



Indigenous and  
Northern Affairs Canada

Affaires autochtones  
et du Nord Canada

# IOGC 101 – Oil and Gas Presentation

## Saskatchewan Links to Learning

Saskatoon  
September 27, 2017

Indian Oil and Gas Canada (IOGC)



Canada

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# IOGC 101 Overview

- Mandate; Statutory Authorities; Structure; Jurisdiction
- Operations – Functions; Royalty, Dispositions
- Treaty Land Entitlement
- Statistics and Emerging Issues
- O&G Development – Benefits/Impacts
- MARS – Regulatory Development
- Q&A





# Mandate

- **Special Operating Agency (SOA) of Indigenous and Northern Affairs Canada (INAC) with sole focus on First Nation oil and gas (O&G) resources.**

- **Mandate:**

*“Fulfill the Crown’s fiduciary and statutory obligations related to the management of oil and gas resources on designated First Nations reserve lands” **and***

*“further First Nation initiatives to manage and control their oil and gas resources (i.e., governance)”*



# Statutory Authorities

- IOGC operates pursuant to:
  - *Indian Oil and Gas Act (IOGA)*
  - *Indian Oil and Gas Regulations, 1995 (IOGR)*
- IOGC also operates pursuant to other federal legislation:
  - *Indian Act*
  - *Canadian Environmental Assessment Act (CEAA)*
  - *Financial Administration Act (FAA)*





# Organizational Structure

- **Executive**
  - Establishes corporate direction and strategy
  
- **Lease and Royalty Administration**
  - Issues and administers O&G agreements
  - Calculates and collects royalties
  - TLE replacement agreements
  - Verification of First Nation O&G acreage
  
- **Regulatory Compliance**
  - Maintain the IOGA and its regulations
  - Ensures industry compliance
  - Environmental management
  
- **Planning and Corporate Services**
  - HR, Records/Admin, Finance, IT

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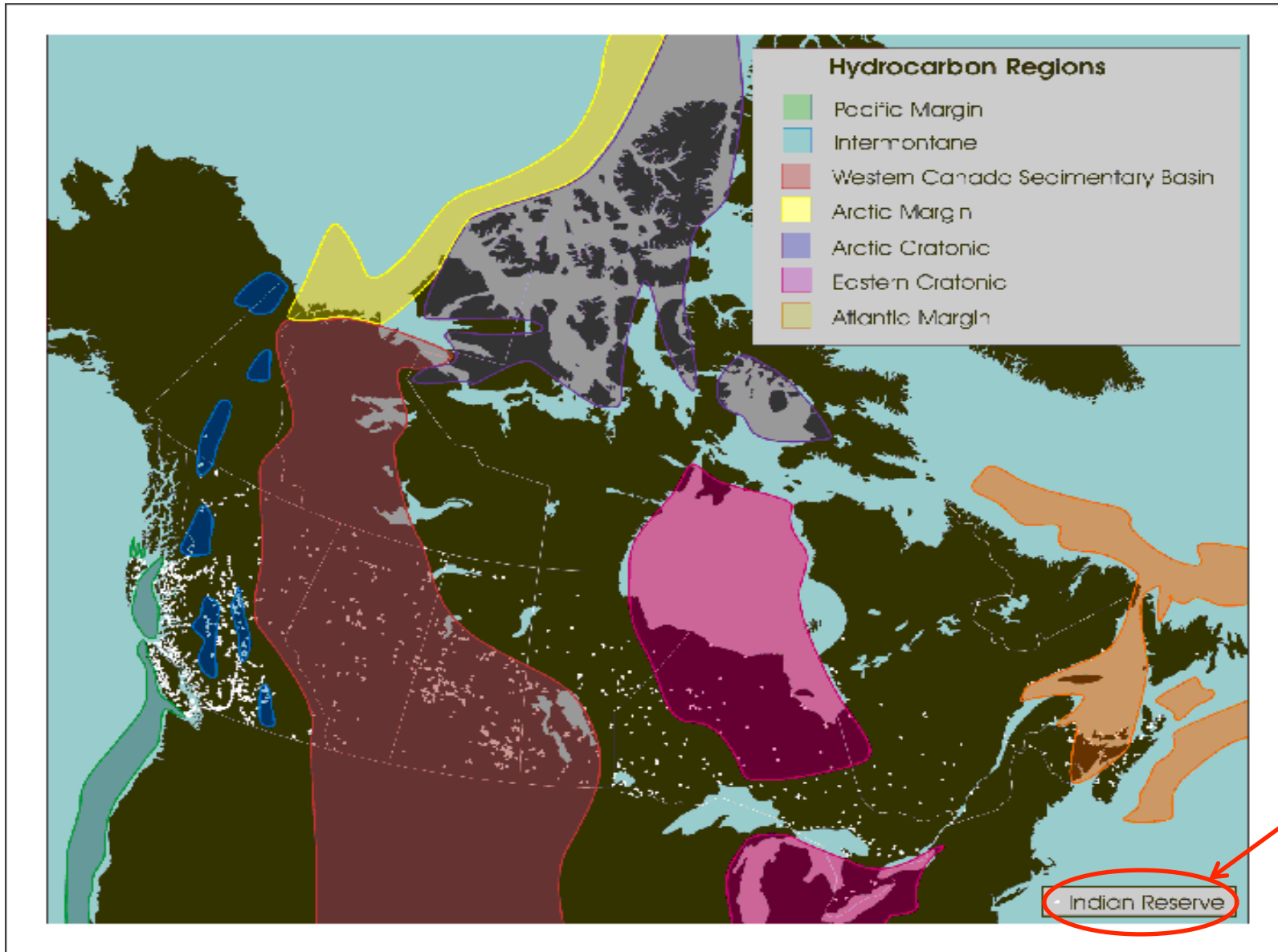
# Jurisdiction

- IOGC Manages and regulates O&G resources on designated First Nations reserve lands across Canada
- Over 300 Indian reserves designated for O&G development, pursuant to Indian Act
  - Located in BC, AB, SK, MB, ON and NWT
  - 200 companies hold agreements across 117 Reserves





# Location of Resources and Reserves

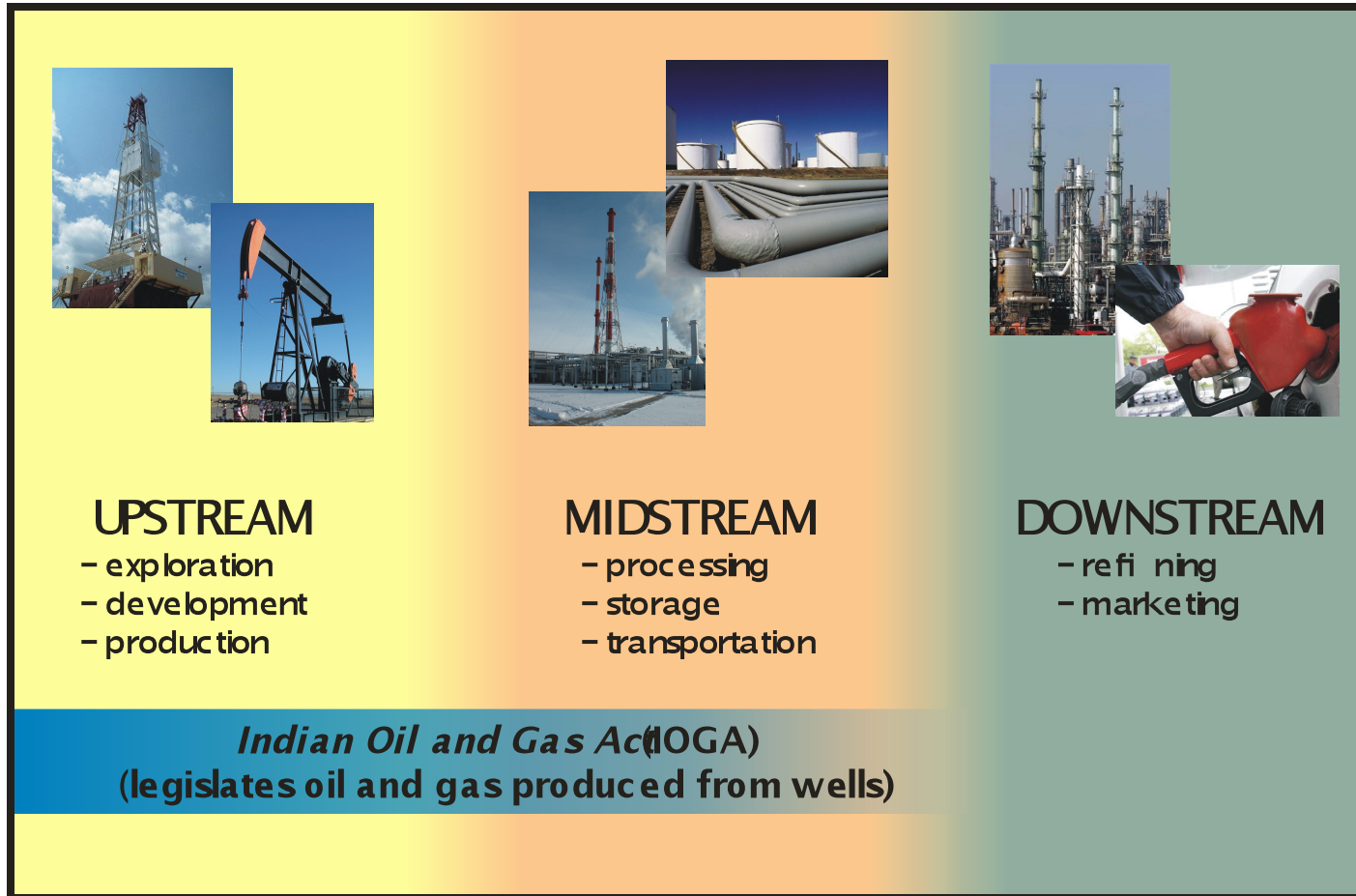


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# Application of IOGA



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## Operations – Main Functions

- Negotiation, issuance and administration of agreements
- Conduct environmental reviews, inspections, audits reclamation applications and coordinate remediation
- Monitor O&G production, sales, prices and assess royalties
- Collect royalty, bonuses, rentals and other revenues
- Regulatory and agreement compliance and enforcement
- Develop and maintain O&G operational policies
- On-going relations and communications





## Operations - Royalty Function

- Royalty paid based on company estimates; IOGC assesses and verified once data is received
- Royalty verification occurs when all actual values inputs are known; typically 3 months after production
- Adjustments for allowable deductions determined up to 18 months after production. Audit results may revise figures beyond these dates
- Time lag between receipt of royalty payment (estimate) and actual data to verify may result in overpayments or underpayments
- Royalty paid is automatically transferred into First Nation Trust Fund Accounts
- Exceptions are placed in suspense account (e.g., company pays under protest) until settled





# Operations – Methods of Disposition

- Three methods of obtaining mineral tenure
  1. Public Tender
    - Call for bids
    - Similar to provincial process
  2. Call for Proposals
    - Expressions of interest
  3. Direct Negotiation
    - By far, the most popular method





# Operations – Disposition Approvals

## IOGC Approval



Bonus  
Royalty  
Commitments  
Fair Return

## FN Approval



Partnerships  
Eco Development  
Employment  
Culture



# Saskatchewan TLE Framework Agreement

- signed on September 22, 1992
- 25 First Nations participating
- \$440 million over 12 years to purchase land, mineral rights and improvements include structures affixed to the land.
- federal, provincial or private land in Saskatchewan is eligible
- sales are on a willing-seller/willing-buyer basis
- all existing interests in the land addressed.
- S. 5.08 of the Framework Agreement key clause regarding oil and gas tenure.





# Saskatchewan TLE Framework Agreement

## s. 5.08

“Where Saskatchewan is the Fee Simple Mineral Owner of any Minerals underlying Entitlement Lands which it does not hold in trust pursuant to an existing trust agreement or trust certificate for any Person which are subject to a Mineral Disposition and the Entitlement Band indicates that it wishes to Purchase the Minerals and to pay for the Minerals out of the future revenue to be earned from those Minerals, Saskatchewan will transfer the Minerals to Canada, unencumbered, effective upon the Entitlement Reserve creation...”

### Reserve creation:

- active O&G interests transferred from provincial to federal are subject to a Replacement Agreement
- IOGC's prepares and facilitates executed Replacement Agreement
- Royalties on Replacement Agreements are collected by IOGC and transferred to Saskatchewan.



# Statistics

Fiscal Year 2016-2017	
<b>Revenues (\$mln)</b>	
Royalties <sup>1</sup>	\$45.39
Bonus <sup>1</sup>	\$0.84
Compensation & Rentals <sup>2</sup>	\$13.11
TLE Sask (5.08)	\$0.27
Interest <sup>2</sup>	\$0.03
<b>Total Revenue</b>	<b>\$59.64</b>
<b>Investment</b>	
Invested (\$mln)	\$41.40
Wells Drilled and Completed	26
<b>Leasing Activity on Reserve</b>	
Subsurface (active)	
New Leases	11
Total Leases	655
Acreage (Ha)	313340
Surface (active)	
New Leases	24
Total Leases	4977
Acreage (Ha)	10687
Surface Leases includes both wellsites and pipelines	

<sup>1</sup> Indian Moneys - Capital

<sup>2</sup> Indian Moneys - Revenue



# Emerging Issues

## Impact of persistent low world oil price on First Nations:

- Moneys collected by IOGC:
  - FY2010-2011 – \$256.5 million
  - FY2011-2012 – \$253.9 million
  - FY2012-2013 – \$176.7 million
  - FY2013-2014 – \$157.5 million
  - FY2014-2015 – \$163.1 million
  - FY2015-2016 – \$63.0 million
  - **FY2016-2017 – \$59.6 million**
- O&G producing First Nations express concern over decreasing revenues
- Each First Nation's is unique so impact varies







# O&G Resource Development

## Benefits

- Revenue from acquisition bonus, royalties, mineral and surface rent

## Potential Benefits

- Participation in joint ventures
- Member employment
- Advancing knowledge through science and innovation
- Economic spin-offs for community businesses and entrepreneurs
- To retain infrastructure (e.g. access road built for oil and gas development after end of oil and gas life cycle for membership use)



# O&G Resource Development

## Potential Impacts

- Environmental:
  - Disturbance of wildlife and vegetation
  - Water usage
  - Potential spills, leaks, contamination
- Nuisance/health:
  - Noise (drilling, traffic)
  - Dust
  - Potential for intermittent odours
  - Visual blight
- Limitations on future building:
  - Wellbores/pipelines remain in ground after abandonment and impede building in area
- Cultural or historical sites
  - Careful planning is required to minimize and avoid disturbance





## MARS (Modern Act, Regulations and Systems)

- IOGC launched a process to amend the *Indian Oil and Gas Act* and *Indian Oil and Gas Regulations* over 10 years ago
- The MARS Project initiated to coordinate and implement change within IOGC
  - Regulatory Development
  - Informatics Enhancements





## MARS – Regulatory Development

- *An Act to Amend the Indian Oil and Gas Act (IOGA)* received Royal Assent on May 14, 2009
- *IOGA* and *IOGR* have remained virtually unchanged since 1974 and 1977, respectively, resulting in:
  - Federal Legislation not keeping up with industry or technological changes
  - Provinces undergoing major O&G regulatory renewal, leaving in legislative gaps with federal regime
- Decision to modernize regime and commit to ongoing and continuous improvement
- First Nation involvement, (direct; IRC), have been instrumental in the revisions to the Act,
- Act establishes a framework for revised and detailed O&G regulations for First Nations reserve lands
- Ministerial commitment for continued First Nation involvement

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## MARS Regulatory Development – Phased Approach:

### Phase 1:

- Sub-surface tenure
- Drainage and compensatory royalty
- First Nations' audit
- Royalty reporting provisions
- Modernization of remaining '95 regs to comply with the Act, 2009 and to reflect IOGC's current practices

### Phase 2:

- Surface tenure
- Exploration (seismic)
- Environment
- Royalty
- Monies management
- Conservation
- Enforcement / penalties





# MARS – Regulatory Development First Nations Engagement (cont'd)

- Phase 1 Regulations (Blue Stamp) will be published in Canada Gazette part 1, before the end of 2017, includes additional 30 day public comment period.
- The draft Phase 1 Regulations are currently published in the First Nation Gazette
- IOGC is currently preparing for implementation Phase 1 Regulations
- IOGC is working with First Nation Joint Technical Group (JTC#1) to develop drafting instructions for Phase 2 Regulations.
- Phase 2 provides multiple opportunities for First Nations to be informed, provide feedback and have input



## Some final thoughts:

- Oil and gas leases are potentially long term
- Consider the implications to land use planning
- IOGC is a resource for First Nations:
  - Call us if you have any oil and gas related questions!!





# IOGC Staff Contact Information

## General

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