



Indian and Northern Affairs Canada Affaires indiennes et du Nord Canada

Indian Oil and Gas Canada **Pétrole et gaz des Indiens du Canada**

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Your file - Votre référence

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Our file - Notre référence
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Information Letter

The Role of Indian Oil and Gas Canada in Treaty Land Entitlement

Introduction

Indian Oil and Gas Canada (IOGC) plays a key role in the Treaty Land Entitlement (TLE) process. IOGC is required to replace existing oil and gas agreements on TLE lands before they are granted reserve status. IOGC is also responsible for the disposition of oil and gas resources on TLE lands, which can be done either before or after the lands are granted reserve status. Additionally, IOGC assists in the required environmental assessment that precedes acceptance of the TLE lands by the Crown.

Environmental Assessments

1. An assessment for environmental contamination and associated liabilities precedes acceptance by the Crown of any possible lands which may be granted reserve status under TLE. IOGC's Manager, Environment provides ongoing technical support to the Regional TLE Environmental Officer of Indian and Northern Affairs Canada (INAC) in defining the Terms of Reference so that environmental consultants can do the investigations. IOGC also assists in selecting the consultant and reviewing the consultant's reports subsequent to the field investigations. Limited technical support may also be provided for field investigations.

Replacement Agreements for TLE Selections which Include Designated Minerals

2. The First Nation is responsible for addressing the interests of existing contract holders on Provincial Crown mineral lands that are to become reserve lands under TLE. IOGC provides replacement oil and gas agreements for the First Nation on their selected TLE lands before reserve creation. In order to initiate the replacement agreement process, IOGC needs information from the First Nation which is set out in IOGC's Information Letter entitled: "**Administrative Requirements for Processing Treaty Land Entitlement Replacement Agreements.**" An IOGC replacement agreement is required for all valid oil and

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gas dispositions that exist prior to reserve creation, including oil and gas surface leases, rights-of-way and subsurface contracts. These standardized replacement agreements are necessary to ensure previously held third party oil and gas interests are continued when the lands become reserve lands. The replacement agreements are issued pursuant to the *Indian Oil and Gas Act and Regulations, 1995* and are effective upon reserve creation. IOGC administers the replacement agreements, monitors commodity production, and verifies and transfers associated revenues on behalf of the First Nations.

Replacement Agreements for Surface-only TLE Selections

3. Replacement agreements issued by IOGC are required for all valid oil and gas surface dispositions (leases and rights-of-way excepting oil and gas transmission lines) that exist prior to reserve creation. These standardized replacement agreements are necessary to ensure previously held third party oil and gas interests are continued when the lands become reserve lands. The replacement agreements are issued pursuant to the *Indian Act* and are effective upon reserve creation. IOGC administers the replacement agreements.

New Dispositions of Oil and Gas Resources on TLE Selections

4(a). If the TLE lands have already been granted reserve status and designated for oil and gas development, then IOGC issues new oil and gas dispositions under the *Indian Oil and Gas Regulations, 1995*. If the TLE lands have not been granted reserve status yet, IOGC is responsible for the issuance of new oil and gas dispositions under the *Claim Settlements (Alberta and Saskatchewan) Implementation Act (CSIA)* on TLE lands that the First Nation hopes to add to their reserve and which have been pre-designated for oil and gas development. The process of granting oil and gas subsurface dispositions under the *CSIA* is a two-key process requiring the approval of a quorum of a First Nation Chief and Council and the approval of the Executive Director of IOGC. Once a First Nation pre-designates lands intended to be added to their reserve, the First Nation's plan to proceed with oil and gas development is communicated to IOGC by Band Council Resolution (BCR). Depending on whether the First Nation wants to proceed based on a direct negotiation or by going to the market for proposals, IOGC proceeds by assisting the First Nation in working with their direct negotiation partner or by assisting in going to the market and developing a Call for Proposals. In either case, IOGC is required to assess whether a mineral disposition falls within the range of fair return, and ensures that the royalties and other terms of the resulting mineral agreement can be administered by IOGC.

4(b). Any IOGC lease or permit issued under the *CSIA* needs to meet IOGC's disposition criteria prior to approval by IOGC. The key criteria used to determine fair return are: the land bonus, work commitments and royalty. Both the land bonus and royalty need to be competitive when compared to what companies are

paying for oil and gas rights on off-setting provincial lands. The standard royalty is a multiple of provincial crown equivalent using the monthly average NGX AECO next day price index as a bench mark price for gas and the lessee selling price for oil. With respect to work commitments, IOGC requires that the lessee or grantee agree to annual work commitments such as drilling wells or completing a seismic program. For more detailed information concerning the criteria IOGC uses to assess fair return of an oil and gas deal please see the enclosed IOGC **Disposition Policy**.

Monies Paid for Oil and Gas under CSIA Remain in Suspense until Reserve Creation

5. Prior to reserve creation for TLE lands, moneys paid to IOGC for an agreement issued under *CSIA* remain in an interest bearing suspense account.

IOGC Does Not Participate on the Day of Voting

6. Where the First Nation wishes to conduct a pre-reserve oil and gas designation vote pursuant to *CSIA*, IOGC works with the INAC Regional office and the Department of Justice to develop a voting information package for the tribal membership. IOGC does **not** participate on the day of voting. Prior to the vote, IOGC will meet with Chief and Council, the TLE Trustees and the tribal membership to answer questions and to describe our roles and responsibilities and the strengths and weaknesses of any existing offers for oil and gas development.

For More Information

If you have any questions regarding this information letter please contact:

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