



**Affaires indiennes  
et du Nord Canada**

**Indian and Northern  
Affairs Canada**



## ***What's New at Indian Oil and Gas Canada***

PNG Tenure Exchange  
Gulf Canada Square Auditorium  
April 13, 2011



## FN - Tidbits

- ❖ First Nations - Tribes, Nations, Bands, Communities - term “Indian” is still used in *Indian Act* and other legislation
  - Reserve(s) not Reservation(s) in Canada - one First Nation can have several Reserves as well as oil reserves
  - Chief and Councils are elected to govern - terms of office vary from one FN to another - usually 2 years
  - First Nations have to designate oil and gas resource management to Feds through referendum - Feds then have fiduciary responsibility to manage on FN’s behalf
  - IOGC Regs - applicable only on designated reserve lands



## Who is Indian Oil and Gas Canada?

- ❖ IOGC is a separate operating agency of Indian and Northern Affairs Canada responsible for assisting First Nations to develop their oil and gas resources –
- ❖ CEO is former Siksika Chief Strater Crowfoot
- ❖ IOGC is structured into three distinct divisions with production, land and corporate finance which all work together to regulate exploration and development of oil and gas on First Nations Reserve lands in Canada
- ❖ Approximately half of the 75 staff are First Nation members
- ❖ Offices located on Tsuu T'ina



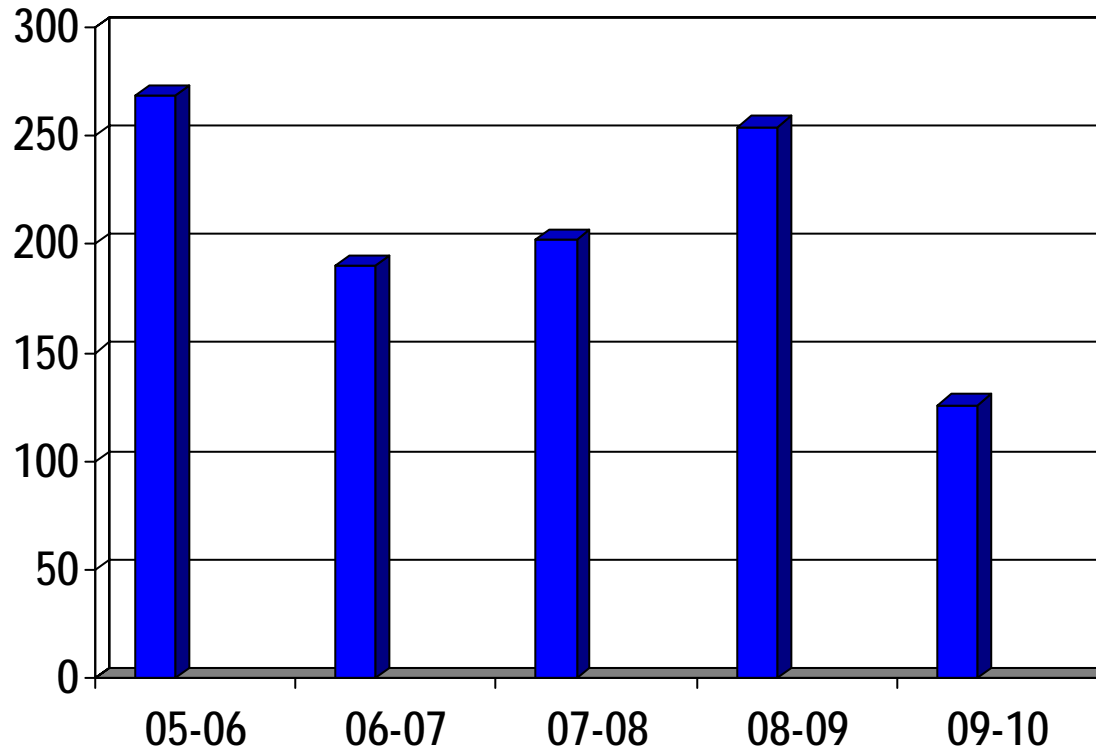
# IOGC – Statutory Authorities

- ❖ IOGC operates pursuant to:
  - *Indian Oil and Gas Act*
  - *Indian Oil and Gas Regulations, 1995*
  
- ❖ IOGC also operates pursuant to provisions of other federal legislation:
  - *Indian Act*
  - *Canadian Environmental Assessment Act*
  - Other relevant legislation – including provincial oil and gas conservation



# Total Monies Collected by IOGC on Behalf of Oil and Gas producing First Nations

(\$ millions)





## Operations During FY 2009-2010

- ❖ \$126 million collected on behalf of First Nations:
  - Oil royalties \$63.6 million, gas royalties \$39.9 million, bonus moneys \$1.6 million, \$20.9 million surface & treaty land entitlement 5.08 monies
  
- ❖ \$73 million invested by companies to drill 170 wells on Indian reserves:
  - 150 oil wells, 0 gas wells, 19 cased wells, 1 dry & abandoned well
  
- ❖ 88 wells drilled in SK and 82 on Indian reserves in Alberta



## IOGC Operations 2009/10

- ❖ Issued 231 new surface agreements for a year-end total of 4,298 active surface agreements comprising 9,472 hectares
  
- ❖ Issued 23 new negotiated subsurface agreements for a year-end total of 700 active subsurface agreements comprising approximately 414,000 hectares



# What's New at IOGC

## ❖ Legislation

- New act and Regulations

## ❖ Treaty Land Entitlement

- More involvement in Treaty Land Entitlement Claims
- SK TLE Framework and AB Specific Claims
- Preliminary work with BC



## Highlights of the *Indian Oil and Gas Act, 2009*

### ❖ Enforcement

- New enforcement measures establishing fines up to \$100,000 per incident or per day and new administrative monetary penalties authorities
- General prohibition
  - ✓ Against unauthorized exploration and exploitation

### ❖ Treaty Land Entitlement

- New powers provided for Minister to issue replacement leases for oil and gas, similar to leases issued by province, will facilitate continued implementation of Treaty Land Entitlement

### ❖ Audits of oil and gas operators

- Confirm IOGC audit powers
- New First Nation audit authority



## Highlights of the *Indian Oil and Gas Act, 2009*

- ❖ Federal limitation period
  - Establishes federal limitation period in multiple areas
    - ✓ No requirement to utilize provincial limitation periods
  
- ❖ Discovery of sites of cultural significance
  - New powers to suspend operations when site of cultural, spiritual or ceremonial significance is discovered
  
- ❖ Certainty
  - Provides authority to adopt certain provincial laws
    - ✓ Limited authority to specified areas in Act including oil and gas conservation/equitable production
  - Provides for formal agreement with provinces respecting administration and enforcement of adopted laws



## Highlights of the *Indian Oil and Gas Act, 2009*

### ❖ Subsurface trespass

- Can seek warrant under Criminal Code to seize oil, gas or equipment as part of investigation into trespass
- Upon conviction, court can order compensation to be paid for benefit of First Nation

### ❖ Report to Parliament

- Every two years on:
  - ✓ Regulation requirements re: notification, consultation or approval of First Nations for Ministerial action
  - ✓ Progress re: consultation under such requirements
  - ✓ Adopted laws

### ❖ Extensive authorities to make regulations in all areas of IOGC operations



## New Regulations

- ❖ Due to size of regulations they will be developed in modules
  - Over 90 functional areas, likely less than 12 modules
  - 9 modules so far...

Module	Draft Complete?	Draft Tabled with JTC #1?
Drainage and compensatory royalty	Yes	Yes
Tenure	Yes (policy)	No
Exploration	Yes	Yes
Conservation/ equitable production	No, in progress	No
Royalty administration	Yes	No
Royalty formula	No	No
Environment	No	No
Enforcement	No	No
Other	No	No



# New Regulations

- ❖ Guiding principles developed to guide amendments of regulations:
  - Fiduciary
  - Ease of Administration
  - Clear and Transparent
  - Effective
  - Fairness
  - Sustainable Over Time
  - Efficient
  
- ❖ Guiding principles establish the test for modules





## Timelines

- ❖ Module and regulations development very complex
  - Often resolution of one issue uncovers another, and so on...
  - Need to ensure we get it right
  
- ❖ All modules to be completed and drafted by 2014
  
- ❖ First Nation & Industry outreach to continue



# Treaty Land Entitlement

- ❖ What is TLE?
  - Land Treaty FNs are entitled to.
  
- ❖ Some of the TLE effects on Oil and Gas industry
  - Title transfers
  - 3<sup>rd</sup> Party interests need to be addressed
  - JV opportunities
  - Land Freezes - particularly in SK



# IOGC - TLE Involvement

- ❖ Oil and Gas Replacement Agreements
  - Surface
  - Subsurface
  
- ❖ Administration of TLE Replacement Agreements
  - Production/Royalties/Continuances/Audits
  - Subsurface Contracts 5:03, 5:08
  
- ❖ Lease/Permit Issuances
  - Pre-reserve and post reserve creation
  - Negotiations
  
- ❖ Advising TLE Stakeholders
  - Attend pre-designation meetings
  - Work with all stakeholders in TLE process



# IOGC Active TLE Agreements

- ❖ Currently 424 Replacement Agreements are being administered at IOGC
  - 238 Surface Leases
  - 114 Right of Way Agreements
  - 72 Subsurface Leases
- ❖ In Alberta, IOGC has active TLE agreements on 5 Reserves:
  - Beaver 152
  - Loon Lake 235
  - Swampy Lake 236
  - Alexander 134A
  - Wabamun 133A
- ❖ In SK, IOGC has active TLE agreements on 4 Reserves:
  - Onion Lake 119-1
  - Red Pheasant 108
  - Thunderchild FN 115B, 115X, 115Z
  - Carry the Kettle Nakoda 76-33



# Administration of TLE Agreements

- ❖ Overriding Principle – Lessee is kept whole
  - Surface agreements:
    - ✓ No change to rents
    - ✓ reviews periods stay the same as province
    - ✓ Take effect upon reserve creation
  - Subsurface agreements:
    - ✓ Royalty – same as province
    - ✓ Continuance provisions – same as province
    - ✓ Rents – same as province
    - ✓ Applies to all lands under lease at time of transfer
    - ✓ Take effect upon reserve creation

# Standard IOGC Lease Information Requirements

**Date:** April 13th, 2011  
**Offer By:** Proposed Lessee Company Name  
**To:** First Nation  
 Indian Reserve # 007

<b>Type of Disposition</b>	<b>Lease or Permit</b>
<b>Lease Effective Date</b>	
<b>Lease Term</b>	Typically 3 years depending on time/commitments
<b>Lease Rights</b>	Oil, gas, can be zone specific
<b>Lease Lands</b>	Legal description from NRCan – IOGC can provide
<b>Bonus</b>	Flat Rate or approx \$/ha
<b>Annual Rental</b>	\$5.00 per ha for leases and \$2.50 per ha for permits
<b>Seismic Commitment</b>	Amount of KM on lease or Reserve
<b>Drilling Commitment</b>	Minimum depth & formation targeted – at least on well per year
<b>Seismic Rates</b>	\$/km for 2d & Source 3d, \$/km for 3d receiver lines
<b>Surface Rates</b>	Initial consideration & rentals
<b>Right-of-way Rates</b>	Pipelines \$/ha
<b>Royalty</b>	Oil – Provincial Crown – no incentives with a floor of 10 percent
	Gas – Same as above
<b>Lease Continuance</b>	Zone Specific
<b>Company Contacts</b>	Name and Phone Number





# Thank you!

For more information, visit our website  
at: [www.iogc.gc.ca](http://www.iogc.gc.ca)

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