Unlocking the Oil and Gas Potential of Western Newfoundland

Spring 2015
Purchaser’s Rights

In certain circumstances purchasers resident in certain provinces of Canada are provided with a remedy for rescission or damages, or both, in addition to any other right they may have at law, where an offering memorandum and any amendment to it contains a misrepresentation. A "misrepresentation" is generally defined in the applicable securities legislation as an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading in light of the circumstances in which it was made. These remedies, or notice with respect thereto, must be exercised or delivered, as the case may be, by the purchasers within the time limits prescribed by the applicable securities legislation. The following is a summary of rights of rescission or damages, or both, available to purchasers of the common shares resident in Ontario. The following summary is subject to the express provisions of the applicable securities laws, regulations and rules, and reference is made thereto for the complete text of such provisions. Such provisions may contain limitations and statutory defences not described herein on which Black Spruce Exploration Corp. and other applicable parties may rely. Purchasers should refer to the applicable provisions of the securities legislation of their province for the particulars of these rights or consult with a legal adviser.

The rights of action described below are in addition to and without derogation from any other right or remedy available at law to the purchaser and are intended to correspond to the provisions of the relevant securities legislation and are subject to the defences contained therein.

Ontario

If an offering memorandum contains a misrepresentation, a purchaser who purchases a security offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied on the misrepresentation, the following rights:

the purchaser has a right of action for damages against the issuer; and
the purchaser may elect to exercise a right of rescission against the issuer, and if the purchaser exercises this right, the purchaser ceases to have a right of action for damages against the issuer.

The right of action is subject to the following limitations:

a) no person or company is liable for a misrepresentation in an offering memorandum if he, she, or it proves that the purchaser purchased the securities with knowledge of the misrepresentation;
b) in an action for damages, the defendant is not liable for all or any portion of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation relied upon;
c) in no case shall the amount recoverable exceed the price at which the securities were offered; and
d) if the offering memorandum is delivered to a prospective purchaser in connection with a distribution made in reliance on the exemption from the prospectus requirement in section 2.3 of National Instrument 45-106 – Prospectus and Registration Exemptions, the right of action is applicable unless the purchaser is...

- a Canadian financial institution or a Schedule III bank
- the Business Development Bank of Canada incorporated under the Business Development Bank of Canada Act (Canada), or
- a subsidiary of any person referred to in paragraphs (i) and (ii), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary.

No action shall be commenced to enforce a right more than
in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action, or
in the case of any action other than an action for rescission, the earlier of...

- 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or
- three years after the date of the transaction that gave rise to the cause of action.
Important Notice

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Forward-Looking Information

This presentation contains certain forward-looking statements (forecasts) provided by management of the Company relating to future events or future performance of the Company's business and operations including, without limitation, the pro forma and estimated financial information. Forward-looking statements are necessarily based upon assumptions and judgements with respect to the future including, but not limited to, the outlook for commodity markets and capital markets, the performance of producing wells and reservoirs, well development and operating performance, general economic and business conditions, weather, the regulatory and legal environment and other risks associated with oil and gas operations. In some cases, forward-looking statements can be identified by terminology such as “may”, “will”, “should”, “expect”, “projects”, “plans”, “anticipates” and similar expressions.

By its nature, such forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results, performances or achievements of the Company to differ materially from those anticipated in such forward-looking statements. BSE believes the expectations reflected in those forward looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements contained throughout this presentation should not be unduly relied upon. These statements speak only as of the date specified in the statements.

In particular, this presentation contains forward-looking statements pertaining to the following:

- the performance characteristics of the Company's interest in oil and natural gas properties;
- the Company’s exploration plan and capital expenditure programs;
- the quantity of the Company’s oil and natural gas reserves/resources and anticipated future cash flows from such reserves/resources;
- oil and natural gas production levels;
- projections of commodity prices and costs;
- supply and demand for oil and natural gas;
- expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development; and
- obtaining licenses and treatment under governmental regulatory regimes.
History

In December 2012 Black Spruce Exploration Corp. (BSE) was established for the purpose of participating in and developing oil and gas opportunities in western Newfoundland.

As of the Spring 2015, BSE has a 100% interest in 1.33 million acres of prospective oil and gas lands in western Newfoundland.

These lands have the potential for large conventional oil and gas discoveries in the underexplored Paleozoic Deer Lake and Anticosti Basins.

These interests are located close to the European and eastern North American Energy markets. This is a world-class opportunity.
Executive Team

**W. T. David Murray** – Senior Executive with 25 years finance and operations experience in oil & gas sector

**Mark Voorhies** – Senior Executive with international business experience with Fortune 500 oil & gas accounts

**Diane Hooven** – Over 20 years finance experience, 11 years in oil & gas

**Derek Sullivan** – Over 20 years experience in the fishing & oil and gas industries in the Health-Safety-Environment field

Board of Directors

**Robert Bertram, MBA** Former Executive VP, Ont. Teachers’ Pension Plan Board ($108 B), Former Director for Nexen Inc., Officer of the Order of Canada

**Ian F.T. Kennedy, P.Eng, P.Geol.** Geologist & Mining Engineer, veteran of the petroleum/mining industries, past Chair of Ryerson University

**Brent Lohnes, P.Eng.** General Manager/Engineer for Hess Corporation, North Dakota, (1,200 operated and non-operated wells) Bakken oil-in-shale deposit (over 100,000 bbls per day/800 employees and contractors)

**Thom Zaugg, P.Eng.** Senior Director, Strategic Development for Petro Canada and Manager Industrial Markets/Gulf Oil

**Leo Power, MBA, Masters in Oil & Gas Studies** Executive Chairman, Ptarmigan Energy; a NL oil/gas Exploration company focused on offshore Western Newfoundland

*Note: David Murray also serves on the Board of Directors*
What Differentiates Black Spruce from Previous Operators in Western NL

- Extensive oil service industry experience
  - Understand logistical issues in Western NL
- Its own drilling, services and logistical equipment
  - Allows for reduced operating costs
- Management Team on the ground in Western NL
  - Ability to monitor and manage ongoing operations with a hands on approach
- Commitment to an extensive exploration program
  - Extensive well and seismic commitment
- Strategy based on learnings from previous exploration activity in the region
  - Amalgamated regional data
  - More comprehensive geological understanding of plays based on previous drilling and seismic activity
Basin development in western Newfoundland commenced in the Early to Mid Paleozoic (~600 Mya) and is related to the evolution of the ancient Iapetus Ocean.

During this Era the sedimentary packages along the west coast of Newfoundland were being deposited along the continental margin of the ancient continent known as Laurentia.

This continental margin was historically situated in a tropical environment. However, today it can be traced from the southern USA through Newfoundland to as far north as Greenland.

Western Newfoundland experienced at least two phases of mountain building which culminated with the formation of the Appalachian Mountains.

The next slide shows 18 basins located along the Appalachian Structural Front and Foredeep which contain some of the most prolific oil and gas fields in North America.
Oil and Gas Fields, Appalachian Structural Front

- Many of these basins contain Ordovician Hydrothermal Dolomite (HTD) reservoirs that are analogous to western Newfoundland’s prospectivity.
- The Appalachian Structural Front is a mature trend with many fields (recovered >1BBO). However, the western Newfoundland portion of this trend remains largely unexplored and undeveloped.

Source: Department of Natural Resources, Newfoundland Labrador
Oil & Gas Basin Comparison’s

Area: 236,000 km²  Wells: 10’s

Area: 750,000 km²  Wells: >10,000

Area: 1,600,000 km²  Wells: >50,000

Area: 1,400,000 km²  Wells: >500,000
Gaspé Oil and Gas Discoveries
McCully Gas Field
Stoney Creek Oil Field
Offshore Gas Projects:
Sable Island
Deep Panuke

Paleozoic, Carbonate Gas Discoveries
Mizzen, Harpoon, Bay du Nord

Labrador Shelf Gas Discoveries
Flemish Pass Basin Discoveries:
Jeanne d'Arc Basin:
Hibernia, Terra Nova, White Rose and Hebron

Petroleum Discoveries in Atlantic Canada
The Prospective Lands

BSE has entered into purchase & farm-in arrangements with 2 companies to explore & develop oil and gas lands in western Newfoundland. The agreements allowed BSE to acquire ownership rights or 100% working interests in a total of some **1.33 million acres**, as described in this presentation:

**Ptarmigan Energy Inc:** 1,167,361 acres in 3 Exploration Licences – EL1120.1127 & 1128; and,

**Deer Lake Oil & Gas Inc:** 159,188 acres in 2 Exploration Permits – EP93-103 & EP03-105.

BSE is currently focused on 4 plays types within these interests:

- Compressional Ordovician Hydrothermal Dolomite Play;
- Extensional Ordovician Dolomite Karst/Erosional Play;
- Carboniferous Clastic Rocks Onshore in the Deer Lake Basin; and
- Ordovician Allochthonous Clastic Play.
The Projects
The Ptarmigan Opportunity

- BSE purchased 100% of Ptarmigans’ interests in the **1,167,361 Acres** of the Ptarmigan Lands - EL's 1120, 1127 and 1128.

- BSE has the opportunity to drill at least 2 **large undrilled light oil prospects with mapped closures of up to 106 km² (P₁₀)**; estimated to contain **253.54 MMBbls** prospective recoverable. **Source:** Enachescu (2012) & Martin and Brusset (2012) & BSE

- 2012 Market/resource value of $3.76 Billion NPV at 10% BT (P50 York + Lark)
BSE Objective: To acquire 3D seismic and explore for conventional oil in the Aguathuna Formation, Anticosti Basin, offshore Western NL

Offshore Licence: EL 1120

- Two Prospective targets were delineated via 2D seismic, and are located within the Carbonates of the St. George’s Group. The targets are west of the ASF (extensional setting) within a horst and tilted fault block.

- The map below shows the **Lark & York Harbour** prospects, (outlined in yellow) on EL 1120. Faults (shown in black) define the closure of the two hydrocarbon prospects.

Source: Seismic Interpretation: Enachescu (2012)
**BSE Objective:** To acquire 3D seismic and explore for conventional oil in the Aguathuna Formation, Anticosti Basin, offshore Western NL

**Offshore Licence:** EL 1120

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**Lark Harbour**
- Structural, fault bound horst feature
- ~ 70 km² (P50)
- 3000 – 3500 m target depth
- 24–30 m thick reservoir with shale seal
- 20–30 m water depth
- Undiscovered Prospective: **154.54 MMBbls**

**York Harbour**
- Structural, fault bounded closure in rotated block
- ~ 45 km² (P50)
- 3500 – 4500 m target depth
- 24–30 m thick reservoir with shale seal
- 15–20 m water depth
- Undiscovered Prospective: **99 MMBbls**

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*Source: Seismic Interpretation Enachescu (2012)*
BSE Objective: To acquire 3D seismic and explore for conventional oil in the Aguathuna Formation, Anticosti Basin, offshore Western NL

Offshore Licence: EL 1120

Time Structure Map of the Table Head seismic marker, showing seismic line location below.

Seismic line showing the Lark Harbour & York Harbour structures in EL 1120.

Source: Seismic Interpretation: Enachescu (2012)
BSE In-house Interpretation of York and Lark Harbour Prospects
Line 91-1563
BSE Objective: To acquire 3D seismic and explore for conventional oil in the Aguathuna Formation, Anticosti Basin, offshore Western NL

Offshore licence: EL 1120

- Prospective Undiscovered Resources: **253.54 MMBbls total**
  - 154.54 MMBbls (Lark Harbour) **Source**: Martin and Brusset (2012) & Enachescu (2012)
  - 99 MMBbls (York Harbour) **Source**: Enachescu (2012)

### LARK HARBOUR Undiscovered Prospective Resources and Present Worth

<table>
<thead>
<tr>
<th></th>
<th>Crude Oil MMBbls (net)</th>
<th>Discounted 10% Income - $ Millions</th>
<th>Discounted 12% Income - $ Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>before tax</td>
<td>after tax</td>
</tr>
<tr>
<td>low</td>
<td>61</td>
<td>836</td>
<td>443</td>
</tr>
<tr>
<td>best</td>
<td>150</td>
<td>2267</td>
<td>1266</td>
</tr>
<tr>
<td>high</td>
<td>265</td>
<td>4049</td>
<td>2330</td>
</tr>
</tbody>
</table>

**Source**: Martin and Brusset (2012)
The Deer Lake Opportunity

- BSE is the owner of 159,188 acres in EP93-103 and EP03-105 in the Deer Lake Basin.
- BSE has the opportunity to drill for oil and gas in an under-explored basin where hydrocarbons or hydrocarbon shows have been intersected in 5 of the 7 wells drilled within the basin.
- Easy access to the Trans Canada Highway and infrastructure.
BSE Objective: To explore for conventional oil and gas in the Paleozoic rocks of the Deer Lake Basin.

Exploration Permits: EP93-103 and EP03-105

- 3 modern wells drilled showing oil and gas potential
  - Werner Hatch, 2010
  - Western Adventure #1, 2000
  - Western Adventure #2, 2002

- BSE focus is on prospects in;
  - Carboniferous sandstone and conglomerates of the North Brook Formation
  - Ordovician Platform Carbonates, underlying the basin, as found in Garden Hill. This succession was penetrated by Western Adventure #2 well in 2002

Source: DNR
## Summary of Reserve Estimates

### Reserve Estimates – BSE WI 100%

<table>
<thead>
<tr>
<th>Ref</th>
<th>Property</th>
<th>WI</th>
<th>LOW</th>
<th>BEST</th>
<th>HIGH</th>
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<tr>
<td>1</td>
<td>Ptarmigan Energy</td>
<td>100%</td>
<td>MMBbls</td>
<td>MMBbls</td>
<td>MMBbls</td>
</tr>
<tr>
<td>1,2</td>
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<td></td>
<td>61.82</td>
<td>154.54</td>
<td>278.17</td>
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<tr>
<td></td>
<td>EL 1120 - York Harbour</td>
<td></td>
<td>39.60</td>
<td>99.00</td>
<td>178.20</td>
</tr>
<tr>
<td></td>
<td>EL 1120 - Upper Rts</td>
<td></td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>EL 1127</td>
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<td></td>
<td>EL 1128</td>
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<td>N/A</td>
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<td>Total Ptarmigan</td>
<td></td>
<td>101.42</td>
<td>253.54</td>
<td>456.37</td>
</tr>
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### Reference Numbers

1. Prospective Undiscovered Resources; representing Upper and Lower Stratigraphy Aguathuna Formation (Source: Martin and Brusset (2012)).

2. EL1070 Geophysical Interpretation - Aguathuna Formation (Source: Report by Dr. M.E. Enachescu (31 Dec 2012)).

### Independent Reserve Estimates

<table>
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<tr>
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N/A Means NO 3rd Party Reserve Estimates Available
1.33 Million Acres...BSE has upside

Deer Lake Basin

Of the 7 wells drilled in the Deer Lake Basin 5 have encountered oil and/or gas

5 Identified Conventional Plays:

Nicholsville Lowlands
  HTD play. Structural/Stratigraphic
Bakers Brook Braided Stream Prospect
  Clastic play. Thick prospective unit
Glide Mountain Anticline
  HTD carbonate and clastic conglomerate structural play
Western Adventure Gas/Condensate Discovery
  Structural clastic play
JP Howley North Brook
  Structural clastic play

4 Potential Source Rocks/Unconventional Targets:

Howley Formation
  Black shale beds up to 42 m thick
  TOC – no data
Rocky Brook Formation
  Projected Thickness ~ 700 to 1060 m
  TOC = 2.0% to 14.9%
Saltwater Cove Formation
  Projected Thickness ~2400 m gross ( 50% mudstone and shale )
  TOC = 0.73% to 1.16%
45 Brook Formation
  Projected Thickness ~600 to 900 m gross
  TOC = 0.55% to 2.43%

Source: DLOG, 2013
5 Conventional Plays in Deer Lake

- 1340 m thick gross reservoir section ~ 70% sand conglomerate
- Numerous 3+ m meandering sands – Unit 1
- 275 m braided stream section in Unit 2
- WA #1 produced 100,000 cfd on DST in tight section of Unit 3

Source: DLOG, 2013
1.33 Million Acres...BSE has upside

**EL 1120**

Cambrian-Ordovician clastic target within the Humber Arm Allochthon.

Drillable from onshore to offshore just west of Corner Brook.

Identified using vintage 2D seismic data.

TekOil had farmed in on this prospect but it was never drilled.

Exhumed hydrocarbon reservoir documented in outcrop of Blow Me Down Brook Formation to the south.

2D shows evidence of closure of the target.

This well will validate EL1120 but if proved successful will open up a whole new set of drilling targets.

*Source: Ian Atkinson, 2007*
1.33 Million Acres...BSE has upside

**EL 1127 and EL1128**

Greater than 870,000 acres

Limited coverage with vintage pre 1990 quality 2D data.......but several leads can be interpreted.

Traps in foreland Carbonate Platform are rotated fault blocks. This deformation zone is present in the western part of EL1120 and within both EL1127 and EL1128 (Enachescu, 2013).

Carbonates of the Port au Port Group and sandstones of the Labrador Group trapped in rotated fault blocks form secondary play types.

Hydrocarbon traps are multi-fault bounded, 25 to over 100 km² (~ 6,200 to 25,000 acres) in size (Enachescu, 2013).

Atkinson & Wright, 2006
Undiscovered Resource Estimation for EL 1127 & EL1128

The Ptarmigan-BSE lands are Exploration Licences 1120,1127 &1128.

BSE has NOT formally attributed Resources to EL’s 1127 or 1128. Internally, it has made rough estimates of potential resources by comparison to reports prepared for offsetting NWest Lands where seismic vintage is newer and seismic density is higher.
## Normalized Comparative Unrealized Volumes

<table>
<thead>
<tr>
<th></th>
<th>Lark &amp; York</th>
<th>NWest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Porosity*ft</td>
<td>15</td>
<td>5</td>
</tr>
<tr>
<td>Shrinkage</td>
<td>0.8</td>
<td>NA</td>
</tr>
<tr>
<td>Sw</td>
<td>17%</td>
<td>35%</td>
</tr>
<tr>
<td>Volumes OIIP</td>
<td>1,267 MMbbls</td>
<td>1,257 MMbbls</td>
</tr>
<tr>
<td>Normalized Volume OIIP</td>
<td>432.9 MMbbls</td>
<td>1,257 MMbbls</td>
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Numbers were normalized using NWest reservoir parameters as they were more conservative.

<table>
<thead>
<tr>
<th></th>
<th>EL1120,1127 &amp; 1128</th>
<th>NWest Land</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acres</td>
<td>1,153,904</td>
<td>1,630,599</td>
</tr>
<tr>
<td>OIIP St. Georges Group</td>
<td>889 MMbbls</td>
<td>1,257 MMbbls</td>
</tr>
<tr>
<td>Unrealized – St. Georges Group</td>
<td>456.1 MMbbls</td>
<td></td>
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</table>

Using a resource estimate approach based on proportions of acreage and 3rd party volumes from offsetting lands. 456.1 MMbbls of unrealized potential is estimated to exist within the St. Georges Group over and above what is reported for the Lark and York Harbour prospects using the more conservative NWest reservoir properties.
Summary of Reserve Estimates
Including Undiscovered Reserves Estimates by BSE for EL 1127 & 1128

Reserve Estimates – BSE WI 100%

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<td>N/A</td>
</tr>
<tr>
<td>3</td>
<td>EL 1127</td>
<td></td>
<td>Combined 1127 &amp; 1128</td>
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<td></td>
</tr>
<tr>
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<td>EL 1128</td>
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<td>250</td>
<td>456.1</td>
<td>650</td>
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<tr>
<td></td>
<td>Total Ptarmagin</td>
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<td>351.42</td>
<td>709.64</td>
<td>1,106.37</td>
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3. BSE Management estimates for EL1127 & EL1128

Independent Reserve Estimates

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The Exploration Plans
Exploration Plan 2015-2016

Seismic and Geological

• Continue to build the BSE Regional Seismic Model
• Reprocess key offshore & onshore seismic lines for better target definition

Drilling Plans

Onshore to Offshore:

• Drill validating well into EL1120 upon regulatory approval

  Onshore:

• Initiate Exploratory Drilling Program in the Deer Lake Basin

Geophysical Surveys:

• Onshore: Possible 3D or 2D seismic survey in the Deer Lake Basin
• Offshore: Possible 3D seismic over Lark and York Harbour and other Prospects in EL1120

Environmental Assessment

• Seismic EA completed for EL's 1120, 1127 and 1128
• Conduct EA's for seismic and drilling on Deer Lake
• Complete Drilling EA's for EL's 1120, 1127, 1128
Regulatory Oversight

Oil & Gas operations in Newfoundland & Labrador are amongst the most stringently regulated in the world...It can require as many as 20 Regulatory approvals to drill a well.

Oversight from several regulators, including:

Canada-Newfoundland & Labrador Offshore Petroleum Board  
NL Dept. of Natural Resources  
NL Dept. of Environment & Conservation  
Other federal and provincial government departments

Our priority is safety...  
for people  
for the environment  
for our assets  
and for the production

"BSE develops projects in a safe and environmentally responsible manner...or we won’t do it.”  
-VP Derek Sullivan
2013 Changes to the Land Tenure System
A New Barrier to Entry

- Under new regulations BSE’s 5 existing EL’s would now cost a minimum of $50 Million. Fortunately BSE is already there.

- In December 2013, the C-NLOPB announced the implementation of a new land tenure system for Exploration Licences (EL’s). **BSE has 5 EL’s**

- The Government designated western Newfoundland a Low Activity Region (area having few exploratory wells and limited seismic data acquisition).

**New** Land Nominations and Bids for Low Activity Regions are:
- A **four-year cycle** – a call for Nominations (Areas of Interest) will be announced in the fall of the year and the Call for Bids (Parcels) will close in the fall, four years later. This cycle will be announced every two years.
- **Previously** this was an **annual cycle** where nominations and bids happened all within a 12 month period.
- **Minimum bid was raised from $250,000 to $10 million.**

**New** Drilling Commitments and Deposits for Low Activity Regions:
- EL’s granted for 6 years but can be extended 1 year with a **$5 million drilling deposit**, a second year with a **$10 million** deposit and forfeiture of the previous years $5 million deposit and for a final third year with a **$15 million** deposit and forfeiture of the previous years $10 million deposit. (‘Drill or Drop’)
- **Previously** the exploration period could be **extended for one year** with a drilling deposit of **between $250,000 and $1 million**.
HSE Excellence

At BSE we consider having a proactive, rigorous and responsible Quality, Health, Safety and Environmental program.

We are firmly committed to continuously improve our performance by ensuring a safe, productive and incident free working environment for our employees. We believe in investing in our personnel through proper protective safety equipment requirements, and well established HSE practices.

Management team with a proven HSE track record

Extensive experience and industry leading HSE performance in the following disciplines:

- Oil field drilling services;
- Rig logistics/transportation;
- Offshore marine seismic;
- Onshore and offshore drilling.
Contact Information

W. T. David Murray, President & CEO
wtdmurray@blspexp.com
(709) 632-6111 (Main);
(709) 634-6783 (Direct)

Head Office:  Corner Brook
Suite 202,
R.A. Pollett Building
P.O. Box 69
61 Riverside Drive
Corner Brook, NL
A2H 6T2

St. John's
Suite 705, TD Place
St. John's, NL
A1C 6H6

Ribbon limestone, shale, dolomitic siltstone & limestone conglomerate, Shallow Bay Fm.; Cow Head Group; at Cow Head (Photo: DNR)