

*Agreement between the United States of America and Canada respecting the Canol Project. Effected by exchange of notes signed at Ottawa June 27 and 29, 1942; effective June 29, 1942.*

June 27, 29, 1942  
[E. A. S. 386]

*The American Minister to the Canadian Secretary of State for External Affairs*

LEGATION OF THE  
UNITED STATES OF AMERICA  
*Ottawa, Canada, June 27, 1942.*

No. 710

SIR:

1. I have the honor to refer to recent conversations which have taken place with officials of the Department of External Affairs regarding the desire of the United States Government to take steps for extending the fuel supply for the United States Army in Canada and Alaska.

Extension of fuel supply for U. S. Army.

2. My Government, faced with the necessity of obtaining an increased fuel supply without delay, desires to propose the following project, to wit: that it:

Functions of U. S. Government.

(a) Make surveys and construct a pipeline either by United States Army Engineers or by contract, of a size sufficient to deliver three thousand barrels of oil daily from Norman Wells, Northwest Territories, Canada, to Whitehorse, Yukon Territory, Canada;

Surveys and construction of pipeline.

(b) Sign a contract with a Canadian company to drill additional wells, upon its leases obtained under the Petroleum and Natural Gas Regulations applicable to Dominion Lands or upon permits obtained by it under the Oil and Gas Regulations covering land in the vicinity of Norman Wells. Under this contract the United States War Department would provide the necessary equipment and would purchase the total flow of the additional wells during the war at an agreed price. The wells would remain part of the leasehold or permit property of the Canadian company and would be regarded as having been drilled under the provisions of the Dominion Regulations noted in this clause;

Contract to drill additional wells.

(c) Arrange for the establishment at Whitehorse of facilities for refining crude oil with a capacity of three thousand barrels per day under a contract awarded with a view to insuring the execution of the work in the shortest possible time without regard to whether the contractors are Canadian or American;

Facilities for refining crude oil.

(d) Contract with a company or companies to store for the future use of the United States Army, all of the gasoline which

Storage of gasoline.

may be produced by the refinery at Norman Wells during the operating season of 1942 in excess of what is required for the maintenance of services and enterprises in the Mackenzie District, to operate the pipeline to Whitehorse and to operate the refinery there unless it is operated by the United States Government.

Ownership, etc., of pipeline and refinery.

3. My Government further proposes that the pipeline and the refinery shall remain its property, and shall be operated under contracts with it or by its agents or representatives during the war. It further proposes that at the termination of hostilities the pipeline and refinery shall be valued by two valuers, of whom one shall be named by the United States and one by Canada, with power, if they disagree, to appoint an umpire. The valuation shall be based upon the then commercial value of the pipeline and the refinery, and the Canadian Government shall be given the first option to purchase at the amount of the valuation. If the option is not exercised within three months, they may be offered for sale by public tender, with the amount of the valuation as the reserve price. In the event that neither the Canadian Government nor any private company desires to purchase the pipeline and refinery at the agreed price, the disposition of both facilities shall be referred to the Permanent Joint Board on Defense for consideration and recommendation. Additionally, it is proposed that both Governments agree that they will not themselves order or allow the dismantling of either the pipeline or the refinery, nor will they allow any company which purchases them so to do, unless and until approval for dismantlement is recommended by the Permanent Joint Board on Defense. It is understood that if the pipeline and refinery are at any time used for commercial purposes they will be subject to such regulations and conditions as the Canadian Government may consider it necessary to impose in order to safeguard the public interest.

Restriction on dismantling of pipeline and refinery.

Use for commercial purposes.

Functions of Canadian Government.

4. For its part, my Government asks the Canadian Government to agree:

Acquisition of land and rights of way.

(a) to acquire any essential land and necessary rights of way that may be involved in the projects (including the settlement of all local claims in this connection), title to remain in the Crown in the right of Canada;

Waiver of duties, taxes, and fees.

(b) to waive during the war import duties, sales taxes, territorial taxes, license fees or other similar charges on all equipment and supplies to be used in the execution or maintenance of the project by the United States and all personal effects of the construction personnel;

Remission of royalties and income tax.

(c) to remit during the war royalties on oil production, and income tax on the income of persons (including corporations) resident in the United States who are employed on the construction or maintenance of the project;

Admission into Canada of U. S. citizens.

(d) to take the necessary steps to facilitate the admission into Canada of such United States citizens as may be employed on the construction or maintenance of the project during

the war, it being understood that the United States will undertake to repatriate at its expense any such persons if the contractors fail to do so.

5. If the Government of Canada agrees to the foregoing proposal for this project, it is suggested that any supplementary details involved in its execution be arranged directly between the appropriate governmental agencies subject, when desirable, to confirmation by subsequent exchange of notes.

Accept, Sir, the renewed assurances of my highest consideration.  
PIERREPONT MOFFAT.

The Right Honorable

The SECRETARY OF STATE  
FOR EXTERNAL AFFAIRS,  
*Ottawa.*

*The Canadian Secretary of State for External Affairs to the  
American Minister*

DEPARTMENT OF  
EXTERNAL AFFAIRS  
CANADA

No. 98

OTTAWA, *June 29, 1942.*

SIR,

I have the honour to acknowledge the receipt of your Note of June 27, 1942, No. 710, which made certain proposals in regard to the steps to be taken for the purpose of extending the fuel supply for the United States Army in Canada and Alaska.

The proposals made in your Note under reference have been examined by the appropriate authorities of the Canadian Government and it gives me pleasure to inform you that those proposals are accepted. So far as Canada is concerned the agreement which is effected by this exchange of notes will be considered to have come into effect on this date.

Accept, Sir, the renewed assurances of my highest consideration.  
N. A. ROBERTSON

for Secretary of State for External Affairs.

The UNITED STATES MINISTER TO CANADA,  
*Ottawa.*

Repatriation.