and Labrador Offshore Petroleum Board

Schedule of Reconciliation of the Financial Plan to the Budget

Year Ended March 31, 2016

	<u>Financial Plan</u>	<u>Amortization</u>	<u>PSAB Budget</u>
Revenue			
Operating grants			
Government of Canada	\$ 8,835,000	\$ -	\$ 8,835,000
Government of Newfoundland and Labrador	8,835,000	-	8,835,000
Costs recovered from industry	13,252,500	-	13,252,500
Interest and other	<u>74,180</u>	<u>-</u>	<u>74,180</u>
	30,996,680	-	30,996,680
Less:			
Cost recoveries refunded to government	<u>(13,252,500)</u>	<u>-</u>	<u>(13,252,500)</u>
Net revenue	<u>\$ 17,744,180</u>	<u>\$ -</u>	<u>\$ 17,744,180</u>
Expenses			
Board and executive office	\$ 1,727,762	\$ -	\$ 1,727,762
Environmental affairs	924,206	-	924,206
Exploration	1,677,016	-	1,677,016
Legal, regulatory affairs and public affairs	1,857,142	-	1,857,142
Operations	1,175,878	-	1,175,878
Resource management	2,444,363	-	2,444,363
Safety	3,225,952	-	3,225,952
Administration and industrial benefits	<u>4,619,061</u>	<u>625,594</u>	<u>5,244,655</u>
Total expenses	<u>\$ 17,651,380</u>	<u>\$ 625,594</u>	<u>\$ 18,276,974</u>
Surplus (deficit)	<u>\$ 92,800</u>	<u>\$ 625,594</u>	<u>\$ (532,794)</u>

During the year, \$229,647 of “Legal, regulatory affairs and public affairs” budget was reallocated to “Exploration”. This reallocation was a result of a restructuring.



2015-16
ANNUAL REPORT

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