

This is the *Standard Oil and Gas Permit* for illustrative purposes only.
This document will be adapted for each Location.



Standard Oil and Gas Permit

Updated November 27, 2007

Oil and Gas Act

Oil and Gas Disposition Regulations

Oil and Gas Permit No. _____

Issuance Date: _____ 200__

Term Commencement Date: _____ 200__

Initial Term: __ years Renewal Term: __ years

Permittee: _____

Subject to the *Oil and Gas Act* and the provisions of this Permit, the Commissioner of Yukon grants to the Permittee

- (a) the right to explore for, and the right to drill and test for, oil and gas in the Location;
- (b) the right to recover and remove from the Location any oil and gas recovered as a result of testing for oil or gas; and
- (c) the right to obtain an oil and gas lease with respect to all or part of the Location pursuant to the *Oil and Gas Act*.

Subject to the *Oil and Gas Act*, the Permittee is entitled to a renewal of this Permit.

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INTERPRETATION

1 (1) In this Permit,

“**Act**” means the *Oil and Gas Act*;

“**Commissioner**” means the Commissioner of Yukon, as represented by the Minister;

“**Initial Term**” means the term of years shown as the “Initial Term” on the first page of this Permit, commencing on the Term Commencement Date;

“**Initial Term Extension**” means the period, if any, during which the Initial Term is extended pursuant to the Act;

“**Location**” means the subsurface area underlying the surface area of the lands described in Appendix A;

“**Minister**” means the Minister appointed to administer the Act;

“**Renewal Term**” means the term of years shown as the “Renewal Term” on the first page of this Permit, commencing on the day immediately following the expiration of the Initial Term;

“**Renewal Term Extension**” means the period, if any, during which the Renewal Term is extended pursuant to the Act;

“**Work Deposit**” means the work deposit furnished pursuant to the call for work bids that led to the sale of this Permit and its issuance to the Permittee, and includes any replacement of that work deposit.

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- (2) In this Permit, a reference to the Act or to any other Act of the Legislature of Yukon referred to in paragraph 5(1)(b) of this Permit shall be construed as a reference to
 - (a) that Act, as amended from time to time;
 - (b) any replacement of all or part of that Act, as amended from time to time; and
 - (c) any regulations, orders, directives or other subordinate legislation made from time to time under any enactment referred to in paragraph (a) or (b), as amended from time to time.

- (3) In this Permit, a reference to the *Oil and Gas Disposition Regulations* or any other Regulations shall be construed as a reference to
 - (a) the *Oil and Gas Disposition Regulations*, as amended from time to time;
 - (b) any replacement of all or part of the *Oil and Gas Disposition Regulations*, as amended from time to time; and
 - (c) orders and directives made from time to time under the regulations referred to in paragraph (a) or (b), as amended from time to time.

- (4) Except as otherwise provided in this Permit, expressions used in this Permit that are defined in the Act or the *Oil and Gas Disposition Regulations* have the same meaning in this Permit.

- (5) The following Appendices are attached to and form part of this Permit:
 - (a) Appendix A: Location;
 - (b) Appendix B: Work Deposit and Schedule of Allowable Expenditures; and
 - (c) Appendix C: Rentals.

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TERMS AND CONDITIONS

Effective date

2 The effective date of this Permit is the Term Commencement Date.

Duration of rights

3 The rights granted by this Permit may be exercised during

- (a) the Initial Term and the Initial Term Extension, if any; and
- (b) if this Permit is renewed, the Renewal Term and the Renewal Term Extension, if any.

Royalty and rentals

4 The Permittee shall pay to the Commissioner

- (a) the royalty prescribed under the Act on oil and gas recovered as a result of testing for oil or gas in the Location pursuant to this Permit; and
- (b) the rentals payable in respect of the Renewal Term and the Renewal Term Extension, if any as provided for in Appendix C.

Compliance with legislation

5 (1) The Permittee shall comply with the provisions of

- (a) the Act; and
- (b) any other Acts of the Legislature of Yukon that prescribe, apply to or affect the rights and obligations of a holder of an oil and gas permit under the Act or that relate to, apply to or affect the Permittee in the conduct of operations or activities under this Permit.

(2) The provisions of the Acts referred to in subsection (1) are deemed to be incorporated in this Permit.

(3) In the event of a conflict between a provision of this Permit and a provision referred to in subsection (1), the latter provision prevails.

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Work deposit

- 6** The Work Deposit is replaceable and refundable or returnable in accordance with Appendix B and is subject to forfeiture in accordance with Appendix B.

Indemnification by Permittee

- 7 (1)** The Permittee shall keep the Commissioner indemnified against
- (a) all actions, claims and demands brought or made against the Commissioner, the Government of Yukon or the Minister by reason of anything done or omitted to be done, whether negligently or otherwise, by the Permittee or any other person in the exercise or purported exercise of the rights granted under this Permit or the performance or purported performance of duties imposed by or pursuant to this Permit; and
 - (b) all losses, damages, costs, charges and expenses that the Commissioner, the Government of Yukon or the Minister sustains or incurs in connection with any action, claim or demand referred to in paragraph (a).

- (2) This section shall survive this Permit.

ISSUED on behalf of the Commissioner of Yukon at Whitehorse, Yukon.

Minister of Energy, Mines and Resources

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APPENDIX A: LOCATION

Oil and Gas Permit No.: _____	
Legal Description of Location:	
Grid Area	Sections
Grid Area	Sections

Notes: _____

Total Sections = _____

Total Area = _____ hectares, more or less

The map following is a representation of the area of the Location and its boundaries for convenience of reference. In case of any inconsistency between the legal description and the map, the legal description prevails.

[insert map]

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APPENDIX B: WORK DEPOSIT AND SCHEDULE OF ALLOWABLE EXPENDITURES

Oil and Gas Permit No. _____

1 (1) The Commissioner acknowledges

(a) that the bid resulting in the issuance of this Permit contained a work bid in the amount of \$ _____; and

(b) that the Permittee has furnished a Work Deposit for this Permit in the amount of \$ _____.

(2) The Work Deposit may be replaced from time to time by an irrevocable letter of credit satisfactory to the Minister or any other kind of negotiable financial instrument satisfactory to the Minister.

2 (1) The Work Deposit is refundable or returnable in accordance with section 12 of the *Oil and Gas Disposition Regulations*.

(2) The whole or any portion of the Work Deposit remaining after all applications under subsection 12(3) of the *Oil and Gas Disposition Regulations* are dealt with shall, at the direction of the Minister, be forfeited to the Government of Yukon.

(3) Applications for the refunding or return of all or part of the Work Deposit or the replacement of the Work Deposit, and the records on which those applications are based, are subject to audit and examination under the Act.

3 For the purposes of section 12 of the *Oil and Gas Disposition Regulations*, the following is the *Schedule of Allowable Expenditures* for this Permit:

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SCHEDULE OF ALLOWABLE EXPENDITURES

This Schedule of Allowable Expenditures describes in general terms the kinds of expenditures that may be approved by the Minister as allowable expenditures. Only approved allowable expenditures can be used in the calculation of a refund or partial refund of the Work Deposit. Generally, allowable expenditures may be claimed at cost.

The *Supplemental Guidelines for the Schedule of Allowable Expenditures in Oil and Gas Permits issued after January 1, 2007*. (Supplemental Guidelines) provides in more detail the manner of calculating allowable expenditures and the procedures related to applications for returns or refunds. The Supplemental Guidelines can be found at www.yukonoilandgas.com.

Data acquisition

Costs to acquire data by means of geophysical, geological or test hole operations, including costs relating to field acquisition and processing, inspection and clean-up.

Data purchase

Costs of purchase of data from vendors at arm's length for reprocessing or interpretation or both to the extent that the data assists the evaluation of the Location of this Permit, and costs of reprocessing the purchased data under an arm's length arrangement.

Well drilling operations

Costs of well drilling operations, including operations relating to construction of access routes, preparation of drilling sites, transportation to and from well location and staging areas, onsite drilling and evaluation, helicopters, site clean-up and restoration. Drilling operations involving an exploratory or delineation well may entail logging, well testing and completion. Costs of extended formation flow testing will not be approved as an allowable expenditure.

Mobilization and demobilization

Costs of mobilization and demobilization of equipment and supplies, and any incurred stand-by charges considered reasonable by the Minister.

Other costs

Notwithstanding the above, the Minister may approve as allowable expenditures costs claimed with respect to classes of work or activity not described in this Schedule.

10% Miscellaneous cost allowance

Ten percent (10%) of the approved allowable expenditures to reflect other costs not specifically described above, including program-specific consultation, data interpretation, regional office support, management and pre- and post-program costs.

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APPENDIX C: RENTALS

Oil and Gas Permit No. _____

- 1 No rentals are payable in respect of
 - (a) any year of the Initial Term; or
 - (b) any year or part of a year occurring in the Initial Term Extension.

- 2 If this Permit is renewed, rentals are payable in accordance with this Schedule
 - (a) subject to paragraphs 1(b) and 3(c) of this Appendix, in respect of each year of the Renewal Term; and
 - (b) if the Renewal Term is extended, in respect of each month occurring in the Renewal Term Extension.

- 3 Rentals are payable for each year of the Renewal Term in accordance with the following:
 - (a) the rental for each year is payable at the rate of \$5.00 per hectare in the Location or, if this Permit is renewed as to part of the Location, at the rate of \$5.00 per hectare in that part of the Location;
 - (b) subject to paragraph (c), the rental for each year of the Renewal Term
 - (i) is due and payable on the first day of that year of the Renewal Term; and
 - (ii) shall be calculated on the basis of the area of the Location as it stood on that date;
 - (c) if the Initial Term is extended, the rental for the year of the Renewal Term in which the Initial Term Extension expires
 - (i) shall be calculated on the basis of the area of the Location of this Permit on its renewal;
 - (ii) shall be a fraction of the rental specified in paragraph (a) calculated by multiplying the rental so specified by the number of whole calendar months remaining in that year after the expiration of the Initial Term Extension and dividing the product by 12; and
 - (iii) is due and payable on the first day of the month following the expiration of the Initial Term Extension.

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- 4 Rentals in respect of a month occurring during the Renewal Term Extension is payable in accordance with the following:
- (a) the rental for a month is payable at the rate of one-twelfth the annual rate specified in paragraph 3(a) of this Appendix;
 - (b) the rental for a month
 - (i) is due and payable on the first day of that month; and
 - (ii) shall be calculated on the basis of the area of the Location as it stood on that date;
 - (c) a part of a month shall be treated as a whole month for the purposes of this section.