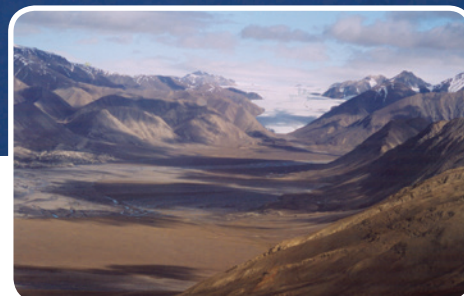




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# NORTHERN OIL AND GAS **ANNUAL REPORT** 2017



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## Northern Oil and Gas Annual Report 2017

### FOREWORD

The *Northern Oil and Gas Annual Report* is prepared in accordance with section 109 of the *Canada Petroleum Resources Act* (CPRA) which notes:

*The Minister shall, within ninety days after the end of each year, cause to be prepared a report with respect of the administration of this Act during that year, and shall cause the report to be laid before each House of Parliament on any of the first fifteen days on which that House is sitting after the day the report is prepared.*

Federal responsibility for the management of oil and gas resources on Crown lands north of 60°N in the Northwest Territories, Nunavut and Northern offshore is administered by the Petroleum and Mineral Resources Management Directorate under the mandate of the CPRA by:

- Granting and managing Crown exploration and production rights;
- Administering the public register of northern petroleum interests and instruments;
- Governing rights issuance, the financial administration of interests, benefits, environmental considerations and royalty management.

Information about northern petroleum resource management regime and the program can be found at: <https://www.aadnc-aandc.gc.ca/eng/1100100036087/1100100036091>.

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1-800-567-9604

TTY only 1-866-553-0554

QS-6358-300-EE-A1

Catalogue: R71-47E-PDF

ISSN : 1497-1445

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This publication is also available in French under the title: *Pétrole et Gaz du Nord, Rapport Annuel 2017*

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**Message from the Honourable Carolyn Bennett, M.D., P.C., M.P.,  
Minister of Crown-Indigenous Relations and Northern Affairs**

I am pleased to table before Parliament the annual report on the administration of the Canada Petroleum Resources Act (CPRA) in the Northwest Territories, Nunavut and Northern offshore for the year ending December 31, 2017.

In this report, Canadians and all interested parties will find information on the disposition of interests, financial administration of interests, environmental initiatives and royalty management for 2017.

Of particular interest, this report provides a summary of a one-year consultation period with license holders, territorial governments and Indigenous organizations, as well as with other interested parties on their interests, plans and vision for the Canadian Arctic offshore.

These consultations follow the United States–Canada Joint Arctic Leaders’ Statement, on December 20, 2016, when the Prime Minister designated all Canadian arctic waters as indefinitely off limits to future offshore oil and gas licensing, to be reviewed every five years through a climate and marine science-based life-cycle assessment.

I invite you to consult this report for further details on the development of Canada’s Northern oil and gas resources over the past year.

**The Honourable Carolyn Bennett, M.D., P.C., M.P.,  
Minister of Crown-Indigenous Relations and Northern Affairs**

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# CANADA PETROLEUM RESOURCES ACT ACTIVITIES

## CURRENT DISPOSITION OF INTERESTS

The Government of Canada maintains a public registry of petroleum interests and instruments registered under Part VIII of the *Canada Petroleum Resources Act*. This registry is the official record of rights holders, and any transfer of rights or change of ownership must be registered.

Monthly activity reports are available on: [www.aadnc-aandc.gc.ca/eng/1100100036878](http://www.aadnc-aandc.gc.ca/eng/1100100036878)

Table 1: Exploration Licences as of December 31, 2017.

Licence	Area (in hectares)	Representative	Effective Date	End of Period 1	Expiry Date	Work Proposal Bid (in dollars) <sup>1</sup>
<b>Beaufort Sea</b>						
EL317 <sup>2</sup>	105,150	BP Canada Energy Development Company	5 Oct 1986	N/A	N/A	N/A
EL329 <sup>2</sup>	339,434	BP Canada Energy Development Company	5 Sep 1987	N/A	N/A	N/A
EL476 <sup>3</sup>	205,321	Imperial Oil Resources Limited	1 Sep 2012	31 Jul 2018	31 Jul 2019	585,000,000
EL477	202,380	Imperial Oil Resources Limited	1 Sep 2012	30 Sep 2018	30 Sep 2020	1,180,100,000
EL478	205,359	BP Exploration Operating Company Limited	1 Sep 2012	30 Sep 2018	30 Sep 2020	15,100,000
EL479	203,635	BP Exploration Operating Company Limited	1 Sep 2012	30 Sep 2018	30 Sep 2020	1,100,000
EL481	205,946	Chevron Canada Limited	1 Sep 2012	31 Aug 2019	31 Aug 2021	103,300,000
EL483	196,497	ConocoPhillips Canada Resources Corp.	1 Sep 2012	30 Sep 2018	30 Sep 2020	2,543,896
EL485 <sup>4</sup>	29,350	Franklin Petroleum Canada Limited	1 Sep 2012	31 Aug 2019	31 Aug 2021	1,000,000
EL488 <sup>4</sup>	24,574	Franklin Petroleum Canada Limited	6 Mar 2013	5 Mar 2020	5 Mar 2022	1,251,088
EL489 <sup>4</sup>	35,544	Franklin Petroleum Canada Limited	6 Mar 2013	5 Mar 2018	5 Mar 2022	1,251,088
EL491 <sup>4</sup>	100,677	Franklin Petroleum Canada Limited	6 Mar 2013	5 Mar 2020	5 Mar 2022	1,251,088
EL492 <sup>4</sup>	187,200	Franklin Petroleum Canada Limited	6 Mar 2013	5 Mar 2020	5 Mar 2022	1,251,088
EL493 <sup>4</sup>	190,650	Franklin Petroleum Canada Limited	6 Mar 2013	5 Mar 2020	5 Mar 2022	1,251,088
EL496 <sup>4</sup>	14,820	Franklin Petroleum Canada Limited	1 Jun 2014	31 May 2021	31 May 2023	1,000,000

<sup>1</sup> Work Proposal Bids rounded to the nearest dollar.

<sup>2</sup> Under work prohibition order P.C. 1987-2265 pursuant to section 12 of the *Canada Petroleum Resources Act*.  
- On November 6, 2017, Repsol Oil & Gas Canada Inc. jointly agreed with its partners to partially surrendered hectares and its ownership share for EL317, resulting the appointment of BP Canada Energy Development Company as the Representative.

<sup>3</sup> On June 8<sup>th</sup>, 2017, Exploration License 476 was extended by one year.

<sup>4</sup> On January 23<sup>rd</sup>, 2017, Franklin Petroleum Canada Limited surrendered in its entirety EL492 and EL493 and partially surrendered its remaining exploration licences.



Table 2: Land Disposition as of December 31, 2017.

*In Hectares*

Region	Exploration Licence	Significant Discovery Licence	Production Licence	Former Rights <sup>1</sup>	Total
Arctic Islands of Nunavut	0	327,981	0	0	327,981
Eastern Arctic Offshore	0	11,184	0	0	11,184
Hudson Bay	0	0	0	0 <sup>2</sup>	0
Beaufort Sea	1,868,687 <sup>4</sup>	224,623	0	0	2,093,310
Norman Wells Proven Area	0	0	0	654	654
<b>Total (in hectares)</b>	<b>1,868,687</b>	<b>563,788</b>	<b>0</b>	<b>654</b>	<b>2,433,129</b>

*By Interest Type (number of licences)*

Region	Exploration Licence	Significant Discovery Licence	Production Licence	Former Rights <sup>1</sup>	Total
Arctic Islands of Nunavut	0	20	0	0	20
Eastern Arctic Offshore	0	1	0	0	1
Hudson Bay	0	0	0	8 <sup>2</sup>	0
Beaufort Sea	13 <sup>3</sup>	48	0	0	61
Norman Wells Proven Area	0	0	0	6	6
<b>Total</b>	<b>13</b>	<b>69</b>	<b>0</b>	<b>14</b>	<b>98</b>

<sup>1</sup> Permits and/or leases issued under former legislative regimes and continued in force pursuant to subsection 112(2) of the *Canada Petroleum Resources Act*.

<sup>2</sup> On August 8<sup>th</sup>, 2017, eight offshore exploration permits in the Hudson Bay were surrendered in its entirety.

<sup>3</sup> On January 23<sup>rd</sup>, 2017, EL492 and EL493 were surrendered in their entirety.

<sup>4</sup> The disposition of seven exploration licenses reduced by 841,030 hectares due to partial surrenders.

## RIGHTS ISSUANCE

### Call for Nomination and Call for Bids

With respect to the *United States-Canada Joint Arctic Leaders' Statement* from December 20, 2016, Canada has indefinitely suspended the issuance of new oil and gas licences in the Arctic offshore for an initial period of five years during which no Call for Bids will take place. The suspension will be reviewed every five years through a climate and marine science-based life-cycle assessment and does not apply to the onshore areas of Nunavut. As of December 31<sup>st</sup>, 2017, there are 13 exploration licences in the Beaufort Sea and the primary rights holders include Imperial Oil, BP, ExxonMobil, ConocoPhillips, Chevron, and Franklin Petroleum.

### Changes in Rights and Dispositions

On January 23<sup>rd</sup>, 2017, two exploration licences in the Beaufort Sea were surrendered in their entirety in accordance with the *Canada Petroleum Resources Act*. Likewise, on August 8<sup>th</sup>, 2017, eight offshore exploration permits in the Hudson Bay were surrendered in their entirety in accordance with the *Canada Oil and Gas Land Regulations*. Total rights disposition decreased by 967,406 hectares over the course of 2017.

Figure 1 - Map of the Beaufort Sea Region

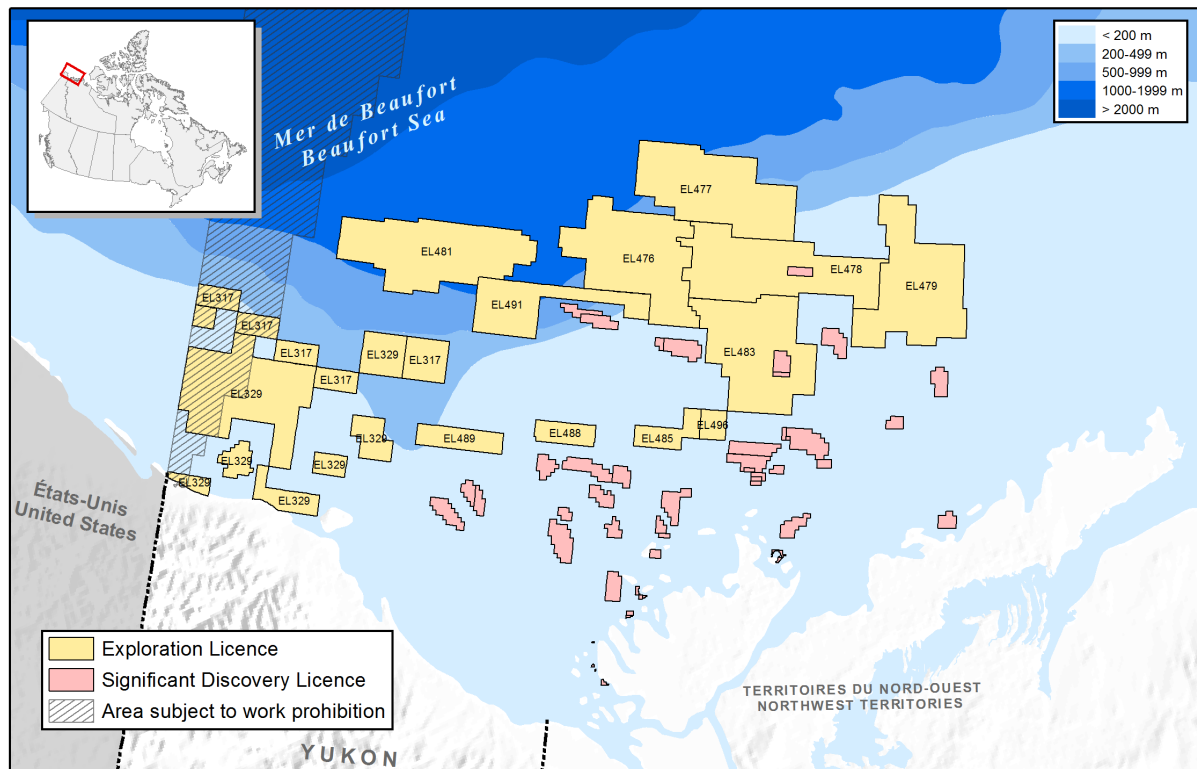
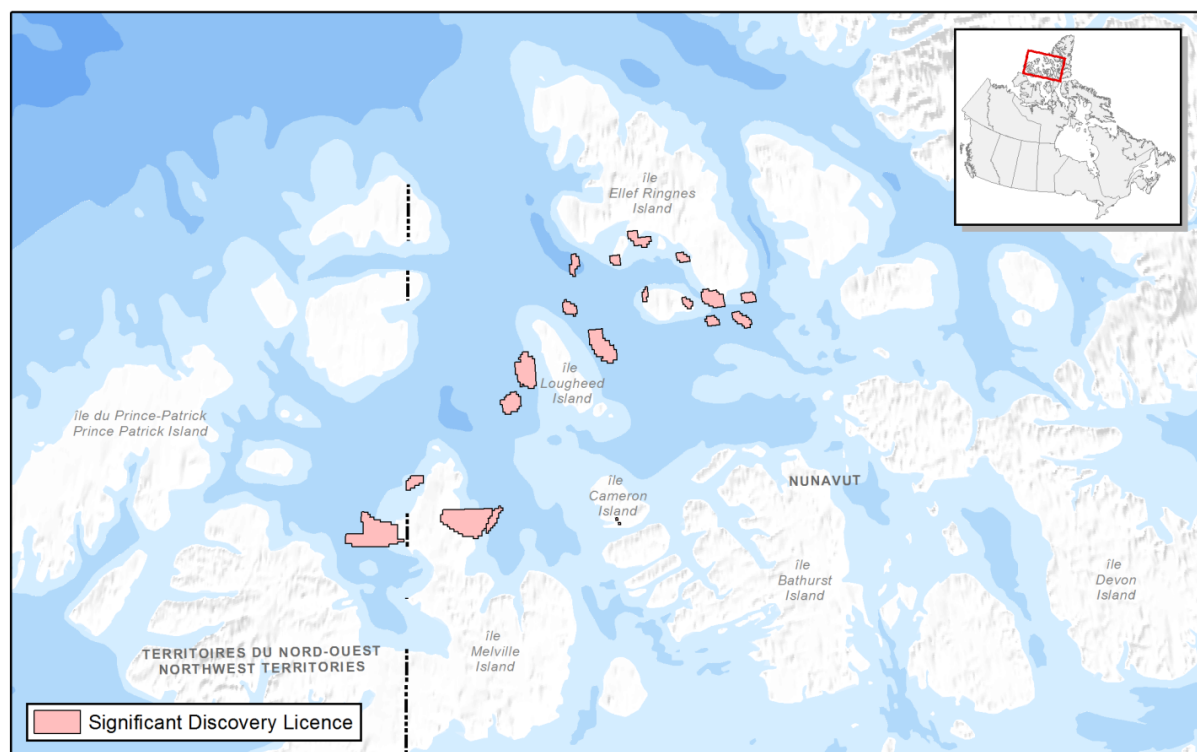
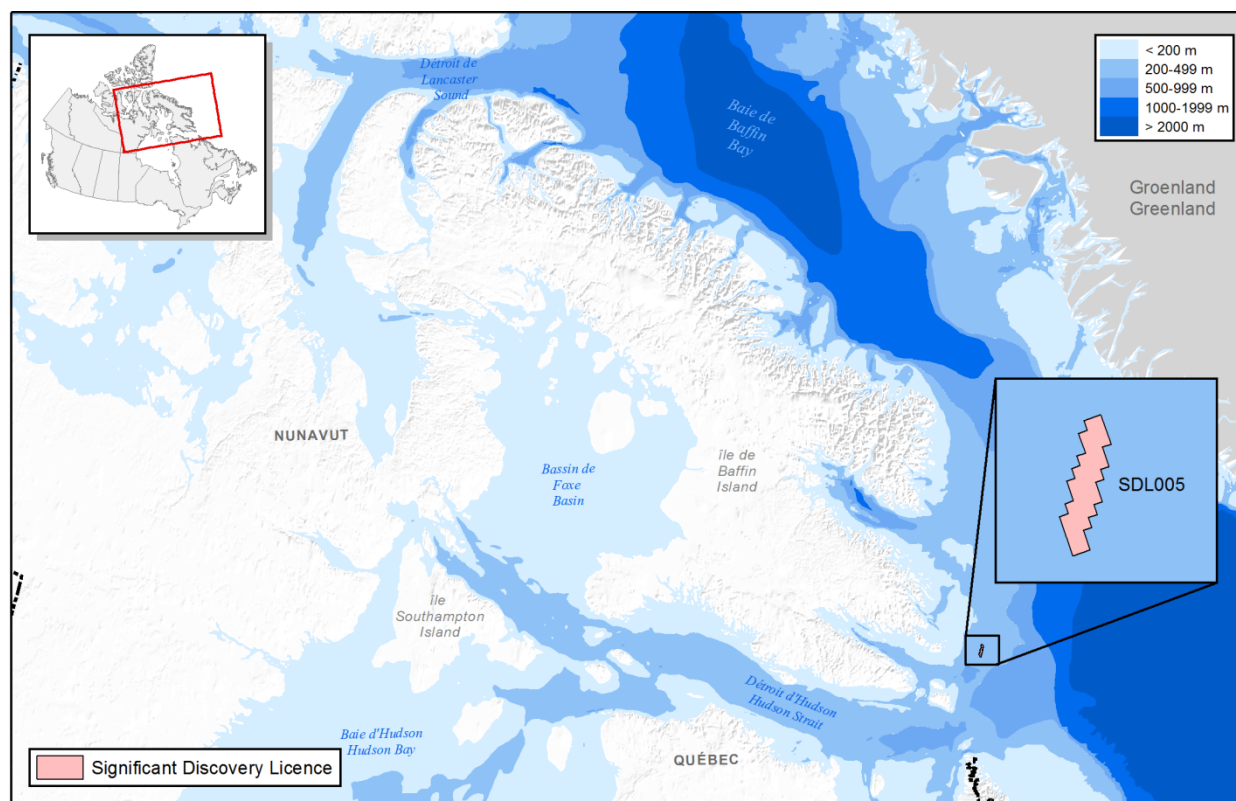


Figure 2 - Map of the Arctic Islands Region





**Figure 3 - Map of the Eastern Arctic Region**



## FINANCIAL ADMINISTRATION OF INTERESTS

Pursuant to the terms of conditions of exploration licences pursuant to section 24(1) of the *Canada Petroleum Resources Act*, the Department holds financial security deposits with respect to exploration licences; these deposits are refundable to interest holders under certain conditions. Revenues from the administration of interests include three sources in general: forfeitures, non-refundable rentals, and fees.

**Table 3: Revenues from Administration of Interests, 2013-2017**

*In Canadian Dollars*

	2013	2014	2015	2016	2017
Forfeitures <sup>1</sup>	50,000	599,830	0	509,599	26,562
Non-refundable rentals <sup>2</sup>	53,195	11,219	933	933	933
Fees <sup>3</sup>	8,832	5,520	1,569	2,708	1,571
<b>Total</b>	<b>112,027</b>	<b>616,569</b>	<b>2,502</b>	<b>513,240</b>	<b>29,069</b>

<sup>1</sup> Forfeiture revenues result when the conditions associated with bid deposits, drilling deposits, work deposits or rentals are not met.

<sup>2</sup> Norman Wells Proven Area leases issued under the *Canada Oil and Gas Land Regulations* which continued in force pursuant to subsection 114(4) of the *Canada Petroleum Resources Act*.

<sup>3</sup> Fees for service (section 15 of the *Frontier Lands Registration Regulations*).

## CONSULTATIONS ON OFFSHORE ARCTIC OIL AND GAS EXPLORATION

Since April 2017, the Government of Canada has been conducting consultations with rights holders, territorial governments and northern indigenous organizations on their existing and future interests in the Arctic offshore. The goals of these consultations have been to clarify the interests and plans of northern stakeholders and to inform next steps concerning the future of Arctic offshore oil and gas exploration and development.

The consultations have also taken into account the reports completed by Ministerial Special Representatives; Mr. Rowland Harrison and his *Review of the Canada Petroleum Resources Act* and Mrs. Mary Simon's *A new Shared Arctic Leadership Model*.

## ENVIRONMENTAL CONSIDERATIONS

The Government of Canada's *Budget 2016* provided funding for collaboration with researchers and Inuit communities in order to gather new knowledge of the Arctic environment, to help assess the potential environmental impacts of future offshore oil gas activity in the Arctic. Initiatives funded through the *Budget 2016* announcement will inform a key part of the Government's five year science-based review (as mentioned in the *Canada-US Joint Arctic Leaders' Statement*).

### Beaufort Regional Strategic Environmental Assessment

The Beaufort Regional Strategic Environmental Assessment (BRSEA) launched in 2016. The BRSEA will provide strategic direction and analysis of environmental considerations pertaining to future offshore oil and gas activity in the Beaufort Sea, Inuvialuit Settlement Region.

The BRSEA examines the cumulative effects of forecasted development and conservation scenarios; recommends desired environmental outcomes and thresholds; advances baseline information and the state of knowledge for the Beaufort SEA; supports decision-making around possible future resource development and management, environmental conservation programs, subsistence activities and other complementary commercial activities; and, takes into account trade-offs and changes in the state of the ecosystem.

The BRSEA is being developed and led in partnership between the Inuvialuit Regional Corporation, the Inuvialuit Game Council, and the Government of Canada. Two engagement sessions took place with partners and community members in 2017 to identify valued ecosystem components and cumulative effects indicators, set research priorities, and gather input for Traditional Knowledge-based projects.

### Strategic Environmental Assessment in Baffin Bay and Davis Strait

A Strategic Environmental Assessment (SEA) in Baffin Bay and Davis Strait was also initiated in 2016. The SEA incorporates scientific information, Inuit knowledge and public feedback to

assess the potential environmental, social, economic, and cultural impacts of possible future offshore oil and gas activities in the region.

In 2017, the Government of Canada requested that the Nunavut Impact Review Board coordinate the SEA process. The SEA working group also includes the Qikiqtani Inuit Association, Nunavut Tunngavik Incorporated and Government of Nunavut. Community engagement meetings were held in the spring and fall to consider Inuit concerns and traditional use of the region. This input was used to develop the SEA scope.

Details and documents can be found on the public registry at [www.nirb.ca](http://www.nirb.ca).

### **Environmental Studies Research Fund**

The Environmental Studies Research Fund (ESRF) is a provision of Part VII of the *Canada Petroleum Resources Act*, and is funded through levies applied to oil and gas lands held by companies under licence. The research program sponsors environmental and social studies related to the exploration, development and production of oil and gas resources on frontier lands. Based upon the recommendations of the ESRF Management Board, the Minister approved \$499,953 for the 2017-2018 Budget.

The *Integrated Beaufort Observatory* project was ongoing in 2017. Details on ESRF, including annual reports and publications can be found at [www.esrfunds.org](http://www.esrfunds.org).

### **ROYALTY MANAGEMENT**

Given that there are no producing fields in Nunavut or in offshore Arctic waters, the amount of offshore royalty received by Canada in the 2017 calendar year is \$0.

Pursuant to the *Northwest Territories Land and Resource Devolution Agreement*, the Norman Wells Proven Area remains under federal jurisdiction. CIRNA continues to collect petroleum royalties associated with the Norman Wells Proven Area and remits such royalties to the Government of the Northwest Territories. Two fields produced oil and/or gas in the Northwest Territories in 2017: the Ikhil gas field on the Mackenzie Delta and the Norman Wells oil field in the Central Mackenzie Valley.

The Ikhil gas field lies on Inuvialuit Lands and continues to be administered by Canada on behalf of the Inuvialuit pursuant to Section 7(94) of the *Inuvialuit Final Agreement*. Canada's responsibility to collect and remit royalties to the Inuvialuit continues after April 1, 2014, pursuant to the terms of the *Northwest Territories Land and Resource Devolution Agreement*. These royalties are not reported here.

### **BENEFITS**

In 2017, no benefits plans were submitted as no exploration activity was conducted in Frontier Lands under CIRNA jurisdiction.

Subsection 5.2 of the *Canada Oil and Gas Operations Act* and section 21 of the *Canada Petroleum Resources Act* require that a benefits plan be approved by the Minister of Crown-Indigenous Relations and Northern Affairs before authorization of any oil and gas work or activity, or approval of a development plan relating to a pool or field on Frontier Lands in Nunavut, the Northwest Territories, and in the Arctic offshore.

## FOR FURTHER INFORMATION

### PETROLEUM AND MINERAL RESOURCES MANAGEMENT DIRECTORATE

To obtain further information, please contact the Directorate by phone or in writing.

**Mailing address:**

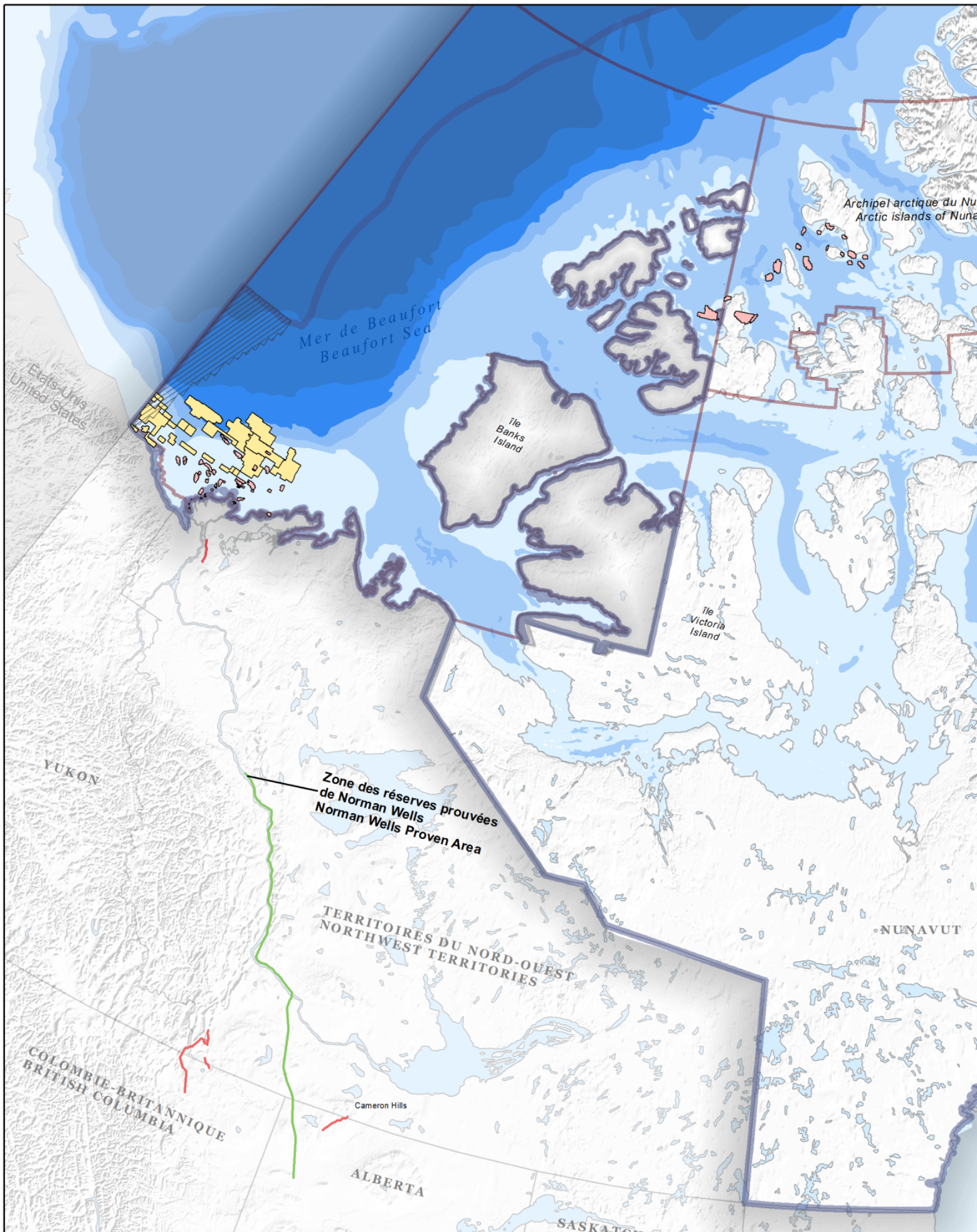
Petroleum and Mineral Resources Management Directorate  
Government of Canada  
10 Wellington Street  
Gatineau QC K1A 0H4

Telephone: 819-934-9181

Fax: 819-953-5828

Website: <https://www.aadnc-aandc.gc.ca/eng/1100100036087/1100100036091>







Affaires autochtones et  
du Nord Canada

Indigenous and  
Northern Affairs Canada

**Dispositions des droits pétroliers et gaziers  
en date au 31 décembre 2017**

**Oil & Gas Dispositions  
as of December 31, 2017**

