

Oil and Gas Production and Conservation

forced the frontier of oil exploration northward from the western provinces deep into the territories north of latitude 60. The frontier was extended in 1968 to the northernmost limits of Canada's land area in the Arctic islands by the operations of Panarctic Oils Limited, a company founded by a consortium of 20 oil and mining corporations in partnership with the government. In this unique far northern venture, the Canadian government holds a 45 per cent equity and working interest.

To date, only one oil pool has been discovered in Canada's north. Oil production from this discovery at Norman Wells about midway along the Mackenzie River has been continuous since the days of world war II. A small refinery was built there during the 1930's to supply petroleum products to the uranium operations at Port Radium.

Numerous small gas pools have been discovered in the Territories in a belt one hundred miles wide bordering the 60th parallel. Late in 1967, a large pool was discovered at Pointed Mountain, less than 20 miles north of the tri-corner formed by the conjunction of the borders of the Yukon and Northwest Territories and British Columbia. This large gas reserve is currently being developed and is committed to supply markets in southern British Columbia and the northwest United States commencing probably in 1971.

The announcement of the discovery of probably the largest oil pool in North America at Prudhoe Bay, on the Arctic slope of Alaska, less than 200 miles west from the international border between Alaska and Yukon, has served to trigger the largest rush for oil and gas lands in Canada's history. It has been estimated that the Prudhoe Bay pool contains more oil than the proven reserves of all Canadian oil pools found to date. Petroleum geologists consider the prospects for such elephant-size pools in Arctic Canada are excellent. Consequently, since the discovery of Prudhoe Bay, exploration permits covering over 180 million acres of Canada oil and gas lands in the Yukon and Northwest Territories have been issued—doubling the amount of land previously held under exploration permits.

The optimism for early significant oil discoveries reflected in these many interrelated events has served to escalate the amount spent on oil and gas exploration in Canada's North in 1968 to over \$30 million, and exploration is expected to double in the next few years. With exploration at a high pitch,

[Mr. Andras.]

discoveries are almost certain to follow, and the need for legislation to control production, conservation and safety in respect of development of this resource is both immediate and critical.

The need for the proposed legislation before us today was recognized by what is now the Department of Indian Affairs and Northern Development in 1960. Over the last eight years, work on drafting the act has continued. This included research into the nature of the matters included and a study of comparable legislation in the western provinces. Extensive formal discussions were held with representatives of the petroleum industry both individually and through the Canadian Petroleum Association, and consultations have taken place with appropriate senior staff members of the National Energy Board, the Department of Energy, Mines and Resources and other departments concerned.

The bill as drafted is divided into several parts. Part I treats regulatory powers in respect of production and conservation and defines waste. Part II specifies various production arrangements including pooling and unitization. Part III describes the means of appeal and administration. The forepart of the bill provides for the constitution of an oil and gas committee for the purpose of any inquiry, hearing or appeal, or the making of any order pursuant to the proposed act. The jurisdiction and power of the committee are described, as is the manner of the enforcement of its decisions.

The bill deals with a highly technical subject, one which I suggest could best be reviewed in detail during committee hearings when we can provide and ask various experts to explain in familiar terms exactly what is being done. However, the bill does express certain policy approaches which I think it would be desirable to point out at this stage.

The underlying concept of the bill, which is common to similar legislation in several provinces, is the prevention of waste and the conservation of the oil and gas resource in the sense that as much as possible must be recovered from the reservoir during the time an oil and gas field is in production. We do not find the same conservation philosophy applying in the case of mining since, in general, it is usually possible to open up a mine again and to take out ore which may previously have been considered uneconomic. In general, this is not possible with an oil and gas field. If we were to allow an oilfield to be produced at its