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Government of N.W.T.
Yellowknife, N.W.T.

MEMORANDUM OF AGREEMENT
between
THE GOVERNMENT OF THE YUKON
and
THE GOVERNMENT OF THE NORTHWEST TERRITORIES
on principles for oil and gas arrangements
in the Beaufort Sea

WHEREAS:

Canada's commitment to negotiate oil and gas agreements with each territorial government is a major step in the political and constitutional development of both territories;

Pursuant to their respective Enabling Agreements with the Government of Canada, the Yukon Territorial Government (YTG) and the Government of the Northwest Territories (GNWT) are to negotiate an agreement respecting oil and gas management and administrative responsibilities, and oil and gas resource revenues in the Beaufort Sea;

The YTG and the GNWT wish to establish a stable, efficient and effective oil and gas management and legislative framework in the Beaufort Sea;

The Government of Canada has recently passed the Canadian Laws Offshore Application Act, which establishes principles for the application of federal and territorial laws in the offshore;

Agreements on offshore oil and gas resource management and revenue sharing have been reached between the Government of Canada and the governments of Nova Scotia and Newfoundland; and

The YTG and the GNWT intend to enter into bilateral oil and gas agreements with the federal government.

NOW THEREFORE the two territorial governments agree to pursue negotiations with the federal government for their respective oil and gas agreements consistent with the following principles:

A) DIVISION OF THE BEAUFORT SEA

Each territorial government should negotiate an oil and gas agreement with the federal government that will apply in that area of the Beaufort Sea on their respective sides of a dividing line through the Beaufort Sea.

Both territorial governments agree that the line dividing the Beaufort Sea shall follow an angular bisector through Mackenzie Bay, and extend northward of Mackenzie Bay parallel to meridians of longitude.

B) OIL AND GAS LEGISLATION AND MANAGEMENT

The Oil and Gas Production and Conservation Act and the Canadian Petroleum Resources Act provide appropriate models upon which to base the oil and gas legislative regime for the Beaufort Sea.

The division of oil and gas legislative responsibilities between the territorial governments and the federal government in the offshore should be consistent with the principles of the Canadian Laws Offshore Application Act.

A single offshore board, established by federal legislation, should be responsible for technical regulatory matters under a revised Oil and Gas Production and Conservation Act. The Board should have equal membership from the Government of Canada, YTG and the GNWT.

Territorial ministers should be responsible for making decisions in the key policy areas of northern benefits, determination of resource revenues, and the management of oil and gas rights on their respective sides of the dividing line through the Beaufort Sea, consistent with the principles of the Canadian Laws Offshore Application Act.

The form of sharing of offshore legislative responsibilities with the federal government can be finalized through amendments to the Yukon Act, and the NWT Act.

C) RESOURCE REVENUES

Both territorial governments agree that the Government of Canada should allocate a portion of the revenues it receives from offshore oil and gas activities in the Beaufort Sea adjacent to the coast of one territory to the other territorial government.

The revenues received by the Government of Canada shall be based on the fiscal offset provisions of the territorial governments' respective oil and gas agreements.

D) OVERLAPPING RESOURCES

Both territorial governments agree that if any single exploitable oil or gas field extends across the dividing line, the field should for conservation purposes, be exploited as a single unit, consistent with the principles of unitization, with the production from the field allocated in proportion to the volume of oil or gas located respectively on either side of the dividing line. The royalty and benefits management regime that applies to an oil or gas field which extends across the line should be the regime in effect on the side of the line where there is the greater proportion of the total volume of oil or gas, unless agreed otherwise by the two territorial governments.

E) NORTHERN BENEFITS

Both territorial governments agree to jointly develop policies that ensure northern benefit opportunities in the Beaufort Sea, such as training, employment, contracting, and procurement, continue to be available to residents and businesses in both territories.

F) ABORIGINAL RIGHTS

Both territorial governments agree that their respective oil and gas agreements shall fully respect the terms of the Inuvialuit Final Agreement, and any other final land claims agreement.

G) COOPERATION

Both territorial governments agree to develop cooperative arrangements to provide mutual assistance in the implementation of their oil and gas agreements, including the sharing of professional resources and technical information and the development of oil and gas legislation and policies.

Signed in Whitehorse, Yukon this 15th day of May 1991.

Dennis Patterson
Government Leader
Government of the Northwest Territories

Jonny Stuckert
Premier
Government of the Yukon

Bill Lawrence
Minister of Energy, Mines and Petroleum Resources
Government of the Northwest Territories

Maurice Lyblow
Minister of Economic Development:
Mines and Small Business
Government of the Yukon