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CAL-A 3665-C1 UNC

October 28, 2013

CANADIAN ASSOCIATION OF PETROLEUM LANDMEN
350 500 5 AVE SW
CALGARY AB T2P 3L5

Dear Sir/Madam:

**Re: Indian Oil and Gas Canada 2013-14 2nd Quarter Newsletter –
Modernization of the Act, Regulations, and Systems (MARS)**

Enclosed please find a copy of our 2nd Quarter MARS Newsletter for the 2013-14 fiscal year reporting period, July 1 – September 30, 2013.

We encourage you to write to us if you have any questions regarding the information enclosed:

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You are also welcome to visit our website at www.iogc-pgic.gc.ca for more information regarding Indian Oil and Gas Canada.

We look forward to continue working with Industry to support First Nations in the development of oil and gas activities on reserve lands.

Sincerely,



Strater Crowfoot
Executive Director and CEO

Enclosure



Update on the Modernization of the Act, Regulations, and Systems (MARS)

Reporting Period – July 1st to September 30th, 2013

In the last newsletter, it was reported that the department was considering a phased approach that would have the entire *IOGA, 2009*, plus a set of new core regulations, both come into force towards the end of calendar year 2014. Even though IOGC met its planning objective of completing all regulatory drafting instructions by the end of March 2013, having a complete set of new regulations ready by 2014 was no longer achievable given the sheer volume of material (more than 6,600 pages) plus the complex and technical subject matter. Once core regulations are in place, IOGC will continue to work with First Nations on the remaining regulatory modules until the *Indian Oil and Gas Regulations, 1995* have been entirely replaced by new, modern regulations.

This phased approach has a number of advantages. First Nations would be able to benefit sooner from the *IOGA, 2009* which provides new authorities for IOGC: 1) to audit companies operating on First Nation lands; 2) to establish limitation periods for industry to maintain records for auditing purposes; 3) to protect First Nation sites of cultural importance; 4) to order companies to take remedial action under certain circumstances; and, 5) to issue fines and penalties for offences under the Act or regulations. As well, this phased approach would provide First Nations with more time to review and consider the large volume of regulatory drafting material.

The phased approach would include amendments to the *Indian Oil and Gas Regulations, 1995* to make them compatible with the *IOGA, 2009* plus new regulations in the areas of: 1) Drainage and Compensatory Royalty; 2) Sub-surface Tenure; 3) First Nations' Audit (considered a component of Royalty Management); and, 4) reporting requirements to facilitate royalty verification. After these core regulations have been completed, the remaining regulatory modules will be developed – the exact order has yet to be finalized but it is expected that the next modules would include the remainder of the Royalty Management module as well as the Moneys Management module.

Consultation with the oil and gas producing provinces and with industry continues. The department is considering the appointment of a federal-provincial negotiator to assist IOGC with provincial consultation as well as with regulatory development.

The informatics enhancements to support changes as a result of MARS activities continued. Earlier in 2013, IOGC completed the Opportunity Assessment for membership and data exchange with Petrinex, the provincial and industry-recognized authoritative source on hydrocarbon volume and pricing data. Petrinex members currently include industry, Alberta, and Saskatchewan, with Manitoba and Statistics Canada both in the process of joining. The Opportunity Assessment was approved and the project moved on to the next phase – the development of the Business Case which was recently completed. It is expected that a formal decision concerning IOGC's proposed membership in Petrinex will be made by the consortium in October 2013.

Since the last newsletter, there have been a number of staffing changes at IOGC. As usual, the latest information is available on the IOGC website.

Looking ahead, the department is expected to shortly reaffirm its commitments to both the Joint Technical Committee (JTC-1) and the Indian Resource Council (IRC) that would see both organizations continuing to receive support so that First Nations' concerns will be considered throughout the remainder of the regulatory development process. With the support of both these organizations – as well as the National Energy Business Centre of Excellence in Calgary and the Saskatchewan First Nations Natural Resources Centre of Excellence in Saskatoon – IOGC is planning symposiums in Fall 2013 with oil and gas First Nations to explain the phased approach as well as to present the content of the core regulations. As well, IOGC continues to meet with Chiefs and Councils from individual First Nations when requested.

For further information, please contact IOGC at:

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