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The Canadian North - Active Exploration and New Development

Approximately 40 percent of Canada's lands lie north of 60 degrees latitude. Vast areas lie beneath the shallow seas of the Arctic continental shelf and within the Arctic archipelago.

The combined land area of the Northwest Territories and Yukon Territory approaches four million square kilometres, comprising diverse sedimentary basins, many with demonstrated high potential for oil and gas development.

During the 1980s, exploration and development in the territories slowed as the federal government and Aboriginal peoples focused on settling land claims in the North.

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Resurging Activity

Today, government, working in partnership with northerners and Aboriginal peoples, is refocusing on northern oil and gas exploration and development as key components of the future economic well-being of northern Canada.

Industry is also renewing its interest with significant investment in gas exploration in the southern NWT, and in oil and gas exploration near Norman Wells. Companies are also realizing the development of gas discovered in the southern NWT, and in the Mackenzie Delta. Final land claim settlements have clarified questions of land ownership in many regions and new Aboriginal-government partnerships are developing a more inclusive and regionally focused regulatory environment.

A regularized system for annual exploration rights issuance was successfully implemented in the late 1980s beginning in the Beaufort Sea/Mackenzie Delta region and reaching to the central and parts of the southern Mackenzie Valley. Twenty-eight new exploration licences have been issued through 5 separate cycles of rights issuance.

The Potential

Geologically, lands extending north of 60 from the Alberta-British Columbia border to the Beaufort Sea are a continuation of the oil and gas-rich Western Canada Sedimentary Basin, but, in comparison are lightly explored.

Northern Canada is the site of one quarter of Canada's remaining discovered resources of conventional petroleum and one third to one half of the country's estimated potential. This resource is distributed throughout the North as follows:

- Mackenzie Valley and onshore Yukon: 26 significant discoveries and three producing fields: the

Norman Wells oil field produces oil at rates of 30,000 bopd (6.294 = 1 cubic metre) with initial recoverable reserves of 235 million barrels; the Kotaneelee and Pointed Mountain fields close to the BC-Alberta border have produced 417 billion cubic feet (35.3 cu.ft. = 1 cubic metre) of gas by the end of 1997.

- Arctic Islands: 19 significant discoveries after fewer than 200 exploration wells; the Bent Horn field in the Arctic Islands which produced high-quality light oil for many years on a seasonal basis has only recently been abandoned.
- Mackenzie Delta/Beaufort Sea: discovered resources of in excess of one billion barrels of oil and nine trillion cubic feet (tcf) of gas in 53 significant discoveries. Four trillion cubic feet of marketable gas have been discovered in three onshore discoveries and offshore discoveries include over 200 million barrels in the Amauligak field. On the Mackenzie Delta, the Ikhil gas discovery is being developed to supply natural gas to the town of Inuvik where it will replace imported diesel oil for power generation and domestic use.

The Policy

The cornerstones of the petroleum resource management regime:

- Government provides the stability industry needs through regular issuance of new exploration rights
- Industry sets the pace of exploration and development
- Highly profit-sensitive royalty regime recognizes the inherent risks of frontier exploration activity
- Industry and government partners work with Aboriginal peoples and northerners to strengthen northern communities by building an oil and gas sector into the northern economy
- A shared vision of sustainable development

In the Northwest Territories, the statutory responsibility for petroleum resource management rests with the Minister of Indian Affairs and Northern Development.

In 1998, the Yukon Territorial Government assumed provincial-type powers to manage and regulate Yukon onshore oil and gas resources.

In 1993, all restrictions of foreign ownership at the production stage were removed, allowing Canadian companies to seek partners worldwide to develop frontier properties.

The Process

- Industry-responsive
- Fair, open and competitive
- Profit-sensitive

The Call for Nominations

- Your chance to identify land tracts you want to see posted for bidding

The Call for Bids

- All bid terms and conditions are clearly spelled out
- Single criterion used to select the winning bid
- Three land tenure instruments give you control at every stage:
 - ***Exploration Licence:*** Maximum nine year terms divided into two periods -- with a drilling requirement in the first period of the term.
 - ***Significant Discovery Licence:*** Unique to the Canadian frontier, this licence rewards your successful exploration by giving you indefinite 'down to the basement' tenure to your discovery. You proceed to production when you judge the time is right.
 - ***Production Licence:*** 25-year term automatically renewed if still producing

The Royalty Regime

One of the most competitive in the world!

- Low royalty payments while you recover your initial investment -- starting at 1%, rising by 1% every 18 months to a maximum of 5% until project payout
- Payout includes a fair rate of return on investment
- After project payout royalties cap out at the greater of 30% of net or 5% of gross

The Data

- View extensive seismic database and well history reports at the Frontier Information Office of the National Energy Board, Calgary.
- Scientific expertise, core and cuttings samples from northern wells are available at the Geological Survey of Canada, Calgary.
- A technical report, Petroleum Exploration in Northern Canada is available through the Department of Indian Affairs and Northern Development.

Canada's North

The time is right for partnership with northern Canadians.
The time is right to explore and develop Canada's most promising frontier.

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