



**Indian Oil and Gas Canada**

100, 9911 Chiila Boulevard  
Tsuu T'ina (Sarcee), Alberta T2W 6H6  
Tel.: 403-292-5625  
Fax: 403-292-5618  
Web site: [www.iogc.gc.ca](http://www.iogc.gc.ca)

**Pétrole et gaz des Indiens du Canada**

100, 9911 boulevard Chiila  
Tsuu T'ina (Sarcee), (Alberta) T2W 6H6  
Tél.: 403-292-5625  
Télécopier : 403-292-5618  
Site Web: [www.pgic.gc.ca](http://www.pgic.gc.ca)

CAL-A 3665-C1 UNC

January 13, 2014

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

Dear Sir/Madam:

**Re: Indian Oil and Gas Canada (IOGC) 2013-14 3rd Quarter Newsletter –  
Modernization of the Act, Regulations, and Systems (MARS) &  
IOGC Annual Report 2012-13**

Enclosed please find a copy of our 3rd Quarter MARS Newsletter for the 2013-14 fiscal year reporting period, October 31 – December 31, 2013. Also included is the IOGC Annual Report 2012-13.

If you have any questions regarding the information enclosed, please contact us at:

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Fax: 403-292-5618

You are welcome to visit our website at [www.iogc-pgic.gc.ca](http://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 - October 1<sup>st</sup> to December 31<sup>st</sup>, 2013

In previous newsletters, we informed you that the department was considering a new approach for the coming into force of the *Indian Oil and Gas Act, 2009* (IOGA, 2009). Rather than waiting until a complete set of new regulations are ready before bringing the Act and regulations into force, a phased approach will have the IOGA, 2009, plus a set of new core regulations, both come into force towards the end of calendar year 2014. This new approach would allow First Nations to benefit sooner from the IOGA, 2009 which gives new powers for IOGC: 1) to audit companies working on First Nation lands; 2) to set longer periods for industry to maintain records for auditing purposes; 3) to deal more effectively with surface and sub-surface trespass; 4) to protect First Nation sites of cultural importance; 5) to order companies to take remedial action under certain circumstances; and, 6) to issue fines and penalties for offences under the Act or regulations.

IOGC met its planning objective for completing all regulatory drafting instructions by the end of March 2013. Yet given the volume of drafting instructions produced (more than 6,600 pages), plus the complex and technical subject matter, it became clear that a complete set of new regulations could take a number of years.

To address this risk, as well as to ensure First Nations could benefit sooner rather than later from the IOGA, 2009, it has been proposed to have the IOGA, 2009 and a set of core regulations both come into force around the end of 2014. This 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. The remaining regulatory modules will be developed in a sequence that has yet to be finalized.

The Minister sent a letter dated December 3, 2013 to the Indian Resource Council (IRC) asking for their support for this approach. The IRC had previously expressed concerns that: 1) Canada could cease regulatory development once the core regulations were completed; and, 2) oil and gas First Nations' viewpoints on proposed regulations would not be taken into account. The Minister provided the IRC with assurances that: 1) once the IOGA, 2009 and core regulations have

come into force, Canada would continue developing regulations until the *Indian Oil and Gas Regulations, 1995* have been entirely replaced by new, modern regulations; 2) oil and gas First Nations, via their advocates the IRC and the Joint Technical Committee, would be involved throughout the process; and, 3) in accordance with the appropriate policy requirements, the department would be prepared to enter into a multi-year funding arrangement with the IRC that would bring certainty to both their core and project-based funding until the end of regulations development. The department is currently awaiting a formal response from IRC, expected before the end of January 2014.

Consultation with the oil and gas producing provinces and with industry continues. The department is in the process of appointing a Minister's Special Representative to assist IOGC with provincial consultation as well as with regulatory development. Now that the regulations project has reached an important point, the department has decided to begin providing monthly progress reports on the status of regulations development to Chief and Council of First Nations with oil and gas resources, or the potential for such resources.

The IRC, the Joint Technical Committee, the National Energy Business Centre of Excellence in Calgary, and the Saskatchewan First Nations Natural Resources Centre of Excellence in Saskatoon will be assisting IOGC with symposiums early in 2014. The phased approach will be explained to oil and gas First Nations as well as the content of the core regulations. IOGC continues to meet with Chiefs and Councils from individual First Nations when requested.

Informatics enhancements to support changes as a result of MARS activities continues as planned. In October 2013, Petrinex, - the provincial and industry-recognized authoritative source for hydrocarbon volume and pricing data – formally agreed to IOGC membership. IOGC membership in Petrinex would allow for: 1) more efficient royalty management – due to industry reporting and balancing; 2) improved analytical capacity – due to the centralized data; and, 3) less time and costs incurred correcting errors. Other Petrinex members include industry, Alberta and Saskatchewan, with Manitoba and Statistics Canada both in the process of joining. Work is now progressing on getting Treasury Board approval to complete the work required for IOGC membership and data exchange with Petrinex. If approved, and following procurement activities, requirements definition and systems construction could begin as early as in September 2014 for the: 1) Resource Information Management System 2 (RIMS2) Royalty Management Components; 2) data use, sharing, and exchange with Petrinex; and, 3) a case management system to track critical issues.

For further information, please contact IOGC at:

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