

NORTHERN OIL AND GAS
ANNUAL REPORT
2018



Crown-Indigenous Relations
and Northern Affairs Canada

Relations Couronne-Autochtones
et Affaires du Nord Canada

Canada 



Northern Oil and Gas Annual Report 2018

Foreword

The *Northern Oil and Gas Annual Report* is prepared in accordance with section 109 of the *Canada Petroleum Resources Act* 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 *Canada Petroleum Resources Act* 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: www.aadnc-aandc.gc.ca/eng/1100100036087.

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Minister's Message

I am pleased to table before Parliament the annual report on the administration of the *Canada Petroleum Resources Act* in the Northwest Territories, Nunavut and Northern offshore for the year ending December 31, 2018.

In October 2018, the Government of Canada outlined next steps on the future of Arctic offshore oil and gas development for current licence holders. This followed the December 2016 announcement by the Prime Minister of a moratorium on new oil and gas exploration licences in the Arctic, renewable every five years based on a rigorous science review.

Specifically, the Government announced its intention to:

- Freeze the terms of the existing licences in the Arctic offshore to preserve existing rights, remit the balance of any financial deposit related to licences to affected licence holders and suspend any oil and gas activities for the duration of the moratorium;
- Work with Northern partners to co-develop a framework for a science-based, life-cycle impact assessment review that takes into account marine and climate change science; and,
- Negotiate a Beaufort Sea oil and gas co-management and revenue-sharing agreement with the governments of the Northwest Territories and Yukon, and the Inuvialuit Regional Corporation.

These steps represent a concrete response to a one-year consultation process with license holders, territorial governments and Indigenous organizations, and other interested parties.

We know that protecting the Arctic's unique marine ecosystem and ensuring that science plays a key role in any Arctic offshore oil and gas development is the right approach and these changes will allow the Government to establish a path forward for the strategic management of these resources in collaboration with our partners. This is consistent with the Government's commitment to protect Canada's rich natural environment, respect the rights and interests of Indigenous peoples, and support a resilient and sustainable Canadian natural resources sector.

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, including the disposition of interests, financial administration of interests, environmental considerations, consultations and royalty management for 2018.

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



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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.

Information is available upon request at aadnc.rights-droits.aandc@canada.ca.

Table 1: Exploration Licences as of December 31, 2018

Licence	Area (in hectares)	Representative	Effective Date	End of Period 1	Expiry Date	Work Proposal Bid (in dollars) ¹
Beaufort Sea						
EL317 ²	105,150	BP Canada Energy Development Company	5 Oct 1986	N/A	N/A	N/A
EL329 ²	339,434	BP Canada Energy Development Company	5 Sep 1987	N/A	N/A	N/A
EL476	205,321	Imperial Oil Resources Limited	1 Sep 2012	31 Jul 2019 ³	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	29,350	Franklin Petroleum Canada Limited	1 Sep 2012	31 Aug 2019	31 Aug 2021	1,000,000
EL488	24,574	Franklin Petroleum Canada Limited	6 Mar 2013	5 Mar 2020	5 Mar 2022	1,251,088
EL489	35,544	Franklin Petroleum Canada Limited	6 Mar 2013	5 Mar 2019 ⁴	5 Mar 2022	1,251,088
EL491	100,677	Franklin Petroleum Canada Limited	6 Mar 2013	5 Mar 2020	5 Mar 2022	1,251,088
EL496	14,820	Franklin Petroleum Canada Limited	1 Jun 2014	31 May 2021	31 May 2023	1,000,000

¹ Work Proposal Bids rounded to the nearest dollar.

² Under work prohibition order P.C. 1987-2265 pursuant to section 12 of the *Canada Petroleum Resources Act*.

³ On June 29, 2018, Period 1 of Exploration Licence 476 was extended by one year.

⁴ On March 5, 2018 Period 1 of Exploration Licence EL489 was extended by one year.

**Table 2: Land disposition as of December 31, 2018***In Hectares*

Region	Exploration Licence	Significant Discovery Licence	Production Licence	Former Rights ¹	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	0
Beaufort Sea	1,868,687	224,623	0	0	2,093,310
Norman Wells Proven Area	0	0	0	654	654
Total (in hectares)	1,868,687	563,788	0	654	2,433,129

By Interest Type (number of licences)

Region	Exploration Licence	Significant Discovery Licence	Production Licence	Former Rights ¹	Total
Arctic Islands of Nunavut	0	20	0	0	20
Eastern Arctic Offshore	0	1	0	0	1
Hudson Bay	0	0	0	0	0
Beaufort Sea	13	48	0	0	61
Norman Wells Proven Area	0	0	0	6	6
Total	13	69	0	6	88

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

Rights Issuance

On October 4, 2018, the Government of Canada announced next steps on future Arctic oil and gas development. The Government of Canada is committed to working and collaborating with territorial governments, industry, and Indigenous governments and communities in the North on future decisions on offshore oil and gas development.

The steps include freezing the terms of existing licences in the Arctic offshore, working with Northern partners to co-develop the scope and governance framework for a science-based five-year review in the Arctic offshore, and negotiating a Beaufort Sea oil and gas co-management and revenue-sharing agreement with the governments of Yukon, the Northwest Territories and the Inuvialuit Regional Corporation.

Together, these steps represent concrete actions aimed at ensuring a strong, sustainable and viable Arctic economy and ecosystem.



Figure 1 - Map of the Beaufort Sea Region

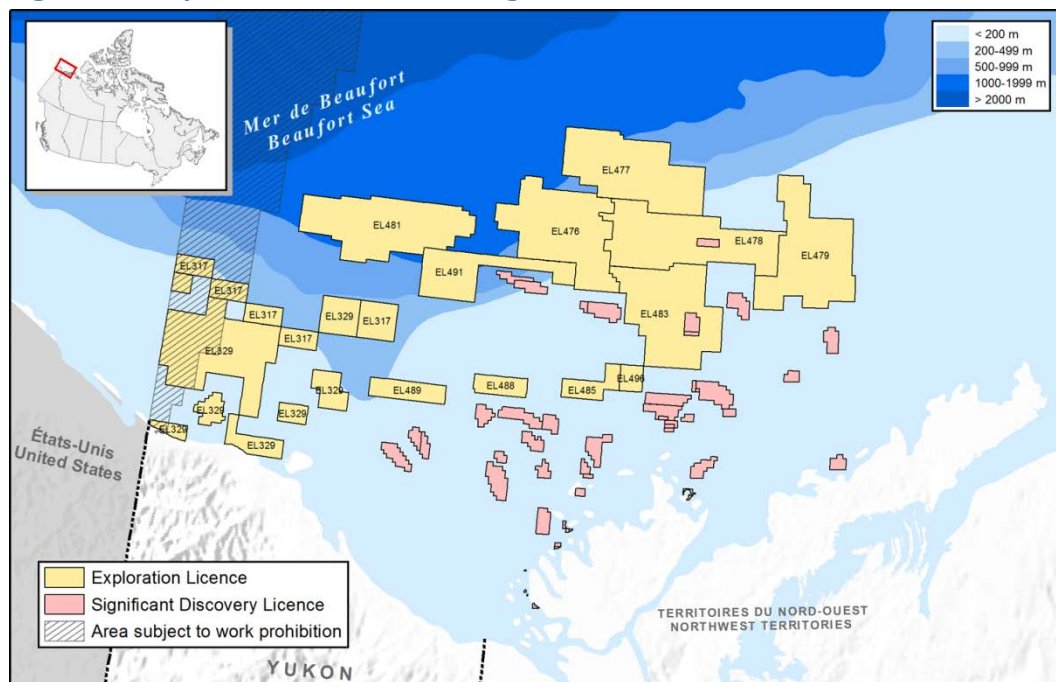


Figure 2 - Map of the Arctic Islands Region

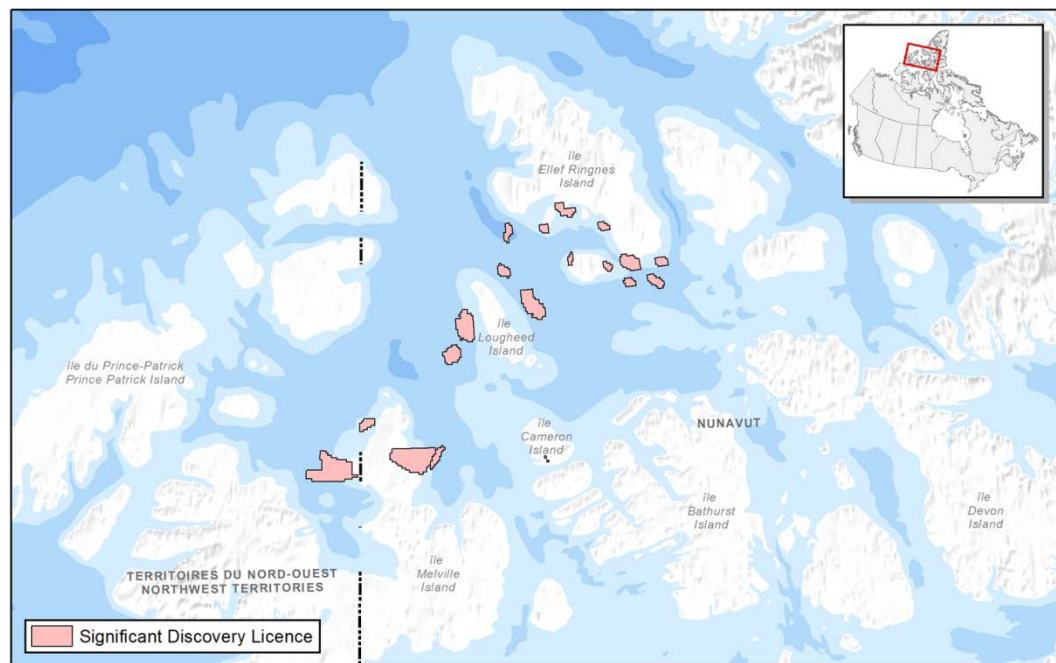




Figure 3 - Map of the Eastern Arctic Region



Financial Administration of Interests

Table 3: Revenues from Administration of Interests, 2014-2018

In Canadian dollars

	2014	2015	2016	2017	2018
Non-refundable rentals ¹	11,219	933	933	933	933
Fees ²	5,520	1,569	2,708	1,571	736
Total	16,739	2,502	3,641	2,504	1,669

¹ 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*.

² 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 and 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 launched in 2016. The Beaufort Regional Strategic Environmental Assessment 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 Beaufort Regional Strategic Environmental Assessment 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 Strategic Environmental Assessment; 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 Beaufort Regional Strategic Environmental Assessment is being developed and led in partnership between the Inuvialuit Regional Corporation, the Inuvialuit Game Council, and the Government of Canada. A Request for Proposals was issued in 2018 to write the final assessment report which is expected to be completed by March 2020.

Details and documents can be found on the public registry at www.rsea.inuvialuit.com.

Strategic Environmental Assessment in Baffin Bay and Davis Strait

The Strategic Environmental Assessment in Baffin Bay and Davis Strait was also initiated in 2016. The Strategic Environmental Assessment 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, and inform decision-making on whether, and under which conditions, such activity might proceed.

In 2017, the Government of Canada requested that the Nunavut Impact Review Board coordinate the Strategic Environmental Assessment process. The Strategic Environmental Assessment working group includes the Qikiqtani Inuit Association, Nunavut Tunngavik



Incorporated, Government of Nunavut and Crown-Indigenous Relations and Northern Affairs Canada.

Multiple community engagement meetings were held in 2017 and 2018 to consider Inuit concerns and traditional use of the region. This input was used to develop the various phases of the Strategic Environmental Assessment, and will inform the final report and recommendations.

All documents relating to the Strategic Environmental Assessment can be found on the Nunavut Impact Review Board public registry at www.nirb.ca.

Environmental Studies Research Fund

The Environmental Studies Research Fund 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 Environmental Studies Research Fund Management Board, the Minister approved \$489,286 for the 2018-2019 Budget.

The *Integrated Beaufort Observatory* project was ongoing in 2018. Details on the Environmental Studies Research Fund, including annual reports and publications can be found at 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 2018 calendar year is \$0.

Pursuant to the *Northwest Territories Land and Resource Devolution Agreement*, the Norman Wells Proven Area remains under federal jurisdiction. The Government of Canada 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 2018: 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 2018, no benefits plans were submitted as no exploration activity was conducted in Frontier Lands under Crown-Indigenous Relations and Northern Affairs Canada 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 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.

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Website: www.aadnc-aandc.gc.ca/eng/1100100036087
















Relations Couronne-Autochtones
et Affaires du Nord Canada

Crown-Indigenous Relations
and Northern Affairs Canada

**Dispositions des droits pétroliers et gaziers
en date au 31 décembre 2018**

**Oil & Gas Dispositions
as of December 31, 2018**

-  Permis de prospection
Exploration Licence
-  Attestation de découverte importante
Significant Discovery Licence
-  Gazoduc / Gas pipeline
-  Oléoduc / Oil pipeline
-  Région sujette au décret d'interdiction
Area subject to work prohibition
-  < 200 m
-  200-499 m
-  500-999 m
-  1000-1999 m
-  2000-2999 m
-  > 3000 m

