



Our Current Operations

IOGC currently manages the oil and gas resources of over 50 First Nations with active oil and gas agreements. These agreements are located on more than 120 reserves across British Columbia, Alberta and Saskatchewan. IOGC also monitors First Nations reserve lands across Canada for hydrocarbon potential. There are about 3,000 First Nation reserves in Canada.

IOGC manages a high level of oil and gas activity on First Nation lands. At the end of fiscal year 2007-2008, IOGC was administering 768 subsurface agreements and 4,298 surface agreements. During the fiscal year, 215 wells were drilled on First Nation reserve lands, bringing to more than 2,400 the number of wells administered by IOGC. IOGC collected \$202.4 million on behalf of First Nations during fiscal year 2007-2008, and more than \$1 billion over the last five years.

Involvement of Companies Owned By First Nations

Many First Nation-owned oil and gas companies are active on First Nation lands. At the end of fiscal year 2007-2008, 20 First Nation-owned companies held 203 subsurface agreements on First Nation reserve lands, representing 26 percent of the total that IOGC administered. Under these agreements, 121,000 hectares were disposed, representing 27 percent of the total area disposed.

Our History

In the 1950s, Indian and Northern Affairs Canada (INAC) established the Indian Minerals unit, which was responsible for all oil, gas and mineral rights on First Nation reserves throughout Canada. In the late 1970s, the Indian Minerals unit was split into Indian Minerals East and Indian Minerals West, which were responsible for oil, gas and mineral resources in eastern and western Canada, respectively.

IOGC was established in 1987, replacing Indian Minerals West, as a dedicated branch within INAC to manage oil and gas resources on First Nation reserves across Canada and to further First Nation initiatives to manage and control their oil and gas resources. In 1993, IOGC was affirmed as a special operating agency to increase its client focus.

A Board of Directors, known as the IOGC Co-Management Board, was established in 1996 by the signing of a Memorandum of Understanding between the Minister of Indian Affairs and Northern Development and the Indian Resource Council. The Indian Resource Council is an organization representing more than 130 First Nations across Canada with oil and gas interests.

Statutory Authorities

IOGC operates pursuant to *Indian Oil and Gas Act* and the *Indian Oil and Gas Regulations, 1995*. It also operates pursuant to provisions of other federal legislation such as the *Indian Act*, the *Canadian Environmental Assessment Act*, and the *Financial Administration Act*, in addition to other relevant legislation.

Oil and gas development on First Nation reserve lands has been legislated since 1974 under the *Indian Oil and Gas Act* and, before that, under the *Indian Act*. In 1977, the *Indian Oil and Gas Regulations* were revised and brought under the *Indian Oil and Gas Act* from the *Indian Act*. The regulations were revised again in 1995, mostly to provide for increased First Nation participation.

As a result of an overall review of its operations, IOGC identified a need, in 1998, to update and modernize the *Indian Oil and Gas Act*. Proposed amendments to the *Indian Oil and Gas Act* have now been developed, and related amendments to the *Indian Oil and Gas Regulations* are in the process of being developed.

Indian Oil and Gas Canada at a Glance . . .

Who We Are

Indian Oil and Gas Canada (IOGC) is a special operating agency that is responsible for managing and regulating oil and gas resources on First Nation reserve lands across Canada.

Our operations are co-managed by IOGC's Co-Management Board, which includes First Nation and Crown members. We currently manage the oil and gas resources of more than 50 First Nations with active oil and gas agreements. All funds collected on behalf of First Nations are placed in their trust accounts.

Our offices are located on the scenic Tsuu T'ina Nation reserve at the western edge of Calgary, Alberta. With more than 70 staff, almost half of Aboriginal descent, we are committed to delivering excellence in service.

What We Do

IOGC assists First Nations with designated reserve lands in the oil and gas process:

- Negotiate, issue and administer agreements with oil and gas companies
- Conduct environmental screenings
- Monitor oil and gas production and sales prices
- Verify/assess and collect moneys such as bonuses, royalties and rents
- Ensure legislative and contract requirements are met

IOGC works closely with Chief and Council. Band Council approval is required for all deals.

Our Mandate

- To fulfill the Crown's fiduciary and statutory obligations related to the management of oil and gas resources on First Nations lands; and
- To further First Nation initiatives to manage and control their oil and gas resources.



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Life Cycle of Oil and Gas Agreements on First Nation Reserve Lands

Designation of First Nation Lands

When a First Nation wants to lease its reserve land, the *Indian Act* requires the land to be designated for leasing. A designation identifies an area of land for a certain use or purpose and for a certain period. A designation is conducted by referendum of the First Nation and, to become official, must be accepted by the Governor in Council through an order in council.

First Nation reserve lands must be designated for oil and gas development before IOGC can manage the oil and gas resources of those lands. Currently, there are over 300 such designated First Nation reserves located in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario, with one in the Northwest Territories. Most of these designations occurred in the 1940s and 1950s when oil and gas activity was escalating nationally.

On lands that have been selected for reserve under a claim settlement, such as Treaty Land Entitlement (TLE), First Nations in the three Prairie Provinces can conduct pre-reserve designations for oil and gas development. A pre-reserve designation takes place before lands are granted reserve status. Authority for these designations comes from the *Claim Settlements (Alberta and Saskatchewan) Implementation Act* and the *Manitoba Claims Settlement and Implementation Act*. To become official, designations implemented under these Acts are accepted by the Minister of Indian Affairs and Northern Development by way of a Ministerial order.

Published under the authority of the Minister of Indian Affairs and Northern Development and Federal Interlocutor for Métis and Non-Status Indians
Ottawa, 2009
www.ainc-inac.gc.ca
1-800-567-9604
TTY only 1-866-553-0554

QS-9009-000-EE-A1
Catalogue No. R3-91/2009E-PDF
ISBN 978-1-100-11807-9

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1. Land for Leasing

Prior to leasing, IOGC confirms reserve title to the land and verifies that the lands are designated, which allows IOGC to manage the First Nation's oil and gas resources.



Land at Halfway River First Nation, British Columbia.

9. Surrenders of Surface Agreements (Remediation and Reclamation)

Before IOGC will consider a surface surrender, companies must abandon any wells, remove any facilities, conduct remediation if necessary and reclaim the area. The surrenders of surface agreements are approved by IOGC following confirmation, by inspection with the First Nation, that reclamation is satisfactory.



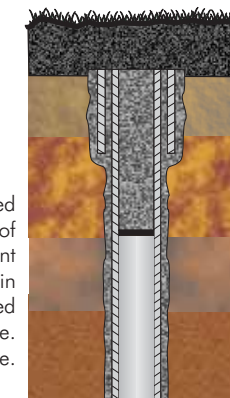
Reclaimed site of former access road on Siksika Nation lands, Alberta.

8. Surrenders of Subsurface Agreements

IOGC reviews all surrender requests in consultation with the First Nation. IOGC will process and execute the surrender, provided that the company is not in default of any part of the Regulations or the lease on First Nation reserve lands.

7. Well Abandonment

A company requires written permission from IOGC in consultation with the First Nation to abandon a well. IOGC checks the well for additional production possibilities.



Simplified drawing of cement plug in abandoned wellbore. Not to scale.

6. Production

IOGC monitors and evaluates all aspects of oil and gas production from drilling to abandonment, such as monitoring offset drilling and ensuring proper measurement and production reporting. IOGC ensures that production occurs in a sound environmental manner and that royalties are calculated accurately, including auditing prices and deductions. IOGC collects royalties on behalf of the First Nation.



Oil tanks at O'Chiese First Nation, Alberta.

5. Drilling Wells

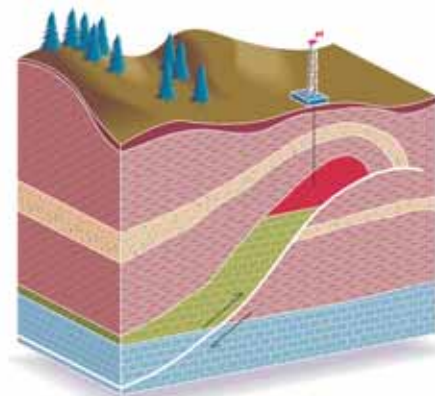
A company must have a surface lease, submit a provincial well licence to the First Nation and IOGC, and notify the First Nation and IOGC prior to drilling. IOGC collects drilling information from companies for statistics and other purposes, such as helping with IOGC's interpretation of the geology under the reserve.



Drilling rig on Stoney Nation lands, Alberta.

2. Subsurface Agreements

Subsurface agreements provide companies with rights to drill and to produce oil and gas. IOGC assists the First Nation to negotiate agreements with companies and also ensures fair returns before IOGC and the First Nation approve the agreement. IOGC drafts, issues and administers the agreements and collects bonuses, royalties and rents from companies on behalf of the First Nation.



Drawing of a well drilled into a subsurface formation. Courtesy of Centre for Energy (formerly Petroleum Comm. Foundation).

3. Seismic Programs

Exploratory licences provide companies with surface access to conduct seismic activity. A company must submit an environmental assessment, as part of the exploratory licence application, to IOGC and the First Nation. IOGC collects compensation for the exploratory work from companies on behalf of the First Nation.



Drilling rig for seismic shot holes at Big Island Lake Cree Territory, Saskatchewan.

4. Surface Agreements

Surface agreements provide companies with the right to construct surface facilities such as well sites and access roads or to install pipelines. A company must submit an environmental assessment, to IOGC and the First Nation, with their surface lease or right-of-way application. IOGC ensures that environmental protection standards are met before IOGC and the First Nation approve the agreement. Additionally, companies must conduct ongoing environmental monitoring during construction and operation phases. IOGC administers the agreements and collects initial considerations and annual rents from companies on behalf of the First Nation.



Construction of surface site on Bigstone Cree Nation lands, Alberta.

