

be considered as fulfilling all the requirements necessary for a suitable international regime, and I will, therefore, restrict my comments to basic components of the Canadian system dealing with offshore oil and gas rights that would appear to have some relevance.

At the outset, before undertaking exploratory work of any kind in the Canadian offshore, a party must first acquire what we term an exploratory license. An exploratory license under the Canadian regulations is simply authorization for the licensee to carry out exploration work in any region of the Canadian offshore, short of evaluation work. One of my friends refers to it quite aptly as a "hunting license". In the case of oil and gas, this means that a licensee can carry out exploration work anywhere in the Canadian offshore short of drilling a well in excess of 1,000 feet deep. The concept here is to encourage work throughout the Canadian offshore by granting exploration rights on a non-exclusive basis for a nominal fee.

The second entity in the Canadian system is the exploratory permit, which, in contrast to an exploratory license, involves a specific area. This area is defined by lines of longitude and latitude so that it can be readily located and described. An oil and gas exploratory permit gives the permittee two advantages over his competitors: first, the option of acquiring exploitation rights within the permit area; and, secondly, the privilege of being allowed to drill wells within the permit area that are deeper than 1,000 feet. I should mention here as an aside that all parties must submit notices including detailed descriptions of all proposed offshore programmes, including each and every proposed well, and that all proposed programmes must be approved before they can be carried out. An applicant must pay a fee for each permit at the time of issuance, and he must also deposit money, bonds or a demand promissory note suitably guaranteed at the same time to the full amount of the work requirements for the first period of the permit as a guaranty that the work will be carried out. Similarly guaranty deposits must be made prior to each succeeding work period. All such guaranty deposits are returned upon receipt of satisfactory evidence that appropriate work has been performed.

Permits are valid for six years with six renewals each of one year. They carry work requirements that increase progressively so as to reflect the progressive increase in expenditures necessary to effectively evaluate an area, from relatively inexpensive preliminary geological and geophysical work, through more expensive geophysical surveys, to high cost drilling operations.

The third entity in the Canadian system is the exploitation lease. Commercial production cannot be undertaken while acreage is still in permit form; it must first be converted to lease, whereupon Canada receives a rate of royalty on production. A permittee may acquire leases covering up to half the area of a permit at the normal rates of royalty. That portion of the permit not converted to lease reverts to Canada. Such reverted rights may be issued to the permittee if he undertakes to pay an additional royalty thereon, the rate of which is graduated in accordance with the volume of production, or they may be issued by way of public tender, by one of a number of methods: work bonus, cash bonus, or cash bonus with an undertaking to carry out evaluation work.