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Proposed legislation for the exploration of oil and gas in the Canadian North

A bill establishing a Petroleum and Natural Gas Act, soon to be placed before Parliament, would initiate a new system under which the gas exploration and development of oil and gas proceeds in Canada's northern territories, Indian and Northern Affairs Minister Judd Buchanan said, May 1.

The proposed legislation, designed to stimulate exploration, encourage the growth of the Canadian segment of the industry and give Canadians a reasonable return for their non-renewable resources while ensuring industry a reasonable profit, would bring existing Canada Oil and Gas Land Regulations under its authority and allow for their amendment.

Pointing out that the legislation would apply only to Canada's northern territories, Mr. Buchanan told the annual meeting of the Independent Petroleum Association of Canada that he and Energy Minister Donald MacDonald had decided that the protracted discussions with the eastern provinces over offshore rights should not delay any longer the implementation of regulations for the North.

"It is incumbent upon us to ensure that the Canadian people, as land-

owners, share as fully as can be justified in the direct return from the disposal of their resources," he said. "At the same time, however, they must be assured of an adequate supply of those resources for their own use at a reasonable price."

In announcing the proposed legislation, Mr. Buchanan said that he must weigh the concerns of the native people in the North against the real need to identify oil and gas reserves so that Canada would have an adequate supply. "To ensure that exploration continues, and at an increased rate, is a reflection of our concern with respect to the forecast shortage of both oil and gas beginning in the early 1980s," he told his audience.

Mr. Buchanan said that the proposed system of exploration and development for oil and gas would provide distinct financial advantages to Canadian companies by reducing the impact of increased lease rental or increased production royalties. This would allow Canadians to compete more successfully in public tenders for proven prospective Crown reserves.

Turning to Canadian content in the industry, Mr. Buchanan stated that the

Provisions in new Act and revised Canada Oil and Gas Land Regulations

- . No change to existing permit holdings.
- . To stimulate exploration, permit work obligations would be increased after a two-year transitional period. A ten-year production licence would be granted upon discovery, replacing the existing 21-year lease.
- . If no discovery has been made during the life of the permit, the permittee would have to give up the land, seek a special renewal, or take out a five-year provisional lease.
- . Special renewals, to complete an exploration program, would be available at the Minister's discretion.
- . Work obligations on a permit under special renewal would be designed to ensure that the permittee would maintain a high level of exploration or relinquish his permit.
- . A five-year provisional lease would be provided as an alternative to a special renewal.
- . When a permit-holder makes an application for a production licence, the Crown would have the option of a working interest and/or a profit share in the discovery.
- . To ensure full use of our declining energy resources, the Act would allow for a reduction in royalty if required to initiate or continue production from marginally profitable fields, and to provide the incentive to invest in costly resource-conservation measures.
- . Oil and gas rights not now held under permit, lease or lease application would be declared Crown reserves.