


ANNUAL REPORT

2010/2011



CANADA-NEWFOUNDLAND
and LABRADOR
 OFFSHORE
PETROLEUM
BOARD

CANADA-NEWFOUNDLAND AND LABRADOR OFFSHORE PETROLEUM BOARD

Fifth Floor, TD Place
140 Water Street
St. John's, NL
Canada A1C 6H6

(709) 778-1400 phone
(709) 778-1473 fax

Core Storage and Research Centre
30 Duffy Place
St. John's, NL
Canada A1B 4M5

(709) 778-1500 phone

www.cnlopb.nl.ca

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ANNUAL REPORT 2010-11

June 17, 2011

The Honourable Joe Oliver
Minister of Natural Resources Canada
Government of Canada

The Honourable Shawn Skinner
Minister of Natural Resources
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, 2011.

Respectfully submitted,



Max Ruelokke, P. Eng.
Chairman and Chief Executive Officer

BOARD MEMBERS

Max Ruelokke, P. Eng.	Chairman and Chief Executive Officer
Reg Anstey	Member
Ed Drover	Member
Conrad Sullivan	Member
David Wells	Member

SENIOR STAFF

John P. Andrews, LL.B.	Manager, Legal and Land and Corporate Secretary
Michael Baker, CHRP	Manager, Support Services
Jeffrey M. Bugden, P. Eng.	Manager, Industrial Benefits, Policy and Regulatory Coordination
David G. Burley	Manager, Environmental Affairs
Sean Kelly, APR, FCPRS	Manager, Public Relations
Howard Pike, P. Eng.	Manager, Operations and Safety and Chief Safety Officer
Frank Smyth, P. Eng.	Manager, Exploration and Resource Management and Chief Conservation Officer



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A MESSAGE FROM...



A MESSAGE FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Regulating the offshore oil and gas industry requires technical expertise, professionalism and sound judgment. On January 1, 2011, the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB) celebrated its 25th anniversary and I am pleased to report that the C-NLOPB has evolved to become a world class regulator of offshore oil and gas activities. Our staff is second-to-none anywhere in the world.

For the C-NLOPB, what is most important is to perform our responsibilities in a manner that sees industry activity occur with safety and environmental protection ahead of all other considerations.



The *Deepwater Horizon* well control incident caused a media storm that placed the offshore oil and gas industry, offshore regulators and governments under intense scrutiny. When an incident of this magnitude occurs, it is prudent for regulators to conduct an internal review of their oversight practices to see if more can be done to address concerns about the risks of offshore drilling. Our review resulted in several special oversight measures that we applied to Chevron Canada's drilling program for the Lona O-55 well in the Orphan Basin. The well was drilled successfully without incident.

Prevention and risk management are fundamental to good safety offshore. Operators must create a strong safety culture on installations. Safety must be paramount in all decisions and offshore workers must be encouraged, even rewarded, for reporting potential safety hazards. Regulators and Operators must work cooperatively towards continuous safety improvement. When it comes to safety, there is no finish line.

The Board wishes to express its appreciation and best wishes to Fred Way, Halcum Stanley and Lorne Spracklin, whose terms of appointment expired in 2010. I am also pleased to welcome two new members appointed by the Federal Government – Conrad Sullivan and David Wells.

Today, the C-NLOPB is fortunate to have more than 70 dedicated and committed staff who perform exceptionally well in difficult times. I know I speak for all Board members in commending the staff for their superb performance and continued hard work.

The Report which follows highlights the activities of the C-NLOPB during 2010-11. More information about the C-NLOPB can be obtained from our website at www.cnlopb.nl.ca.



Max Ruelokke, P. Eng.

Chairman and Chief Executive Officer

C-NLOPB OVERVIEW



BOARD MEMBERS

Back L-R: David Wells (Member), Max Ruelokke, P. Eng. (Chairman and Chief Executive Officer), Ed Drover (Member)

Front L-R: Reg Anstey (Member), Conrad Sullivan (Member)

C-NLOPB OVERVIEW

The C-NLOPB was created in 1985 through the *Atlantic Accord* for the purposes of regulating the oil and gas industry offshore Newfoundland and Labrador, and has four regulatory mandates: Safety, Environmental Protection, Resource Management and Industrial Benefits. The Board is comprised of seven persons; a Chair and CEO appointed jointly by the Federal and Provincial governments, three members appointed by the Federal Government and three members appointed by the Provincial Government.



The C-NLOPB had a budget of \$15,815,000 for fiscal year 2010-11, which included a base operating budget of \$12,640,000, special funding of \$1,100,000 for the Offshore Helicopter Safety Inquiry (OHSI), \$800,000 for the expansion of the Core Storage and Research Centre, and \$450,000 for data management. A revised budget was approved to provide a further \$825,000 for the operations of the OHSI.

At the end of this fiscal year, the C-NLOPB had 69 staff members. At least 67 of these employees have degrees or diplomas, 62 are graduates of post-secondary institutions in Newfoundland and Labrador and 25 have professional designations in engineering, geoscience, safety, finance and public relations.



MANDATE: ROLE AND OBJECTIVES



25 YEARS

Back L-R: Les Barbour, Peter Noel, Howard Pike, Jeff Bugden, Walter Bobby, Dave Burley.

Front L-R: Ed Lannon, Sandra Forward, Sandra O'Dea, Mary Glynn.

MANDATE

To interpret and apply the provisions of the Atlantic Accord and the Atlantic Accord Implementation Acts to all activities of Operators in the Newfoundland and Labrador Offshore Area; and, to oversee Operator compliance with those statutory provisions.

ROLE

In the implementation of its mandate, the role of the C-NLOPB is to facilitate the exploration for and development of the hydrocarbon resources in the Newfoundland and Labrador Offshore Area in a manner that conforms to the statutory provisions for:



- worker safety;
- environmental protection and safety;
- effective management of land tenure;
- maximum hydrocarbon recovery and value; and,
- Canada/Newfoundland and Labrador benefits.

While the legislation does not prioritize these mandates, worker safety and environmental protection will be paramount in all Board decisions.

OBJECTIVES

Safety

- To verify that Operators have appropriate safety plans in place.
- To verify, through audits and inspections, that Operators follow their safety plans and applicable statutory requirements.
- To verify, through compliance actions, that deviations from approved plans and applicable statutory requirements are corrected.

Environment

- To verify that Operators assess and provide for effects of the environment on the safety of their operations.
- To verify that Operators perform an environmental assessment pursuant to Canadian regulations, of the effects of their operations on the environment, and prepare a plan and provide for mitigation where appropriate.
- To verify, through compliance actions, that Operators comply with their environmental plans.

Resource Management

- To effectively and efficiently administer land tenure.
- To oversee production activities for consistency with maximum recovery, good oilfield practice, production accounting and approved plans.
- To build a knowledge base for the Newfoundland and Labrador Offshore Area through the acquisition and curation of data from exploration and production activity.

Benefits

- To verify Operators have an approved Canada/Newfoundland and Labrador Benefits Plan that addresses their statutory obligations.

THE C-NLOPB DOES *NOT*

- Guarantee the safety of workers or the environment; worker safety and protection of the environment are the obligations of Operators.
- Manage reservoirs or production; that is the role of the Operator within the context of an approved Development Plan.
- Guarantee the participation of Canadian and Newfoundland and Labrador workers or businesses.
- Have any role, beyond the provision of required data and information to government, in the establishment or administration of the fiscal regime (royalties/taxes) for any offshore activity.

SAFETY OF OFFSHORE WORKERS



OFFSHORE HELICOPTER SAFETY INQUIRY TEAM

Back L-R: John Whelan, Daniel Bourgeois, Evan Sturge, Stan Hussey, Allison Moyle, Ron Wheeler, Darrell Gover, Jeremy Whittle

Middle L-R: Bill Noseworthy, Paul Durdle, Chris Delaney, Ray Dalton, Ryan Brown, Matthew Hawco

Front L-R: Terry Kelly, Max Ruelokke, Peter McKeage **Not pictured:** Tom Moir

SAFETY PLANS

Prior to being issued an authorization in relation to work or activity in the Newfoundland and Labrador Offshore Area, an Operator must prepare a safety plan that demonstrates to the C-NLOPB that the Operator has taken all reasonable and practicable steps to achieve safety for the proposed work. The safety plan must identify the hazards and risks associated with the activity and the measures taken to avoid, prevent, reduce and manage that risk. It must summarize and reference the management system, set out the procedures, practices, resources, sequence of key safety related activities and monitoring measures necessary to ensure the safety of personnel. It must also fulfill the duties set forth in the legislation and regulations for the specific work or activity.



During 2010-11, staff in several departments including Operations and Safety, worked with the draft guidance for the *Drilling and Production Regulations*. Safety Officers were also engaged in the review of the draft guidance to Operators for the preparation of Safety Plans for drilling and production operations. At the end of the reporting period, revised Safety Plan Guidelines were issued for use based on feedback and experience gained from the use of draft Guidelines.

SAFETY ASSESSMENTS

When Operators apply for an authorization in the Offshore Area, the C-NLOPB conducts a systematic and comprehensive assessment of the Operator's application for the proposed activity. This includes the review of safety plans and other safety-related information filed in support of the authorization. During 2010-11, the C-NLOPB completed ten safety assessments, which included a review of safety plans for the following:

- Chevron Canada's Operations Authorization (OA) for an exploratory drilling program in the Orphan Basin;
- Corridor Resources' Geophysical Program Authorization (GPA) for exploration in the Maritimes Basin;
- Dragon Lance's OA for an onshore to offshore exploratory drilling program in the Maritimes Basin;
- ExxonMobil's GPA for the Hibernia South Field and the Hebron Field area;
- Hibernia Management and Development Company (HMDC)'s Saturation Diving Program Authorization (DPA) for the Hibernia Field;
- Husky Energy's Air DPA for the White Rose Field;
- Husky Energy's GPA for exploration in the Sydney Basin and the Hopedale Basin;
- Husky Energy's Saturation DPA for the White Rose Field;
- Statoil Canada's GPA for a wellsite survey in the Jeanne d'Arc Basin; and
- Suncor Energy's Saturation DPA for the Terra Nova Field.

COMPLIANCE AND ENFORCEMENT

Safety Officers have authority to enter any place used in respect of authorized work or activity for the purpose of carrying out investigations, issuing orders, investigating work refusals and conducting safety inspections and safety audits. In respect of an application for a work authorization, Safety Officers may conduct a safety audit of the proposed installations or vessels which is referred to as a pre-approval safety audit. During the course of an authorization, Safety Officers also conduct safety inspections and safety audits. Safety Officers also participate in integrated safety and environmental protection audits with C-NLOPB Environmental Conservation Officers. During 2010-11, the C-NLOPB completed the audits and inspections listed in Table 1.



Table 1**Audits and Inspections Completed by the C-NLOPB in 2010-11**

Operator	Installation/Vessel	Type
Chevron Canada	Mobile Offshore Drilling Unit (MODU) <i>Stena Carron</i>	Safety Inspection
Chevron Canada	MODU <i>Stena Carron</i>	Safety Inspection
Chevron Canada	MODU <i>Stena Carron</i>	Safety Inspection
Chevron Canada	MODU <i>Stena Carron</i>	Safety Inspection
ExxonMobil	<i>M/V Anticosti</i>	Pre-Approval Safety Audit
HMDC	Hibernia Gravity Based Structure (GBS)	Safety Audit
HMDC	Hibernia GBS	Safety Inspection
HMDC	<i>CSO Constructor</i>	Pre-Approval Safety Audit
HMDC	<i>M/V Wellservicer</i>	Pre-Approval Safety Audit
Husky Energy	MODU <i>Henry Goodrich</i>	Safety Audit
Husky Energy	<i>M/V Atlantic Hawk (mother craft) and ProDive Attender (daughter craft)</i>	Pre-Approval Safety Audit
Husky Energy	MODU <i>GSF Grand Banks</i>	Safety Audit
Husky Energy	<i>SeaRose FPSO</i>	Safety Inspection
Husky Energy	<i>SeaRose FPSO</i>	Safety Inspection
Husky Energy/Suncor Energy	<i>M/V Acergy Discovery</i>	Pre-Approval Safety Audit
Suncor Energy	<i>Terra Nova FPSO</i>	Safety Inspection
Suncor Energy	<i>Terra Nova FPSO</i>	Safety Inspection

In addition, pre-approval safety audits were conducted on the *M/V Wellservicer* and *CSO Constructor* in early 2011 in preparation for an application from HMDC to conduct a DPA for the replacement of the Hibernia GBS Offshore Loading System (OLS). This work is scheduled for the summer season of 2011.

In 2010-11, Safety Officers were not called upon to investigate any work refusals. Pursuant to the legislation, offshore workers have the right to refuse any task which they believe is dangerous to their health and safety, or the health and safety of another person at the workplace. Where a worker has exercised his or her right to refuse and the matter is not remedied by the worker's supervisor to the satisfaction of the worker, the matter shall be brought to the attention of the Offshore Joint Occupational Health and Safety (JOHS) Committee and reported to a Safety Officer. If the committee is unable to resolve the matter, it is then investigated by a Safety Officer who has the authority to order a resolution. A person may refuse the work until either they are satisfied with the remedial action taken by the employer or a Safety Officer has investigated the matter and has rendered a decision.



MONITORING

Integrated Audits include both environmental and safety components. An Integrated Audit for Suncor Energy was conducted in 2009-10 with Suncor Energy providing an action plan to address the observations and findings identified in the audit. It is expected that outstanding audit items will be closed in 2011.

Following authorization of an Operator's work activity, the Operations and Safety Department conducts monitoring activities which include the review of the Operator's daily reports, incident reports, complaints, the installation's Offshore JOHS Committee meeting minutes, and training exemptions against the Canadian Association of Petroleum Producers (CAPP) Training and Qualifications Standard Practice.

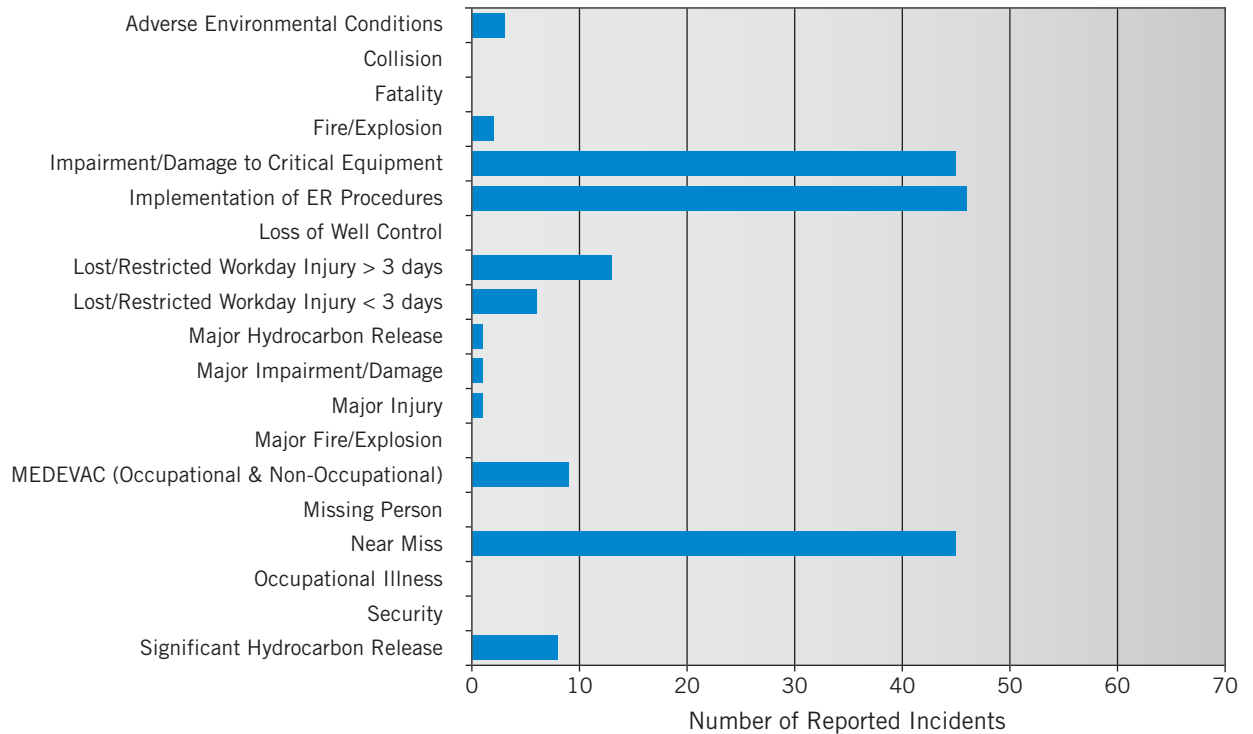
The Operator is required to report and investigate all incidents as described in the Guideline for the Reporting and Investigation of Incidents. An incident refers to any event that caused, or under slightly different circumstances would likely have caused, harm to personnel or the environment or imminent threat to the safety of an installation, vessel or aircraft. It also includes any event that impairs the function of any equipment or system critical to the safety of personnel, the installation, vessel or aircraft. Operator's efforts are expected to be directed toward the prevention of all incidents. Safety Officers review submitted incident investigation reports and, during inspections and audits, verify that incidents are reported and investigated, that incident investigation procedures are followed, and that corrective actions are implemented. During 2010-11, the C-NLOPB reviewed 165 incident reports from Operators.

To ensure consistent reporting of all incidents that occur during the course of an Operator's activity, the reporting guideline specifies several distinct and defined health, safety and environmental incident classifications. For each incident that is submitted, Operators must specify all actual and potential consequences associated with the incident. Some incidents may fall under several different actual and potential incident classifications. For example, a near miss classification with a dropped object may be identified as its potential consequence; both an injury to a worker and an impairment/damage to critical equipment. Some incidents may not fall under any potential incident classifications. Therefore, the number of incidents reported in the figures below will differ from the total number of incident reports that have been submitted. Figure 1 shows the incidents submitted based on actual incident classifications.



Figure 1

Actual Incident Classifications (April 1, 2010 - March 31, 2011)



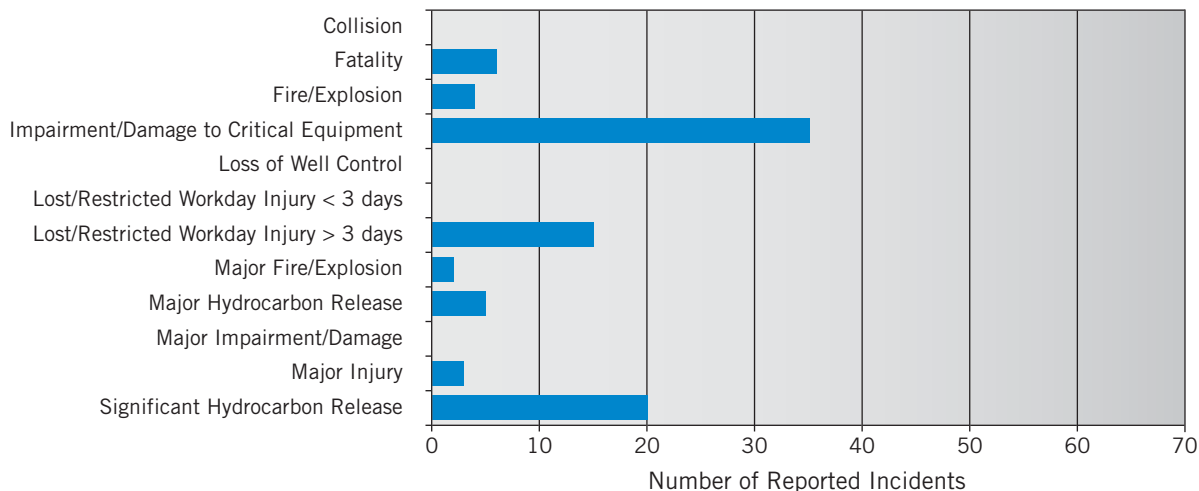
Note: For definitions of the above, please see the C-NLOPB Guideline for the Reporting and Investigation of Incidents, found on the C-NLOPB website.

In addition to classifying incidents with regards to the actual consequences, the C-NLOPB also places significant importance on near misses and other incidents that have higher potential consequences. By focusing on near miss classifications with higher potential, corrective actions are identified and implemented to prevent these incidents. The C-NLOPB expects Operators to investigate high potential near misses to the same extent as actual incidents. Figure 2 shows the reporting of incidents based on potential consequences.



Figure 2

Potential Incident Classifications (April 1, 2010 - March 31, 2011)



Note: For definitions of the above, please see the C-NLOPB Guideline for the Reporting and Investigation of Incidents, found on the C-NLOPB website.

During the reporting period, offshore workers worked 4,064,843 hours in the Offshore Area. There were 20 incidents that resulted in a reportable injury or illness, resulting in a Reportable Injury Frequency Rate of 4.92 per million hours worked.

In addition to reviewing the Offshore JOHS Committee meeting minutes and meeting with the committees during offshore inspections and audits, the C-NLOPB holds an annual Offshore JOHS Committee workshop. The purpose of the workshop is to engage committee members from each installation operating in the Offshore Area on current occupational health and safety topics and best practices. The C-NLOPB held these workshops with Offshore JOHS Committees in November and December of 2010. Discussions focused on passenger transportation suit systems with an update on recent research and standards development, discussion on recent international drilling

incidents (Macondo, in the Gulf of Mexico and Montara, offshore Australia) and an analysis of the injury trend in the Newfoundland and Labrador Offshore petroleum industry. In addition, the OHSI Report recommendations were presented and discussed at the first session, and an overview of the C-NLOPB's response was summarized at the second session.

The Operations and Safety Department has a process in place to deal with all health and safety related complaints. Any person who has a complaint related to offshore petroleum operations may contact one of the Safety Officers by telephone, in writing or in person. Anonymous complaints may also be submitted. A Safety Officer is assigned to assess each complaint, conduct a review of the facts surrounding the complaint, take or recommend action as necessary and respond to the complainant once the review is complete. During 2010-11, the C-NLOPB processed five complaints. At the end of the reporting period, one of these complaints was still under review.

REGULATORY EQUIVALENCIES

The Chief Safety Officer and/or the Chief Conservation Officer may authorize deviations from the regulations where those officers are satisfied that the applicant for the deviation will achieve an equivalent level of safety, protection of the environment and resource conservation to that provided by the legislation. During 2010-11, the C-NLOPB received 27 applications for deviations from the regulations and 15 regulatory deviations were approved and posted to the C-NLOPB website.

SECURITY

In 2010-11, the C-NLOPB entered into a Memorandum of Understanding (MOU) respecting Marine Security with Transport Canada (TC). As part of that MOU, the C-NLOPB and TC developed a Guideline for Offshore Facility Security Plans. The C-NLOPB continued to engage the services of an external consultant to conduct security audits of offshore installations. At the end of the reporting period the security consultant had completed three security plan reviews.

RISK TRENDS PROJECT

In 2010-11, the C-NLOPB continued work with SafetyNet to review risk trends in the Offshore Area, similar to the analysis of risk trends conducted by the Petroleum Safety Authority in Norway. SafetyNet is a Memorial University research centre in Occupational Health and Safety. Its focus is multidisciplinary research, knowledge exchange, education and the development of clinical expertise in the province. The purpose of the risk trends project is to conduct a review and analysis of information submitted by Operators to identify areas where risk may be trending upwards and to direct Operators' efforts to these areas.

DIVING AND CONSTRUCTION ACTIVITY

The C-NLOPB received four applications in 2010-11 for authorization to conduct diving programs in the Offshore Area. Husky Energy was authorized to execute a diving program to conduct repair, replacement, maintenance and inspection activities on the *SeaRose FPSO*, by the diving support vessels *M/V Atlantic Hawk (mother craft)* and *ProDive Attender (daughter craft)*. Husky Energy was also authorized to conduct a diving program with the diving support vessel *M/V Acergy Discovery*, for installation and hook-up activities in the North Amethyst Field.

Suncor Energy was authorized to conduct a diving program with the diving support vessel *M/V Acergy Discovery*, for repair, replacement, maintenance and inspection activity on the *Terra Nova FPSO* and the associated subsea installation.

HMDC was authorized to conduct a diving program with the diving support vessel *M/V Acergy Discovery*, to conduct repairs to the Hibernia GBS OLS.

INTERNATIONAL REGULATORS FORUM CONFERENCE

Canadian offshore regulators hosted the third International Offshore Regulators Safety Conference in Vancouver, B.C., from October 17-20, 2010. This conference is organized by the International Regulators' Forum (IRF), which is comprised of offshore oil and gas regulators from nine countries. The conference steering committee was chaired by the C-NLOPB. Close to 200 delegates, representing industry and regulators from 17 countries, held productive discussions over the three-day period.



The conference enabled regulators and industry players to come together to have open and frank dialogue about offshore safety, for the first time, since the Macondo blowout in the Gulf of Mexico on April 20, 2010. The central theme that emerged from the presentations and discussions was the value of a strong and vibrant safety culture on installations.

More information about the conference and the IRF can be found on the conference website at www.irfconference2010.com.



INTERNATIONAL REGULATORS FORUM MEETINGS

Following the IRF conference in Vancouver, IRF members met and approved a strategic agenda focused on the following topics:

- safety culture and leadership;
- blowout preventer (BOP) integrity and operational issues;
- performance indicators;
- operator competency/capacity criteria; and
- use of standards and industry best practice.

The next meeting of the IRF will be in Norway in October, 2011.

OFFSHORE HELICOPTER SAFETY INQUIRY IMPLEMENTATION

The OHSI Phase I Report was submitted to the C-NLOPB in November 2010 and contained 29 recommendations. The C-NLOPB completed its review and accepted 27 of the 29 recommendations in full. Recommendation 12, which calls for an on-going ban on night flights, was accepted in principle. The Board referred number 29, which recommends that changes be made in the C-NLOPB's mandate and structure, to governments.

The Report contains several themes, but most notable are the need for greater worker involvement; increased transparency by the C-NLOPB, Operators and the helicopter contractors; improved access for the C-NLOPB to aviation expertise; and greater separation between safety and resource management decisions at the C-NLOPB.

In December, the C-NLOPB announced its strategy to implement the Report. The strategy involved the creation of an Implementation Team. The Team is led by an expert from outside the C-NLOPB and is comprised of C-NLOPB staff, worker representatives, Operator representatives, a representative from Cougar Helicopters Inc., and other agencies where necessary. The work plans and subsequent monthly progress reports are posted on the C-NLOPB website.

OVERSIGHT OF LONA 0-55 WELL

The Operations and Safety Department of the C-NLOPB plays an integral role in the regulatory oversight of deepwater drilling operations in the Offshore Area. Staff is very involved in the oversight of well drilling activity, and was particularly for Chevron Canada's Lona 0-55 well, which began after the blowout at the Macondo well in the Gulf of Mexico in April. This report contains a section specifically dedicated to the C-NLOPB's oversight of well drilling activity.

PROTECTION OF THE ENVIRONMENT



ENVIRONMENTAL PROTECTION PLANS

Before the Operator is issued an authorization for drilling or production activity offshore, any Operator in the Offshore Area is required to submit an Environmental Protection Plan (EPP) that demonstrates to the C-NLOPB that the Operator has taken every reasonable effort to protect the environment during its proposed activity. The 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.

An effective EPP should incorporate the following elements:

- the means to comply with requirements of relevant legislation (statutes and regulations);
- any environmental protection measures identified as part of an Environmental Assessment (EA); and
- the environmental commitments made as part of an application for exploratory drilling or a development application.

During the 2010-11 reporting period, one EPP was reviewed as part of the OA process for the Dragon Lance onshore-to-offshore exploratory drilling program in the Maritimes Basin in the western Newfoundland offshore region.



OIL SPILL RESPONSE PLANNING

In May 2010 the C-NLOPB completed review of a report, submitted jointly by the three Operators producing in the Offshore Area, evaluating their collective oil spill response capability. The Operators responded to review comments in June, September and late December 2010. At the end of the reporting period, the C-NLOPB was finalizing their review of the collected responses. Oil spill issues will continue to receive particular attention in the upcoming year in consideration of emerging experience from the Macondo blowout in the Gulf of Mexico.

ENVIRONMENTAL ASSESSMENT

The C-NLOPB is the lead agency for the EA of proposed exploration and production activities in the Offshore Area under the *Atlantic Accord*, the *Atlantic Accord Implementation Acts*, and the *Canadian Environmental Assessment Act (CEAA)*. The C-NLOPB, in accordance with the *CEAA*, must undertake an EA of certain petroleum exploration and production works or activities proposed for the Offshore Area. The C-NLOPB also assesses the potential environmental impacts of projects and activities that are not covered by the *CEAA*. These can include controlled source electromagnetic surveys and aeromagnetic surveys using a magnetometer.

During 2010-11, the C-NLOPB completed EAs for:

- Corridor Resources' Old Harry Field Geohazard Survey Program;
- ExxonMobil's Hebron Field Geohazard Survey Program;
- InvestCan Energy's Labrador Seismic Program;
- Husky Energy's Sydney Basin Seismic Program; and
- Husky Energy's Labrador Shelf Seismic Program.

Seven EAs were active as of March 31, 2011:

- ExxonMobil's Geotechnical Program;
- Statoil Canada's 2011-19 Jeanne d'Arc and North Ridge/Flemish Pass Basin Geophysical Program;

- Multi Klient Invest's (MKI) 2011-13 Offshore Labrador 2D Seismic Program;
- Chevron Canada's Northern Grand Banks Regional Seismic Program;
- Chevron Canada's Labrador Seismic Program;
- Corridor Resources' Drilling of an Exploration Well in the Old Harry Prospect¹; and
- ExxonMobil's Hebron Development Project².

¹*Corridor Resources filed a Project Description for this project on February 11, 2011. The project was subject to a screening level of assessment under the CEAA. The C-NLOPB determined that the public should be actively consulted during the conduct of the EA, and decided that, at minimum, it would invite public comments on the draft scoping document for the assessment, the EA Report that would be submitted by the Proponent and the C-NLOPB's draft screening report for the assessment. The draft scoping document was made available for public comment between February 25 and March 28, 2011. At year-end, the C-NLOPB was assessing the comments that were received.*

²*On June 16, 2010, ExxonMobil submitted its draft Hebron Comprehensive Study Report (CSR). The C-NLOPB published the draft CSR for an eight-week comment period, and on September 7, 2010, provided the Proponent with a consolidated set of comments from the public, the C-NLOPB and federal and provincial departments. ExxonMobil responded on December 1, 2010, and February 22, 2011. At year-end, the C-NLOPB was reviewing the February 22 response and was continuing to communicate with ExxonMobil respecting the disposition of the earlier comments. Once reviewers are satisfied that their comments have been addressed, a revised CSR will be provided by ExxonMobil.*

Two EAs were on hold as of March 31, 2011, pending further actions or submissions by the Proponent:

- ConocoPhillips Canada's 3D and 2D Seismic Program in the Laurentian Subbasin; and
- Deer Lake Oil and Gas' western Newfoundland and Labrador 2D Seismic.

COMPLIANCE AND ENFORCEMENT

Integrated Audits include both environmental and safety components. An Integrated Audit for Suncor Energy was conducted in 2009-10 with Suncor Energy providing an action plan to address the observations and findings identified in the audit. It is expected that outstanding audit items will be closed in 2011.

An audit of laboratory procedures and practices and an inspection of general housekeeping on the deck and topside areas of Husky Energy's *SeaRose FPSO*, initiated in late 2009-10, was closed in early 2010-11.

Husky Energy had two incidents of non-compliance with its EPP in relation to sampling and analysis of residual chlorine in cooling water discharged from the *SeaRose FPSO*. On December 22, 2010, a Notice of Non-Compliance was issued to Husky Energy. The corrective measures have been implemented.

On March 28, 2011, Suncor Energy reported a spill of 26,400 litres of synthetic-based drilling mud (SBM) at the MODU *Henry Goodrich*. As of year-end, a formal C-NLOPB investigation into the spill was ongoing.

Operators must report all discharges, spills, unauthorized and unplanned releases and problems with effluent quality for all offshore installations. The C-NLOPB reviews these reports and investigates as required. Of the 51 petroleum spills reported in 2010-11, 18 were one litre or less in volume. A summary of spill information for the 2010-11 fiscal year is provided in Table 2.



Table 2
Summary of Spill Information 2010-11

Component	Litres	Percentage of Annual Total	Number of Incidents
Synthetic Based Mud	28,499.00	97.63	3
Crude Oil	5.42	0.02	12
Hydraulic & Lubricating Oil	672.20	2.30	33
Condensate	0.00	0.00	0
Other Petroleum	15.63	0.06	3

Note: The Terra Nova FPSO began experiencing leakage from its Aft Starboard Thruster in the latter part of fiscal year 2010-11. The leakage was detected through observation of the thruster seal oil levels and at no time were surface sheens or slicks observed. At the time, one thruster was out of service for maintenance and safety considerations precluded the immediate removal of a second thruster from service during winter conditions. Suncor Energy began maintenance in late February 2011. The estimated total leakage through the thruster seal over a five-month period was 672.2 litres (L).

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. Completed EEM reports are available in hard copy from the C-NLOPB, with more recent reports available through the C-NLOPB website.

In April 2010, Husky Energy submitted a report to the C-NLOPB outlining its plan for revising the Water Quality Monitoring Component of the EEM Plan for the White Rose Field. Analysis of the plan by the C-NLOPB and federal and provincial departments and agencies was completed in September 2010. A final revised White Rose EEM Design Report, incorporating the Water Quality Monitoring Program, was submitted to and accepted by the C-NLOPB in December 2010.

In February 2011 HMDC submitted its 2009 EEM survey report. The report was distributed to federal and provincial departments and agencies for review, and this review was ongoing at the end of the reporting period. The C-NLOPB is expecting a report from HMDC amending the EEM Design Plan to incorporate drilling and production activities associated with the Hibernia South Extension Unit drill center and tie-back to the GBS.

GUIDELINE UPDATES

During 2010-11, review and update of the Offshore Waste Treatment Guidelines was completed. These guidelines describe recommended practices and standards for the treatment and disposal of wastes from petroleum drilling and production operations in Canada's offshore areas, and for sampling and analysis of waste streams to measure performance against these standards. The most significant change was a reduction in the daily average oil-in-water performance target for produced water from 60 mg/L to 44 mg/L. The review and update was conducted jointly by the C-NLOPB, the CNSOPB and the National Energy Board (NEB), with the assistance of a stakeholder working group. The C-NLOPB chaired the working group and provided secretariat services. The revised guidelines were published on the C-NLOPB's website on December 17, 2010.

Also during 2010-11, the C-NLOPB worked cooperatively with the NEB and the CNSOPB to address a number of comments raised in regards to the EPP Guidelines, first published by the C-NLOPB and the CNSOPB for a one-year trial period on December 31, 2009. A comparative review of the Safety Plan Guidelines was conducted and linkages between the two sets of guidelines and the underlying regulations were made more tangible. At the end of the reporting period, the revised EPP Guidelines had been approved by all three Boards and were awaiting publication.

OVERSIGHT OF THE LONA 0-55 WELL

The Environmental Affairs Department of the C-NLOPB plays an integral role in the regulatory oversight of deepwater drilling operations in the Offshore Area. Staff is very involved in the oversight of well drilling activity, and was particularly for Chevron Canada's Lona 0-55 well, which began after the blowout at the Macondo well in the Gulf of Mexico in April. This report contains a section specifically dedicated to the C-NLOPB's oversight of well drilling activity.



RIGHTS MANAGEMENT



STATUS OF LICENCES

The C-NLOPB issues land rights in the form of exploration licences (ELs), significant discovery licences (SDLs) and production licences (PLs). Four ELs and one SDL were issued in 2010-11. As of March 31, 2011, there were 35 ELs, 50 SDLs and eight PLs in the Offshore Area (see pages 46 and 47).

CALLS FOR BIDS

Call for Bids NL10-01 (Jeanne d'Arc Basin), closed on November 15, 2010. Successful bids were received on both parcels offered, totalling \$16,300,000 in work expenditure bids. Call for Bids NL10-02 (Flemish Pass/Central Ridge) closed on December 1, 2010. Successful bids were received for both EL parcels offered, totalling \$95,194,000 in work expenditure bids. These bids represent the expenditures that the bidders commit to make in exploring the parcels during period one of a nine-year EL.

One cash bid was received for the SDL offered in Call for Bids NL10-03 (Flemish Pass/Central Ridge) in the amount of \$1,237,000. This was the first time a bid was made for a SDL in the Offshore Area.

OPERATING LICENCES

Any person wishing to undertake any work or activity respecting petroleum operations in the Offshore Area must obtain an Operating Licence (OL). Table 3 shows the 17 OLs issued by the C-NLOPB during the 2010-11 fiscal year.

Table 3

OPERATING LICENCES FISCAL 2010-11 (April 1, 2010 - March 31, 2011)		
1.	OL 1001	NWest Oil & Gas Inc.
2.	OL 1002	Husky Oil Operations Limited
3.	OL 1003	Hibernia Management and Development Company Ltd.
4.	OL 1004	Chevron Canada Limited
5.	OL 1005	Chevron Canada Limited as Managing Partner for Chevron Canada Resources
6.	OL 1006	EnCana Corporation
7.	OL 1007	Imperial Oil Resources Limited
8.	OL 1008	Imperial Oil Resources Ventures Limited
9.	OL 1009	Suncor Energy Inc.
10.	OL 1010	ExxonMobil Canada Ltd.
11.	OL 1011	ExxonMobil Canada Ltd. as Managing Partner for ExxonMobil Canada Properties
12.	OL 1012	ConocoPhillips Canada Resources Corp.
13.	OL 1013	Shell Canada Limited
14.	OL 1014	Statoil Canada Ltd.
15.	OL 1015	Schlumberger Canada Ltd. as Managing Partner of WesternGeco Canada
16.	OL 1016	Corridor Resources Inc.
17.	OL 1017	Dragon Lance Management Corporation

EXPLORATION COMMITMENTS

As of March 31, 2011, there was \$955,802,872 in exploration commitments to be undertaken by interest owners, secured by deposits valued at \$238,950,718.

REGISTRY OFFICE

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



FUNDS COLLECTED

Under the *Atlantic Accord Implementation Acts*, the C-NLOPB is responsible for the collection of certain fees, forfeitures and rentals. In 2010-11, \$8,863,464.34 was collected and remitted to the Receiver General for Canada (see Table 4). Some of these revenues are for deposit to the Newfoundland and Labrador Offshore Petroleum Resources Revenue Fund. Since its inception, the C-NLOPB has collected \$173,140,164.00 on behalf of the Crown.

Table 4

C-NLOPB Revenues for the Newfoundland and Labrador Offshore Area Fiscal Year 2010-11	
Rentals	\$70,800.00
Forfeitures (Security Deposits)	\$3,791,413.84
Operating Licences	\$425.00
Registry Fees	\$755.50
Access to Information Requests	\$70.00
Forfeitures (Drilling Deposits)	\$5,000,000.00
Total	\$8,863,464.34



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 over 5,000 boxes of cuttings samples, 8,000 metres (m) of core, 7,500 sidewall core samples, 40,000 geological slides and 200 fluid samples from over 300 wells available at the CSRC.

The CSRC provides access once material is released to the public in accordance with legislation/regulations. In the 2009-10 budget, governments provided funding to the C-NLOPB for the construction of an expansion of the CSRC.

This expansion is completed and consists of a single storey, steel-framed building comprising a building footprint of approximately 900 square metres, all of which will be dedicated to the storage of geological material acquired in the Offshore Area. Internal renovations to the existing building have provided a second core viewing room (of approximately 90 square metres), additional fluid samples storage and a data viewing area. These additions will enhance service delivery to clients.

During the construction, the CSRC had limited access and some service interruptions, but the Centre has now returned to full operational status.



GEOPHYSICAL / GEOLOGICAL PROGRAMS

The C-NLOPB reviewed and approved seven applications for authorization to conduct exploratory-related work in the Offshore Area in 2010-11.

During the reporting period, the C-NLOPB approved five wellsite (surficial) surveys. ExxonMobil was authorized to conduct two wellsite surveys on the Grand Banks in the Jeanne d'Arc Basin; at Hebron and at Hibernia South, utilizing the *M/V Anticosti*. Statoil Canada acquired surficial data on EL 1101 in the Jeanne d'Arc Basin using the *M/V Anticosti*, and contracted Atlantic Towing and Oceanengineering to collect Remotely Operated Vehicle (ROV) data across SDL 1047, in the Flemish Pass Basin. Corridor Resources acquired surficial data, using the *M/V Anticosti*, across a proposed wellsite located on EL 1105 in the Maritimes Basin, western Newfoundland offshore region.

Husky Energy acquired two 2D seismic programs in 2010 and utilized the vessel *M/V Harrier Explorer* to collect the data. The first program commenced offshore southwestern Newfoundland in the Sydney Basin, with collection of 3,006 line km of 2D seismic data. The second program was acquired in the Hopedale Basin on the Labrador Shelf. This survey collected 5,536 line km of 2D seismic data.

Since 1964, approximately 2.1 million km of seismic data has been recorded in the Offshore Area. The geophysical programs conducted in 2010-11 account for 9,407 km of 2D data.



Table 5
Geophysical Programs Approved and Conducted

Operator	Program	Area	Coverage (Line km)
Corridor Resources	Surficial Survey	Maritimes Basin	148 km
ExxonMobil	Surficial Survey	Jeanne d’Arc Basin	N/A
ExxonMobil	Surficial Survey	Jeanne d’Arc Basin	249 km
Husky Energy	2D Seismic	Sydney Basin	3,006 km
Husky Energy	2D Seismic	Hopedale Basin	5,536 km
Statoil Canada	Surficial Survey	Jeanne d’Arc Basin	468 km
Statoil Canada	Surficial Survey	Flemish Pass Basin	N/A

GUIDELINE UPDATES

During the 2010-11 fiscal year, the C-NLOPB revised the Geophysical, Geological, Environmental and Geotechnical Program Guidelines to increase functionality and modernize the data submission process. These guidelines were updated from the May 2008 version to incorporate digital image seismic data submission as a requirement, and to discontinue data submission on paper and mylar. These Guidelines were effective February 2011.

During 2010-11 the C-NLOPB also reviewed several pieces of guidance in support of the *Drilling and Production Regulations* and is currently in the final stages of editing and updating the following documents:

- Data Acquisition and Reporting Guidelines
- Drilling and Production Guidelines
- Measurement Guidelines
- Guidelines Respecting Monthly Production Reporting for Producing Fields in the Newfoundland Offshore Area

DRILLING ACTIVITY

Ten wells (including sidetracks) were spudded in the 2010-11 fiscal year, including three exploration wells.

HIBERNIA MANAGEMENT AND DEVELOPMENT COMPANY

In 2010-11, HMDC completed Hibernia B-16 56 in the A Block making it their longest well drilled to date. This fiscal year also saw the spudding and completion of Hibernia B-16 5Z and B-16 54V, a producer and injector pair in the Hibernia South AA2 Block. At year end, HMDC was completing the Hibernia B-16 48Y well, which is a mechanical sidetrack of the B-16 48Z well, originally spudded in December 2010, targeting the R3 Block of the Ben Nevis Avalon Formation.

HUSKY ENERGY

Husky Energy re-entered and completed four wells in the North Amethyst Field utilizing the MODU *GSF Grand Banks*. Under this program, two producers, North Amethyst G-25 2 and G-25 3 and two water injectors, North Amethyst G-25 1 and G-25 4 were drilled and completed during the 2010-11 fiscal year.

Husky Energy also spudded North Amethyst G-25 6 and G-25 5, a producer and injector pair in the North Amethyst Field, using the MODU *GSF Grand Banks*. The North Amethyst G-25 5 injector well reached Total Depth (TD) and at year end was suspended, while drilling operations were ongoing on the North Amethyst G-25 6 producer well.



Additionally, two delineation wells were drilled utilizing the MODU *Henry Goodrich* in the North Amethyst and White Rose Fields. The North Amethyst H-14 well was drilled and abandoned, and the White Rose E-18 10 pilot well was drilled and suspended during the course of the reporting period.

SUNCOR ENERGY

Suncor Energy re-entered the Ballicatters M-96 well using the MODU *Henry Goodrich* and spudded the sidetrack Ballicatters M-96Z exploration well.

CONOCOPHILLIPS CANADA

ConocoPhillips Canada drilled and abandoned the East Wolverine G-37 exploration well utilizing the MODU *Stena Carron* in the Laurentian Subbasin. This well was drilled to a TD of 6,857 m, making it the deepest vertical offshore well drilled in Canada to date.

CHEVRON CANADA LIMITED

In 2010-11, Chevron Canada spudded, drilled and abandoned the Lona O-55 exploration well utilizing the MODU *Stena Carron* in the Orphan Basin. This well was drilled in 2,602 m of water, making it the deepest water depth drilled offshore Canada to date.

DRAGON LANCE MANAGEMENT CORPORATION

In 2010-11, Dragon Lance Management Corporation began drilling the onshore to offshore Shoal Point 3K-39 exploration well utilizing the Nabors Drilling Rig #112 in the western Newfoundland offshore region. The C-NLOPB and the provincial government are working co-operatively to regulate the drilling of this well.

RESOURCE ASSESSMENT AND PRODUCTION

The C-NLOPB's most recent reserve/resource estimate and production totals are provided in Table 6.



Table 6

Petroleum Reserves¹ and Resources² - Newfoundland and Labrador Offshore Area

Field	Oil Initial Estimate <i>MMbbls</i> ⁶	Produced ⁵ <i>MMbbls</i>	Gas BCF ⁷	NGLs ³ <i>MMbbls</i>
Grand Banks				
Hibernia	1,395	736.1	1,984	225
Terra Nova	419	315.4	53	4
White Rose ⁴	305	156.3	3,023	96
North Amethyst	68	6.5	315	-
Hebron	581		-	-
Ben Nevis	114		429	30
West Ben Nevis	36		-	-
West Bonne Bay	36		-	-
Mara	23		-	-
North Ben Nevis	18		116	4
Springdale	14		238	-
Nautilus	13		-	-
King's Cove	10		-	-
South Tempest	8		-	-
East Rankin	7		-	-
Fortune	6		-	-
South Mara	4		144	8
North Dana	-		472	11
Trave	-		30	1
Subtotal	3,057		6,804	379
Labrador Shelf				
North Bjarni	-		2,247	82
Gudrid	-		924	6
Bjarni	-		863	31
Hopedale	-		105	2
Snorri	-		105	2
Subtotal	0		4,244	123
Total	3,057		11,048	502
Produced		1,214.3	0	0
Remaining	1,843		11,048	502

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, Terra Nova, White Rose (South Avalon Pool and Southern Extension) and North Amethyst Fields are classified as reserves.

² Resources are volumes of hydrocarbons, expressed at 50% probability, assessed to be technically recoverable that have not been delineated and have unknown economic viability. The classification of resources includes gas, NGLs³, and oil in pools and fields that have not yet been developed or approved by the C-NLOPB.

³ 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.

⁴ This contains both 1) White Rose reserves which include the South Avalon Pool and the Southern Extension Pool and 2) White Rose Resources which includes the West Avalon Pool, North Avalon Pool and Hibernia Reservoir.

⁵ Produced reserve oil volumes as of March 31, 2011. These also include a small quantity of NGLs.

⁶ MMbbls = million barrels.

⁷ BCF = billion cubic feet.

HIBERNIA

The Hibernia Field, discovered in 1979, consists of two principal reservoirs: Hibernia and Ben Nevis/Avalon. This Field is operated by HMDC and is produced using the Hibernia GBS. Total oil production for 2010-11 was 55.9 million barrels (MMbbls) with a daily average of 153,142 barrels (bbls). The C-NLOPB estimates oil reserves and resources at Hibernia to be 1,395 MMbbls of which 736.1 MMbbls were produced as of March 31, 2011.

During 2010-11, the C-NLOPB approved a DPA (Decision Report 2010.02) that allowed development of the Hibernia South Extension. This amendment also granted approval for the staged development of the Cape Island and Catalina members.

Table 7
Hibernia Field Production Statistics

		2010-11	Cumulative to March 31, 2011
Production			
Oil	MMbbls	55.90	736.08
Gas	Bscf	87.14	1,084.44
Water	MMbbls	33.84	312.75
Gas Disposition			
Flared	Bscf	1.77	79.17
Fuel	Bscf	5.55	70.38
Injected	Bscf	79.82	934.88
Water Injected	MMbbls	95.51	1,002.60

Conversion factors:

1 m³ oil = 6.2898106 bbl

1 m³ gas = 35.49370 cu. ft.

TERRA NOVA

The Terra Nova Field, discovered in 1984 and operated by Suncor Energy, consists of one reservoir: the Jeanne d'Arc. Total production for 2010-11 at the Terra Nova Field reached 21.1 MMbbls. The *Terra Nova FPSO* produced an average of 57,884 bbls/day during the past fiscal year. The C-NLOPB estimates oil reserves at Terra Nova to be 103.6 MMbbls as of March 31, 2011.

Table 8
Terra Nova Field Production Statistics

		2010-11	Cumulative to March 31, 2011
Production			
Oil	MMbbls	21.13	315.43
Gas	Bscf	55.74	414.33
Water	MMbbls	34.53	147.34
Gas Disposition			
Flared	Bscf	1.23	46.50
Fuel	Bscf	5.03	37.05
Injected	Bscf	49.48	330.78
Lift	Bscf	11.77	36.75
Water Injected	MMbbls	54.69	439.80

WHITE ROSE

The White Rose Field, discovered in 1984 and operated by Husky Energy, also has one principal reservoir: the Ben Nevis/Avalon. Total oil production at the White Rose Field for the reporting period was 14.4 MMbbls. The *SeaRose FPSO* produced an average of 39,352 bbls/day. The C-NLOPB estimates oil reserves and resources at the White Rose Field to be 305 MMbbls, which includes the main White Rose Field, the South White Rose Extension and the West White Rose and North Avalon pools. As of March 31, 2011, 156.3 MMbbls have been produced and the remaining oil reserves amount to 149 MMbbls.

During 2010-11, the C-NLOPB approved a DPA (Decision 2010.01) that allowed development of the West White Rose area. This amendment proposed a two well pilot scheme to further assess the feasibility of a full field development in the West White Rose area.

Table 9
White Rose Field Production Statistics

		2010-11	Cumulative to March 31, 2011
Production			
Oil	MMbbls	14.36	156.29
Gas	Bscf	13.76	129.73
Water	MMbbls	18.81	45.01
Gas Disposition			
Flared	Bscf	1.51	25.68
Fuel	Bscf	2.34	15.80
Injected	Bscf	13.07	91.41
Lift	Bscf	12.89	18.69
Water Injected	MMbbls	43.44	282.49



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 in a single reservoir, the Ben Nevis/Avalon, and are estimated by the C-NLOPB at 68 MMbbls.

The North Amethyst Field commenced production from G-25 2 on May 31, 2010. On September 13, 2010, a second producer G-25 3 was added to the Field. These wells have a combined production of 21,413 bbls/day (based on an operating fiscal calendar year).

Table 10
North Amethyst Field Production Statistics

		2010-11	Cumulative to March 31, 2011
Production			
Oil	MMbbls	6.53	6.53
Gas	Bscf	4.39	4.39
Water	MMbbls	0.28	0.28
Gas Disposition			
Flared	Bscf	0.49	0.49
Fuel	Bscf	0.74	0.74
Injected	Bscf	0.00	0.00
Lift	Bscf	0.00	0.00
Water Injected	MMbbls	9.54	9.54

HEBRON

The Hebron Field, discovered in 1981, is an undeveloped oil field located north of the Terra Nova Field. A development application, which will include a Development Plan and a Benefits Plan, is expected to be filed with the C-NLOPB during the next fiscal year.



INDUSTRIAL BENEFITS, POLICY AND REGULATORY COORDINATION



NEW FACES OF THE BOARD

Back L-R: Shawna Hudson, Allison Moyle, Natasha Stamp

Front L-R: Dorothy Cutler, Kent Munn, Joyce Shinkle

BENEFITS ADMINISTRATION

In 2010-11, the industrial benefits activities, associated with offshore exploration and production, 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).

Pre-development procurement and contracting plans associated with the Hebron project were also monitored by the C-NLOPB during the reporting period in anticipation of the submission of a Benefits Plan for the project in the coming fiscal year.



The Benefits Plan Amendment for the Hibernia South Extension was approved on September 2, 2010. Pre-development procurement and contracting activity associated with this project is being monitored as part of the existing Hibernia Benefits Plan framework.

The C-NLOPB also agreed to monitor, on behalf of the Government of Newfoundland and Labrador, compliance with the commitments in each of the Hebron, Hibernia South and White Rose expansion benefits agreements. Reporting mechanisms for monitoring these agreements have been established.

During 2010-11, the C-NLOPB reviewed and approved exploration benefits plans for programs in the Jeanne d'Arc Basin, Orphan Basin, Sydney Basin, Offshore Labrador, Flemish Pass, and Offshore/Onshore western Newfoundland.

ECONOMIC IMPACT OF THE OIL INDUSTRY

As reported by the Provincial Department of Finance, in 2010, hydrocarbon production from the Offshore Area accounted for approximately 35% of Canada's total conventional light crude production, with an estimated market value of approximately \$8.23 billion. The sector directly accounted for 28% of the province's nominal Gross Domestic Product (GDP) for 2009. Since production commenced in 1997, provincial real GDP has grown by more than 50% through 2009 with more than half the growth attributed directly to the oil and gas sector.

During 2010, Operators reported expenditures of \$1.87 billion related to work in the Offshore Area. Since 1966, cumulative expenditures total \$28.67 billion.

As of December 31, 2010, 4,051 persons were working in direct support of petroleum related activity in the Offshore Area, which was 1.8% of total employment in the province. Indirectly, through spin-off effects, the industry accounted for almost 5% of total employment.

During 2010, \$333.9 million was spent on exploration programs, generating more than 4,549 person-months of employment.

On-going production activities accounted for expenditures of \$1.36 billion in 2010, of which 58% of annual expenditures occurred in Newfoundland and Labrador and a further 25% in the rest of Canada.

Tables 11, 12 and 13 summarize the participation of Newfoundland and Labrador residents and other Canadians in the operating phase workforce at Hibernia, Terra Nova and White Rose, respectively. Table 14 summarizes the participation of Newfoundland and Labrador residents and other Canadians in the development phase workforce for North Amethyst. A Newfoundland and Labrador resident is a Canadian citizen or Permanent Resident who has resided in the Province for the preceding six-month period prior to time of hire.

HIBERNIA

HMDC reported expenditures of \$486 million for the 2010-11 fiscal year, with 76% Canadian content including 49% Newfoundland and Labrador content. As of March 31, 2011, total direct employment in the province in support of the Hibernia project was 1,690 persons. Of this amount, 93% of the workers were Newfoundland and Labrador residents at the time of hire, and 4% were other Canadian residents.

Table 11**Hibernia Operations Phase Employment** (as of March 31, 2011)

Location	Residency			
	Newfoundland & Labrador	Other Canadians	Non-Canadians	Total
Onshore Operations	836	36	30	902
Offshore Operations	742	33	13	788
Total	1,578	69	43	1,690

TERRA NOVA

Suncor Energy reported expenditures of \$249 million for the fiscal year 2010-11, with 76% Canadian content including 59% Newfoundland and Labrador content. As of March 31, 2011, total employment in support of the Terra Nova project was 841 persons. At the time of hire, 92% of this total were Newfoundland and Labrador residents and 7% were other Canadian residents.

Table 12**Terra Nova Operations Phase Employment** (as of March 31, 2011)

Location	Residency			
	Newfoundland & Labrador	Other Canadians	Non-Canadians	Total
Onshore Operations	487	39	4	530
Offshore Operations	292	19	0	311
Total	779	58	4	841

WHITE ROSE

Husky Energy reported expenditures of \$295 million for the fiscal year 2010-11, with 85% Canadian content including 67% Newfoundland and Labrador content. As of March 31, 2011, total employment in support of the White Rose project was 918 persons. At the time of hire, 92% of this total were Newfoundland and Labrador residents and 6% were other Canadian residents.

Table 13**White Rose Operations Phase Employment** (as of March 31, 2011)

Location	Residency			
	Newfoundland & Labrador	Other Canadians	Non-Canadians	Total
Onshore Operations	458	22	13	493
Offshore Operations	390	31	4	425
Total	848	53	17	918



NORTH AMETHYST

Production for the North Amethyst project commenced on May 31, 2010. Husky Energy reported expenditures of \$333 million for the fiscal year 2010-11, directly related to the development of North Amethyst, with 86% Canadian content including 61% Newfoundland and Labrador content. As of March 31, 2011, total employment in support of the North Amethyst project was 204 persons. At the time of hire, 84% of this total were Newfoundland and Labrador residents and 6% were other Canadian residents.

Table 14

North Amethyst Development Phase Employment (as of March 31, 2011)

Location	Residency			
	Newfoundland & Labrador	Other Canadians	Non-Canadians	Total
Onshore Operations	40	0	13	53
Offshore Operations	132	12	7	151
Total	172	12	20	204

HEBRON

During the 2010-11 fiscal year, ExxonMobil continued to progress the finalization of its Development Application, including a Benefits Plan, for submission to the C-NLOPB.

On August 23, 2010, ExxonMobil advised the C-NLOPB of their intent to award the Topsides FEED/EPC contract to WorleyParsons Canada Services at an estimated value of \$346 million. Likewise, on October 19, 2010, ExxonMobil advised the C-NLOPB of its intent to award the GBS FEED/EPC contract to Kiewit-Aker Contractors (KAC) at a value of \$140 million.

ExxonMobil reported expenditures of \$93.2 million for the calendar year, with 40% Canadian content including 34% Newfoundland and Labrador content. As of December 31, 2010, total employment on the project was 591 persons. Employment to date includes 24% Newfoundland and Labrador residents and 9% other Canadian residents.

RESEARCH AND DEVELOPMENT, EDUCATION AND TRAINING

Staff continued to monitor industry's obligations to carry out R&D and E&T in the Province. Plans related to a number of joint industry projects in the areas of harsh environment, ice management, trenching technology and other focus areas have been reviewed and assessed against the eligibility criteria of the C-NLOPB's guidelines and are in the process of being implemented. A number of individual initiatives have also been identified by each of the Operators, including several projects related to establishing additional infrastructure in the Province. These include the Suncor Energy Offshore Research and Development Center; a donation by HMDC for the installation of state-of-the-art simulation training equipment at the Marine Institute's Offshore Safety and Survival Training Center; as well as endowments for the establishment of scholarships and research grants at Memorial University by the Hebron project to encourage diversity in the petroleum industry. Approximately \$13 million was spent on R&D and E&T during 2009 bringing the total to approximately \$100 million since the C-NLOPB's guidelines came into effect as of April 1, 2004. Expenditures of the 2010 calendar year are under review by the C-NLOPB to determine eligibility with the Board's guidelines.

In accordance with the C-NLOPB's guidelines, an Operator's R&D and E&T expenditure obligations are tied to the OA period. Reconciliation of expenditures versus obligations occurs prior to the renewal of the authorization. In the event of a shortfall, a financial instrument is required to be provided to the C-NLOPB as a surety that the Operator will meet its obligations. The expiry dates of the current OAs are as follows:

Producing Project	Expiry Operations Authorization Period
Terra Nova	September 30, 2011
White Rose	March 30, 2012
Hibernia	October 31, 2012

POLICY AND REGULATORY COORDINATION

The Policy and Regulatory Coordination Division provides administrative and policy support to the C-NLOPB by taking responsibility for the coordination of development applications, authorizations and approvals and other regulatory initiatives. This allows the C-NLOPB's technical staff to focus on matters in support of the C-NLOPB's mandate.

During 2010-11, the Policy and Regulatory Coordination group coordinated the review of two Development Plan amendments. These included the Hibernia South Extension which was approved in October 2010 and a pilot scheme for the White Rose project which was approved in August 2010.

The Policy and Regulatory Coordination Division also coordinated the issuance of two OAs and seven GPAs. A list of all authorizations issued by the C-NLOPB during the reporting period is provided in Table 15.



Table 15**Authorizations Issued by the C-NLOPB in 2010-11**

Authorization Type	Operator	Installation/Vessel
Diving Program Authorization	HMDC	<i>DSV Acergy Discovery</i>
Diving Program Authorization	Suncor Energy	<i>DSV Acergy Discovery</i>
Diving Program Authorization	Husky Energy	<i>DSV Acergy Discovery</i>
Diving Program Authorization	Husky Energy	<i>M/V Atlantic Hawk and ProDive Attender</i>
Geophysical Program Authorization	ExxonMobil	<i>M/V Anticosti</i>
Geophysical Program Authorization	ExxonMobil	<i>M/V Anticosti</i>
Geophysical Program Authorization	Husky Energy	<i>M/V Harrier Explorer</i>
Geophysical Program Authorization	Husky Energy	<i>M/V Harrier Explorer</i>
Geophysical Program Authorization	Statoil Canada Ltd.	<i>M/V Anticosti</i>
Geophysical Program Authorization	Statoil Canada Ltd.	<i>M/V Atlantic Osprey</i>
Geophysical Program Authorization	Corridor Resources	<i>M/V Anticosti</i>
Operations Authorization	Chevron Canada Limited	MODU <i>Stena Carron</i>
Operations Authorization – onshore to offshore program	Dragon Lance Management Corp	<i>Nabors Drilling Rig</i>

Also during the fiscal year, the Policy and Regulatory Coordination Division continued coordinating the transition to the new *Drilling and Production Regulations*. Four sets of guidelines were issued by the C-NLOPB on December 31, 2009 on a one-year trial basis to accompany the new regulations. Based on comments and lessons learned during the past year, the guidelines will be updated and re-published in fiscal year 2011-12.

The Regulatory Coordination function will continue to evolve and grow as the division is tasked with additional roles and responsibilities with respect to policy and regulatory matters. One of the primary areas of focus in the next fiscal year will be the regulatory coordination of the development application for the Hebron project.

SUPPORT SERVICES



SUPPORT SERVICES

The C-NLOPB continued to grow and develop information management practices, policies and systems during the reporting period. The population and implementation of its data management solution, the Offshore Petroleum Information Management System (OPIMS) and the document management solution progressed during 2010-11.

This year also saw the Information Resources Centre relocated to the first floor of TD Place, allowing enhanced security for technical and corporate information, and providing an enhanced public viewing area.

The C-NLOPB received 564 requests during 2010-11 for information from external parties through its Information Resources Centre. These requests primarily related to access to non-privileged offshore petroleum technical data provided to the C-NLOPB by Operators. These did not require formal Access to Information requests.

The C-NLOPB received 16 formal requests under the *Access to Information Act* during 2010-11. As a result of one of the Access to Information Requests, the C-NLOPB is a respondent to an appeal to the Federal Court of Canada by a third party who has sought to prevent the C-NLOPB from releasing documents to a requestor.



SPECIAL SECTION – THE *DEEPWATER HORIZON* INCIDENT



THE *DEEPWATER HORIZON* INCIDENT

Public confidence in offshore safety and the ability of regulators and industry to protect workers and the environment was challenged due to the occurrence of five major incidents worldwide between 2009-11. In 2009 there were three helicopter crashes, two in the North Sea and one in Newfoundland and Labrador, Canada, two of which resulted in multiple fatalities. In Australia, a well control incident (i.e. a blowout) at the Montara well resulted in a major oil spill off the coast. In 2010, the *Deepwater Horizon* blowout and explosion at the Macondo well in the Gulf of Mexico, claimed 11 lives, left 17 people with major injuries and caused an environmental and economic disaster.

International media coverage of the *Deepwater Horizon* incident placed offshore oil companies, regulators and governments under intense scrutiny, especially in Canada, where the C-NLOPB had approved an application from Chevron Canada to drill the Lona O-55 well. The C-NLOPB, as a matter of prudent practice, conducted an internal review to determine if more, from an oversight perspective, should be done to address concerns about the risks of offshore drilling. On May 10, 2010, Chevron Canada spudded the Lona O-55 exploration well in the Orphan Basin. At a water depth of 2,602 metres, this is the deepest well drilled in Canadian waters. Drilling operations were conducted using a new sixth generation harsh environment drillship, the MODU *Stena Carron*. Chevron Canada was advised of the additional oversight measures and fully facilitated the following measures for overseeing well operations at its Lona O-55 well:

- A team was established within the C-NLOPB to provide regulatory oversight of deepwater drilling operations. This team was comprised of the C-NLOPB's Chief Safety Officer, the Chief Conservation Officer, members of the management team and selected senior staff with extensive experience in the regulatory oversight of drilling programs.
- Chevron Canada met with the C-NLOPB's oversight team every two weeks to review matters of interest from the ongoing operations. Chevron Canada provided the C-NLOPB's Well Operations Engineer with copies of the field reports prepared in respect of the following: third party testing of the blowout preventer (BOP) stack; function testing of the acoustic control system; function testing of the ROV intervention capability; function testing of the automode function (AMF) system; and an assessment of the readiness of the ROV system in terms of equipment, procedures and spare parts.

- The frequency of audits and inspections was increased from three to four months, to approximately every three to four weeks. The C-NLOPB Well Operations Engineer was onboard the *Stena Carron* to observe the cementing operations of the last casing string set, prior to entering the target zones. The Well Operations Engineer was also present to witness the BOP testing, well control drills, and results of the pressure test of the cementing job.
- Prior to penetrating the targets, Chevron Canada held an operations time-out that reviewed and verified, to the satisfaction of the Chief Safety Officer and the Chief Conservation Officer, that all appropriate equipment, systems and procedures were in place to allow operations to proceed safely and without environmental incident. Chevron Canada also demonstrated to the C-NLOPB that all personnel and equipment for spill response identified in its oil spill contingency plan were available for rapid deployment.
- The Well Operations Engineer of the C-NLOPB was onboard the *Stena Carron* to observe the well termination program.

All activities were successfully completed and well operations were terminated on August 22, 2010, with completion of the plug and abandonment program.

In addition, Chevron Canada held a field exercise of its oil spill countermeasures, witnessed by the C-NLOPB and government agencies, prior to drilling into the first potentially prospective formation in the well.



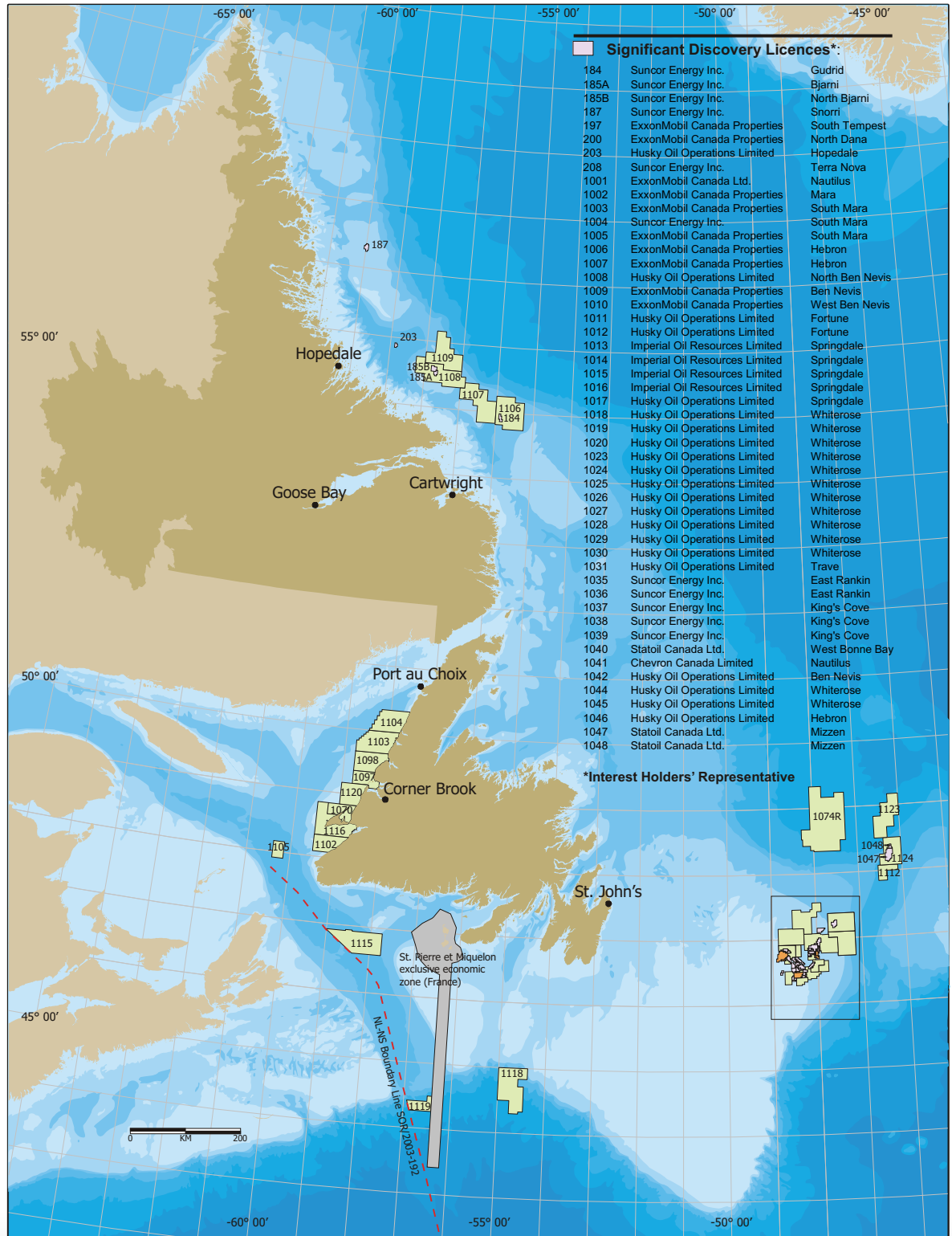
As the world watched British Petroleum (BP) struggle over several months to contain the flow of oil into the Gulf of Mexico, Canadians wondered if a similar event could occur in Eastern Canada. The C-NLOPB engaged in several activities aimed at assuring Canadians, and the world, that Canada has a robust offshore oil and gas regulatory regime, that safety is paramount and that incident prevention is critical. The C-NLOPB:

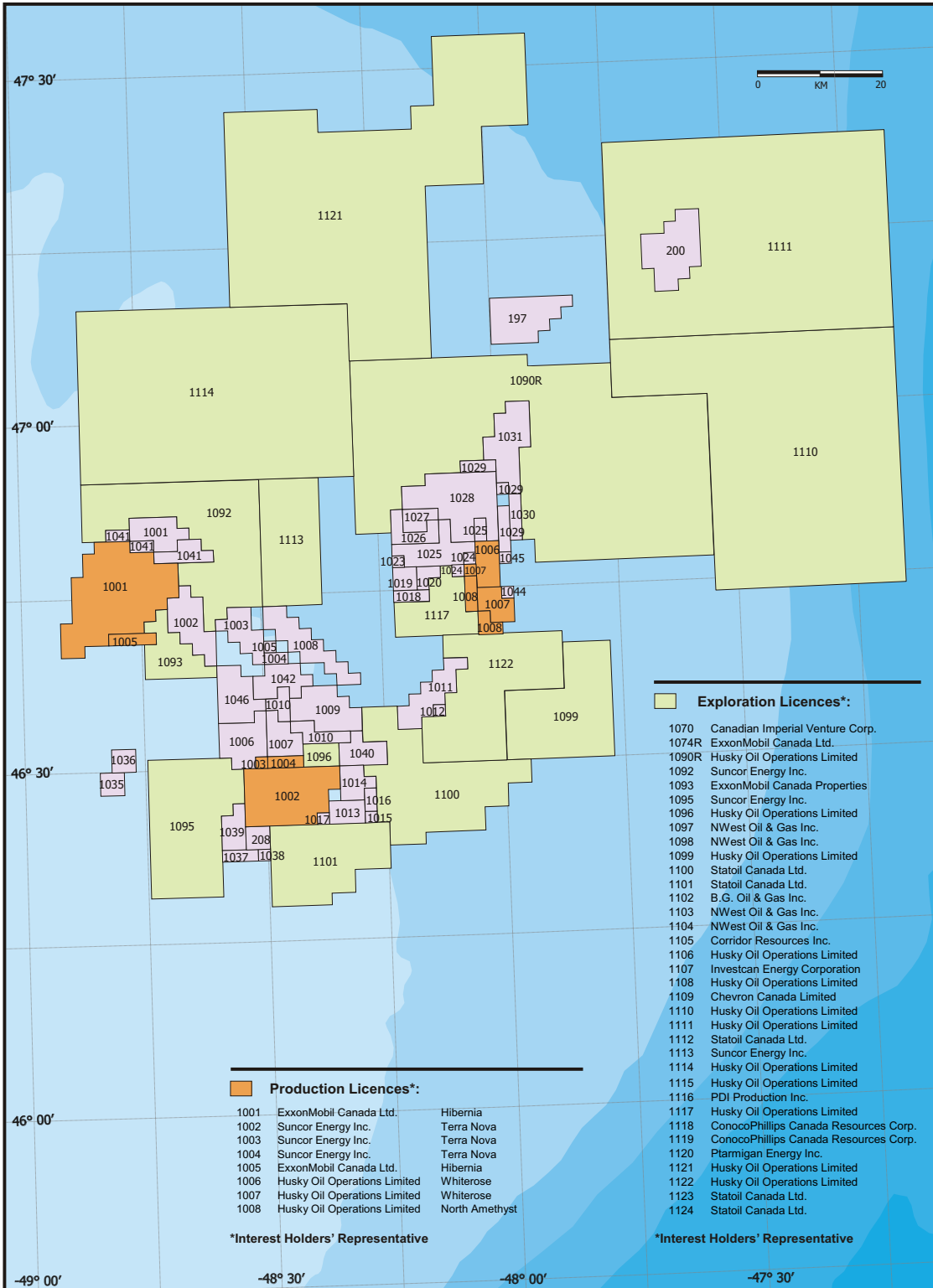
- implemented special oversight measures for Chevron Canada's deepwater operations;
- briefed officials and ministers in the federal and provincial government;
- briefed the provincial PC, Liberal and NDP Caucuses (at the Minister's request);
- provided daily support to Governments through the provision of information;
- held a Technical Briefing and News Conference;
- restructured its website to provide easier access to information about blowout prevention and spill response;
- responded to local, national and international media interview requests;
- responded to a large number of Access to Information Requests;
- CEO attended the IRF Extraordinary Meeting in Washington D.C;
- C-NLOPB chaired the Steering Committee for the 2011 International Offshore Safety Regulators Conference in Vancouver, B.C.;
- CEO appeared twice before the House of Commons Standing Committee on Natural Resources;
- CEO appeared before the Senate Standing Committee on Energy, the Environment and Natural Resources;
- CEO met with the Bureau of Ocean Energy Management, Regulation and Enforcement;
- CEO was interviewed by the U.S. Presidential Oil Spill Commission and the Chemical Safety Board; and
- formed an internal team of senior managers to review the recommendations of the "US National Commission on the BP *Deepwater Horizon* Oil Spill and Offshore Drilling" and assessed their implications for Newfoundland and Labrador offshore operations. At the end of the fiscal year, the team was finalizing its report for review by the Board.

The C-NLOPB demonstrated outstanding leadership in its public response to issues arising from the *Deepwater Horizon* incident. The C-NLOPB established itself as an industry leader with expertise comparable to any major offshore regulator in the world. Although there are never any guarantees that incidents will not happen, the C-NLOPB is confident in the regulatory regime and committed to implementing lessons learned.

SUPPLEMENT

NEWFOUNDLAND AND LABRADOR OFFSHORE AREA





Production Licences*:

1001	ExxonMobil Canada Ltd.	Hibernia
1002	Suncor Energy Inc.	Terra Nova
1003	Suncor Energy Inc.	Terra Nova
1004	Suncor Energy Inc.	Terra Nova
1005	ExxonMobil Canada Ltd.	Hibernia
1006	Husky Oil Operations Limited	Whiterose
1007	Husky Oil Operations Limited	Whiterose
1008	Husky Oil Operations Limited	North Amethyst

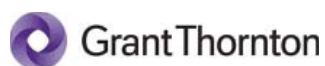
*Interest Holders' Representative

Exploration Licences*:

1070	Canadian Imperial Venture Corp.
1074R	ExxonMobil Canada Ltd.
1090R	Husky Oil Operations Limited
1092	Suncor Energy Inc.
1093	ExxonMobil Canada Properties
1095	Suncor Energy Inc.
1096	Husky Oil Operations Limited
1097	NWest Oil & Gas Inc.
1098	NWest Oil & Gas Inc.
1099	Husky Oil Operations Limited
1100	Statoil Canada Ltd.
1101	Statoil Canada Ltd.
1102	B.G. Oil & Gas Inc.
1103	NWest Oil & Gas Inc.
1104	NWest Oil & Gas Inc.
1105	Corridor Resources Inc.
1106	Husky Oil Operations Limited
1107	Investcan Energy Corporation
1108	Husky Oil Operations Limited
1109	Chevron Canada Limited
1110	Husky Oil Operations Limited
1111	Husky Oil Operations Limited
1112	Statoil Canada Ltd.
1113	Suncor Energy Inc.
1114	Husky Oil Operations Limited
1115	Husky Oil Operations Limited
1116	PDI Production Inc.
1117	Husky Oil Operations Limited
1118	ConocoPhillips Canada Resources Corp.
1119	ConocoPhillips Canada Resources Corp.
1120	Ptarmigan Energy Inc.
1121	Husky Oil Operations Limited
1122	Husky Oil Operations Limited
1123	Statoil Canada Ltd.
1124	Statoil Canada Ltd.

*Interest Holders' Representative

FINANCIAL STATEMENTS



Financial Statements

Canada-Newfoundland and Labrador Offshore Petroleum Board

March 31, 2011



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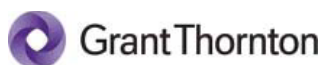
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Independent auditors' report

To the Members 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, 2011, the statements of revenue and expenditures and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board Management's responsibility for the financial statements

Board management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as Board 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 entity's preparation and fair presentation of the interim 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, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

St. John's, Newfoundland and Labrador

May 16, 2011

Grant Thornton LLP

Chartered Accountants

CANADA-NEWFOUNDLAND AND LABRADOR OFFSHORE PETROLEUM BOARD

Statement of Revenue and Expenditures

Year Ended March 31

	2011	2010
Revenue		
Operating grants		
Government of Canada	\$ 7,728,759	\$ 7,562,235
Government of Newfoundland and Labrador	<u>7,728,759</u>	<u>7,562,235</u>
	15,457,518	15,124,470
Add:		
Costs recovered from industry	11,593,138	11,343,318
Amortization of deferred capital grants	1,167,381	679,225
Interest and other	<u>94,362</u>	<u>65,168</u>
	28,312,399	27,212,181
Less:		
Cost recoveries refunded to governments	(11,593,138)	(11,343,318)
Deferred capital grants	<u>(1,667,407)</u>	<u>(1,794,086)</u>
Net revenue	<u>15,051,854</u>	<u>14,074,777</u>
Expenditures		
Personnel	9,481,594	8,735,945
Maintenance and support	692,329	620,285
Premises	980,743	666,456
Travel	121,891	110,206
Amortization of capital assets	1,110,127	652,658
General	1,036,444	827,530
Offshore Helicopter Safety Inquiry (Note 8)	<u>1,628,726</u>	<u>2,461,697</u>
	<u>15,051,854</u>	<u>14,074,777</u>
Excess of revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

CANADA-NEWFOUNDLAND AND LABRADOR OFFSHORE PETROLEUM BOARD

Statement of Financial Position

March 31

	2011	2010
Assets		
Current		
Cash and cash equivalents	\$ 7,461,793	\$ 10,276,831
Receivables	3,840,482	295,785
Prepays	<u>429,272</u>	<u>380,078</u>
	11,731,547	10,952,694
Capital assets (Note 4)	<u>4,435,742</u>	<u>3,935,714</u>
	<u>\$ 16,167,289</u>	<u>\$ 14,888,408</u>

Liabilities

Current		
Payables and accruals	\$ 9,530,165	\$ 6,314,996
Deferred revenue (Note 5)	<u>32,482</u>	<u>2,885,098</u>
	9,562,647	9,200,094
Deferred capital grants	4,435,742	3,935,714
Accrued employee future benefit obligation (Note 6)	<u>2,168,900</u>	<u>1,752,600</u>
	<u>\$ 16,167,289</u>	<u>\$ 14,888,408</u>

Commitments (Note 9)

On behalf of the Board



Member



Member

See accompanying notes to the financial statements.

CANADA-NEWFOUNDLAND AND LABRADOR OFFSHORE PETROLEUM BOARD

Statement of Cash Flows

Year Ended March 31

	2011	2010
Increase (decrease) in cash and cash equivalents		
Operating		
Excess of revenue over expenditures	\$ -	\$ -
Amortization of deferred capital grants	(1,167,381)	(679,225)
Amortization of capital assets	1,167,381	679,225
Accrued employee future benefit obligation	<u>416,300</u>	<u>285,500</u>
	416,300	285,500
Change in non-cash operating working capital (Note 7)	<u>(3,231,338)</u>	<u>8,345,556</u>
	<u>(2,815,038)</u>	<u>8,631,056</u>
Investing		
Purchase of capital assets	(1,667,409)	(1,794,086)
Deferral of capital grants	<u>1,667,409</u>	<u>1,794,086</u>
	-	-
Net (decrease) increase in cash and cash equivalents	(2,815,038)	8,631,056
Cash and cash equivalents		
Beginning of year	<u>10,276,831</u>	<u>1,645,775</u>
End of year	<u>\$ 7,461,793</u>	<u>\$ 10,276,831</u>

See accompanying notes to the financial statements.

CANADA-NEWFOUNDLAND AND LABRADOR OFFSHORE PETROLEUM BOARD

Notes to the Financial Statements

March 31, 2011

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. The Board is a non-profit organization and is, therefore, exempt from income tax under Section 149 of the Income Tax Act.

2. Summary of significant accounting policies

The financial statements include the operations of the Canada-Newfoundland & Labrador Offshore Petroleum Board and the Offshore Helicopter Safety Inquiry and have been prepared in accordance with Canadian generally accepted accounting principles, the more significant of which are as follows:

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenditures during the year. Actual results could differ from these estimates.

Revenue recognition

The deferred method of accounting is used for contributions. Revenue is recognized in the period in which the related expenses are incurred.

Cash and cash equivalents

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

Capital assets

Rates and bases of depreciation applied to write-off the cost of capital assets over their estimated lives are as follows:

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

CANADA-NEWFOUNDLAND AND LABRADOR OFFSHORE PETROLEUM BOARD

Notes to the Financial Statements

March 31, 2011

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

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.

Deferred revenue

Operating grants received from government in excess of Board expenditures, net of other revenue, are recorded as deferred revenue.

Deferred capital grants

Federal and provincial grants received for annual capital expenditures are deferred and recognized into revenue on a basis consistent with the capital asset amortization charge.

Employee future benefits

The Board contributes 100% of the premiums for medical, life and dental benefits for retired employees. These retirement benefits are recorded on an accrual basis based on an actuary's estimate. The transitional obligation is amortized on a straight-line basis over the average remaining service period of the active members expected to receive benefits under the plan (14 years). Past service costs resulting from plan amendments are amortized over the expected average service life to full eligibility (11 years). The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligations and the fair value of plan assets is amortized over the average remaining service life (13 years).

Financial instruments

The CICA Handbook Section 3855, "Financial Instruments - Recognition and Measurement", requires the Board to revalue all of its financial assets and liabilities, including derivatives and embedded derivatives in certain contracts, at fair value.

This standard also requires the Board to classify financial assets and liabilities according to their characteristics and management's choices and intentions related thereto for the purposes of ongoing measurements. Classification choices for financial assets include: a) held for trading - measured at fair value with changes in fair value recorded in net earnings; b) held to maturity - recorded at amortized cost with gains and losses recognized in net earnings in the period that the asset is no longer recognized or impaired; c) available-for-sale - measured at fair value with changes in fair value recognized in net earnings for the current period until realized through disposal or impairment; and d) loans and receivables - recorded at amortized cost with gains and losses recognized in net earnings in the period that the asset is no longer recognized or impaired.



CANADA-NEWFOUNDLAND AND LABRADOR OFFSHORE PETROLEUM BOARD

Notes to the Financial Statements

March 31, 2011

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

Classification choices for financial liabilities include: a) held for trading - measured at fair value with changes in fair value recorded in net earnings and b) other - measured at amortized cost with gains and losses recognized in net earnings in the period that the liability is no longer recognized. Subsequent measurement for these assets and liabilities are based on either fair value or amortized cost using the effective interest method, depending upon their classification. Any financial asset or liability can be classified as held for trading as long as its fair value is reliably determinable.

In accordance with the standard, the Board's financial assets and liabilities are generally classified and measured as follows:

Asset/Liability	Classification	Measurement
Cash and cash equivalents	Held for trading	Fair value
Receivables	Loans and receivables	Amortized cost
Payables and accruals	Other liabilities	Amortized cost

Other balance sheet accounts, such as prepaids, capital assets, and accrued employee future benefit obligation are not within the scope of the accounting standards as they are not financial instruments.

The fair value of a financial instrument is the estimated amount that the Board would receive or pay to terminate the instrument agreement at the reporting date. To estimate the fair value of each type of financial instrument various market value data and other valuation techniques were used as appropriate. The fair values of cash approximated its carrying value.

3. Risk management

The Board's policy for managing significant risks includes policies, procedures and oversight designed to reduce the risks identified to an appropriate threshold. The Board members are provided with timely and relevant reports on the management of significant financial risks. Significant risks managed by the Board include liquidity and credit risks.

CANADA-NEWFOUNDLAND AND LABRADOR OFFSHORE PETROLEUM BOARD

Notes to the Financial Statements

March 31, 2011

3. Risk management (cont'd.)

Liquidity risk

Liquidity risk is the risk that the Board will be unable to meet its contractual obligations and financial liabilities. The Board manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient cash available to meet its obligations and liabilities.

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. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote.

4. Capital assets

	Cost	Accumulated Depreciation	<u>2011</u> Net Book Value	<u>2010</u> Net Book Value
Land and parking lot	\$ 281,187	\$ -	\$ 281,187	\$ 281,187
Building	3,317,089	832,514	2,484,575	1,419,786
Leasehold improvements	402,141	331,058	71,083	140,044
Furniture and fixtures	704,448	455,961	248,487	190,537
Data management system	1,359,271	553,363	805,908	1,195,862
Computer software	668,182	523,448	144,734	389,135
Computer equipment	<u>1,643,116</u>	<u>1,243,348</u>	<u>399,768</u>	<u>319,163</u>
	<u>\$ 8,375,434</u>	<u>\$ 3,939,692</u>	<u>\$ 4,435,742</u>	<u>\$ 3,935,714</u>

5. Deferred revenue

	<u>2011</u>	<u>2010</u>
Government of Canada – Security project funding	\$ -	\$ 26,568
Government of Canada	16,241	1,720,765
Government of Newfoundland and Labrador	<u>16,241</u>	<u>1,137,765</u>
	<u>\$ 32,482</u>	<u>\$ 2,885,098</u>



CANADA-NEWFOUNDLAND AND LABRADOR OFFSHORE PETROLEUM BOARD

Notes to the Financial Statements

March 31, 2011

6. Employee future benefits

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, 2011.

	<u>2011</u>	<u>2010</u>
Accrued benefit obligation		
Balance, beginning of year	\$ 2,715,600	\$ 1,798,600
Current service cost	153,600	89,100
Interest cost	179,500	158,800
Benefits paid	(39,200)	(37,800)
Actuarial (gain) loss	<u>(188,100)</u>	<u>706,900</u>
Balance, end of year	<u>\$ 2,821,400</u>	<u>\$ 2,715,600</u>
Plans assets	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of funded status		
Funded status - deficit	\$ (2,821,400)	\$ (2,715,600)
Unamortized transitional obligation	283,200	339,900
Unamortized past service cost	640,800	706,500
Unamortized net actuarial gain	<u>(271,500)</u>	<u>(83,400)</u>
Accrued benefit liability	<u>\$ (2,168,900)</u>	<u>\$ (1,752,600)</u>
Net benefit expense		
Current service cost	\$ 153,600	\$ 89,100
Interest cost	179,500	158,800
Actuarial gain	-	(46,900)
Plan amendment	65,700	65,700
Amortization of transitional obligation	<u>56,700</u>	<u>56,600</u>
	<u>\$ 455,500</u>	<u>\$ 323,300</u>

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

	<u>2011</u>	<u>2010</u>
Discount rate	5.9%	6.3%
Rate of increase in compensation levels	4.0%	4.0%
Dental inflation rate	4.5%	4.0%
Medical inflation rate	8.0%	8.0%
	decreasing gradually to 4.5% by 2032	decreasing gradually and uniformly to 4% over 5 years

CANADA-NEWFOUNDLAND AND LABRADOR OFFSHORE PETROLEUM BOARD

Notes to the Financial Statements

March 31, 2011

6. Employee future benefits (cont'd.)

The use of a health care cost trend of 1% per year above the assumptions used in the valuation for the year ended March 31, 2011 would result in an increase in the accrued benefit obligation of approximately 18%.

7. Supplemental cash flow information

	<u>2011</u>	<u>2010</u>
Change in non-cash operating working capital		
Receivables	\$ (3,544,697)	\$ 4,121,768
Prepays	(49,194)	(83,146)
Payables and accruals	3,215,169	2,715,952
Deferred revenue	<u>(2,852,616)</u>	<u>1,590,982</u>
	<u>\$ (3,231,338)</u>	<u>\$ 8,345,556</u>

8. Offshore Helicopter Safety Inquiry expenditures

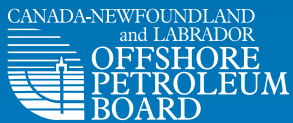
On April 8, 2009, the Offshore Helicopter Safety Inquiry was established by the Board. The purpose of the Inquiry is to determine and recommend improvements for the safety of workers in the offshore industry of Newfoundland and Labrador with respect to helicopter transportation.

9. 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, 2012	\$ 954,929
March 31, 2013	\$ 954,929
March 31, 2014	\$ 954,929
March 31, 2015	\$ 1,033,714
March 31, 2016	\$ 1,040,876





Fifth Floor, TD Place
140 Water Street
St. John's, NL
Canada A1C 6H6

(709) 778-1400 phone
(709) 778-1473 fax

Core Storage and Research Centre
30 Duffy Place
St. John's, NL
Canada A1B 4M5

(709) 778-1500 phone

www.cnlopb.nl.ca