

# Indian Oil and Gas Regulations, 1995 -- SOR/94-753

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Indian Oil and Gas Regulations, 1995

SOR/94-753 No amendments since 1994/12/28

Registration 6 December, 1994

## INDIAN OIL AND GAS ACT

### *FINANCIAL ADMINISTRATION ACT*

Indian Oil and Gas Regulations, 1995 (SOR/94-753)

P.C. 1994-2008 6 December, 1994

His Excellency the Governor General in Council, on the recommendation of the Minister of Indian Affairs and Northern Development and the Treasury Board, pursuant to section 3 of the Indian Oil and Gas Act and subsection 19(1)\* of the Financial Administration Act, is pleased hereby to revoke the Indian Oil and Gas Regulations, C.R.C., c. 963, and to make the annexed Regulations respecting the exploitation of oil and gas in Indian lands in substitution therefor, effective January 1, 1995.

\* S.C. 1991, c. 24, s. 6

## REGULATIONS RESPECTING THE EXPLOITATION OF OIL AND GAS IN INDIAN LANDS

### *SHORT TITLE*

1. These Regulations may be cited as the Indian Oil and Gas Regulations, 1995.

### INTERPRETATION

2. In these Regulations,

"Act" means the Indian Oil and Gas Act; (Loi)

"approval of the band council" means approval evidenced by a written resolution signed by a quorum of a band council or, where pursuant to paragraph 3(1)(b) a band council has delegated its authority to a person, approval in writing signed by that person; (autorisation du conseil de bande)

"band council" means the council of a band that has the use and benefit of the Indian lands that are being used or

from which oil or gas is being produced; (conseil de bande)

"band member in lawful possession", in respect of land, means a member of a band who is lawfully in possession of the land within the meaning of subsection 20(1) or section 22 of the Indian Act; (membre de bande occupant légalement une terre)

"commercial quantity", in respect of oil and gas, means a quantity of oil or gas produced from a well that economically warrants the drilling of a similar well in the immediate area, taking into consideration the cost of drilling and production operations, the quantity of production and the availability of markets; (quantité commerciale)

"condensate" means a liquid mixture, consisting mainly of pentanes and heavier hydrocarbons, that is condensed from gas and is recoverable at a well; (condensat)

"continuance", in respect of a lease, means an extension of the term of the lease; (prolongation)

"contract" means a permit, lease, surface rights contract, option or other disposition issued, made or granted under these Regulations or the former Regulations; (contrat)

"crude bitumen" means a naturally occurring viscous mixture, consisting mainly of hydrocarbons heavier than pentane, that in its natural viscous state is not recoverable through a well in commercial quantity; (bitume brut)

"Executive Director" means the Executive Director of Indian Oil and Gas Canada, Department of Indian Affairs and Northern Development; (directeur exécutif)

"exploratory licence" means a licence to conduct exploratory work issued under section 6; (licence d'exploration)

"exploratory work" includes mapping, surveying, geological, geophysical or geochemical examinations, test drilling and other investigations, conducted by air, land or water, that are related to the exploration for oil and gas; (travaux d'exploration)

"field" means the surface area of land that is or appears to be underlain by one or more pools and the subsurface vertically beneath that area; (champ)

"former Regulations" means the Indian Oil and Gas Regulations, C.R.C., c. 963, or any previous regulations made under the Indian Act respecting dispositions of oil or gas on Indian lands; (ancien règlement)

"lease" means a lease of oil or gas rights granted under section 10 or a lease of oil or gas rights that is deemed, pursuant to section 5 of the Act, to be subject to these Regulations; (bail)

"marketable gas" means gas, consisting mainly of methane, that meets industry or utility specifications for use as a domestic, commercial or industrial fuel or as an industrial raw material; (gaz commercialisable)

"operator" means a person who is engaged in an activity related to the exploitation of oil or gas on Indian lands, including a person who is acting on behalf of, or as an employee or agent of, a contract holder; (exploitant)

"paying quantity" means

(a) in respect of a well that has been drilled but not completed and equipped, an anticipated output from the well of a quantity of oil or gas that would reasonably warrant incurring the completion and equipping costs of the well, and

(b) in respect of a well that has been completed for the taking of production, an anticipated output from the well of a quantity of oil or gas that would reasonably warrant the taking of production from the well; (quantité rentable)

"permit" means a permit in respect of oil and gas rights granted under section 10 or a permit that is deemed, pursuant to section 5 of the Act, to be subject to these Regulations; (permis)

"person" means a corporation or an individual who is at least 18 years of age; (personne)

"pool" means a natural underground reservoir that appears to contain an isolated accumulation of oil or gas or of both; (gisement)

"pooling" means the combining of oil or gas rights for the purpose of forming a spacing unit; (mise en commun)

"project" means a part of one or more pools that is within the area of an operation undertaken in accordance with a plan approved in writing by the Executive Director pursuant to section 42; (chantier)

"right of entry" means a right to enter and use surface land; (droit d'entrée)

"right-of-way" means an easement in land, or a right to cross over land, that is granted under section 27 or that is deemed, pursuant to section 5 of the Act, to be subject to these Regulations; (droit de passage)

"service well" means a well that is operated for observation, fluid injection or disposal purposes; (puits de service)

"spacing unit" means an area that is designated as such by a provincial authority that is responsible for the drilling for, or production of, oil or gas on non-Indian lands; (unité d'espacement)

"surface lease" means a right of exclusive use and occupation of land that is granted under section 27 or that is deemed, pursuant to section 5 of the Act, to be subject to these Regulations; (bail de superficie)

"surface rights contract" means a right-of-way, a surface lease or an exploratory licence; (contrat de droits de superficie)

"unit" means a part of one or more pools that is within the area of a unit operation; (unité)

"unit operation" means an operation that is undertaken in accordance with a plan for combining the interests of all owners of a common source of oil or gas in a field or pool, or in a part thereof, so that the operation may be conducted as if there were only one operator and one tract. (exploitation collective)

## **DELEGATION OF AUTHORITY**

**3. (1)** The band council may, by resolution in writing, delegate

(a) to the Executive Director, in whole or in part, the authority to act on its behalf for the purposes of these Regulations; or

(b) to any person the authority to act on its behalf in respect of subsection 10(4), 38(2) or 47(1).

**(2)** The Executive Director may, in writing, delegate to an employee of Indian Oil and Gas Canada any of the powers, duties and functions of the Executive Director under these Regulations.

## **CONTRACT TERMS AND CONDITIONS**

**4.** It is a condition of every contract that the operator will comply with

(a) the applicable provisions of the Indian Act and any applicable orders and regulations made under that Act;

(b) these Regulations and any directions made pursuant thereto; and

(c) unless otherwise agreed to by the Minister and specified in the contract, all provincial laws applicable to non-Indian lands that relate to the environment or to the exploration for, or development, treatment, conservation or equitable production of, oil and gas and that are not in conflict with the Act or these Regulations.

**5. (1)** Every exploratory licence is subject to rights granted

(a) under a surface lease or right-of-way; or

(b) in respect of the exploration for, or production of, minerals.

(2) Every permit and lease is subject to the right of the holder of an exploratory licence to conduct exploratory work in, or the right of another permittee or lessee to work through, the permit or lease area.

### **EXPLORATORY LICENCE**

**6. (1)** Every person who proposes to conduct exploratory work on Indian lands, including land in a permit or lease area, shall first obtain an exploratory licence.

(2) An applicant for an exploratory licence shall submit an application, in a form approved by the Executive Director, to the Executive Director and deliver a copy thereof to the band council.

(3) An application submitted pursuant to subsection (2) shall contain

(a) a statement that certifies that the applicant has been granted permission by a provincial authority to conduct exploratory work in the province, if such permission is required by the law of that province to conduct exploratory work on non-Indian lands;

(b) a description of the nature of the work to be performed by the applicant, the area to be covered, the names of any contractors to be engaged, the equipment to be used, the approximate number of employees to be employed and the anticipated duration of the proposed operations; and

(c) an undertaking by the applicant to do the following if the licence is granted:

(i) to pay, on completion of the exploratory work, an amount equivalent to the compensation received by other licensors in the locality for similar operations conducted on lands of similar area and character,

(ii) to pay compensation for any damage that is caused by the exploratory work, including surface and crop damage,

(iii) to repair and recondition any roads or road allowances that are damaged as a result of the exploratory work as soon as possible after the damage occurs,

(iv) to mark the location of, and to identify, every test hole or shot hole drilled under the exploratory licence and to plug all holes that collapse or emit gas, water or other substances during or after the exploratory work, and

(v) to submit to the band council and to the Executive Director, within 90 days after the completion of the exploratory work,

(A) a clear mylar sepia and a legible paper copy of a map, on a scale of not less than 1:50 000, that shows the location and ground elevation of every vibrating equipment station, shot hole and test hole,

(B) a copy of a statement that contains summaries of geologists' and drillers' logs, indicating depths and thicknesses of formations bearing water, sand, gravel, coal and other minerals of possible economic value, and

(C) a copy of a statement that contains all of the technical information obtained from the drilling of each test hole.

(4) The Executive Director may, with the approval of the band council, approve an application for an exploratory licence and, on payment by the applicant of the fee set out in Schedule II, issue an exploratory licence to the applicant for such a period and on such terms and conditions as may be agreed on by the Executive Director, the applicant and the band council.

**7. (1)** The holder of an exploratory licence may conduct exploratory work in accordance with the terms of the

exploratory licence.

**(2)** An operator may exercise rights under an exploratory licence, permit or lease in an area that is subject to another contract if the exercise of those rights does not interfere with the operations of the holder of that contract.

**8.** Unless expressly authorized by an exploratory licence, the holder of an exploratory licence may not drill within the exploratory licence area to a depth of more than 50 m.

**9. (1)** Every lessee or permittee shall submit a report on exploratory work carried out in the permit or lease area to the Executive Director within 90 days after the continuance of a lease under section 24, the expiration of a permit or lease or the conversion of a permit to one or more leases.

**(2)** Every report submitted pursuant to subsection (1) shall conform to provincial exploratory work report requirements and shall include, in addition to the material referred to in subparagraph 6(3)(c)(v),

**(a)** a copy of every aerial photograph taken during the period of exploration;

**(b)** two copies of a geological report on the area investigated, including stratigraphic data and structural and isopach maps on a scale of not less than 1:50 000; and

**(c)** a geophysical report on the area investigated, including

*(i)* if a gravity survey has been conducted, two legible copies of a map, on a scale of not less than 1:50 000, that shows the location and ground elevation of each station, the final corrected gravity value at each station and gravity contour lines drawn on that value with a contour line interval of 2.5  $\mu\text{m}/\text{sec}^2$  or less,

*(ii)* if a seismic survey has been conducted,

**(A)** a mylar sepia and two legible paper copies of a map, on a scale of not less than 1:50 000, that shows contour lines drawn on the corrected time value at each source point for all significant reflecting horizons investigated, with a contour line interval of not more than 10 ms,

**(B)** a mylar sepia and two legible prefolded paper copies for each stacked seismic cross-section (including migrated displays if such processing has been conducted), with all significant reflecting horizons clearly labelled at both ends on one of the copies, and

**(C)** two microfilm copies of all basic recording data, including survey notes, chaining notes and observer reports, and

*(iii)* if a magnetic survey has been conducted, two legible copies of a map of the area, on a scale of not less than 1:50 000, that shows the location of the flight lines or grid stations and magnetic contour lines, with a contour line interval of not more than 5 Nt.

**(3)** Notwithstanding subsection (2), the Executive Director may, in writing, authorize a person to include in a report submitted pursuant to that subsection

*(a)* maps at contour line intervals or scales other than those specified in that subsection; or

*(b)* information other than that specified in that subsection.

**(4)** Any information that is submitted to the Executive Director pursuant to subsections (2) and (3) shall be made available by the Executive Director to the band council.

**(5)** In addition to any information submitted pursuant to this section, the Executive Director may, at the office of the permittee or lessee, review any paper or magnetic digital display of raw data, interpreted seismic data and any information that is obtained as a result of exploratory work carried out on the permit or lease area, after the greater of

(a) 90 days after the expiration or continuance of a lease or the conversion of a permit to one or more leases, and

(b) one year after the completion of the seismic field work.

## **GRANTING OF PERMITS AND LEASES**

**10. (1)** The Executive Director may, with the approval of the band council and on payment of the fee set out in Schedule II, grant a permit or lease, or an option to acquire a permit or lease, in respect of oil and gas rights in Indian lands on such terms and conditions as the band council and the Executive Director jointly consider advisable.

**(2)** The grant of a permit, lease or option under subsection (1) shall be preceded by

(a) a public call for tenders;

(b) a call for proposals; or

(c) direct negotiations.

**(3)** A call for tenders made pursuant to paragraph (2)(a) shall be made jointly by the band council and the Executive Director by public advertisement, or by such other method as they consider advisable, in respect of each parcel of land for which a permit, lease or option is to be granted and shall

(a) set out the terms and conditions under which the permit or lease is to be granted;

(b) state that the cash bonus price will be the only competitive element that will be considered in evaluating the tenders submitted; and

(c) state that the tender is subject to such other terms and conditions as are set out in these Regulations.

**(4)** On receipt of tenders submitted pursuant to a call for tenders made under paragraph (2)(a), the Executive Director and the band council shall

(a) jointly accept the highest tender; or

(b) reject all tenders.

**(5)** A call for proposals made pursuant to paragraph (2)(b) shall be made jointly by the band council and the Executive Director by public advertisement, or by such other method as they consider advisable, and shall

(a) set out any terms and conditions, other than those set out in these Regulations, to which the proposals are subject;

(b) specify the competitive elements that will be considered in evaluating and accepting the proposals;

(c) state that the proposals that are received will form the basis for negotiation of a permit or lease with the band council and with the Executive Director; and

(d) state that any terms and conditions not specifically negotiated shall be as set out in these Regulations.

**(6)** A permit, lease or option granted under subsection (1) shall include the signatures of a quorum of the band council.

## **WELL LICENCE**

**11.** Before commencing any drilling operations under a permit or lease, an operator shall submit to the band council and to the Executive Director a copy of a well licence or other equivalent document issued by the provincial authority responsible for issuing well licences.

**12.** An operator shall notify the band council and the Executive Director before spudding a well.

**13.** An operator shall

(a) in accordance with good oilfield practice, test all prospective oil and gas zones that are penetrated and that yield wireline log evidence that indicates the presence of hydrocarbons in significant quantities; and

(b) notify the band council and the Executive Director sufficiently in advance of those tests to allow the band council and the Executive Director to be present when the tests are being carried out.

**14. (1)** Unless otherwise specified in a permit or lease, a permittee or lessee who is engaged in drilling, workover or recompletion operations shall submit a weekly report to the band council and to the Executive Director that summarizes the operations and that describes any significant results obtained from the operations during the week.

**(2)** Every permittee or lessee shall submit field prints of wireline logs and drillstem results, including pressure data, to the Executive Director within seven days after the field prints are produced.

**(3)** After the rig release, completion, recompletion or abandonment of a well or the suspension for a period of six months of the operation of a well, the permittee or lessee shall submit to the band council and to the Executive Director

(a) within 30 days, a copy of all final information that is normally submitted to provincial authorities in respect of operations on non-Indian lands, including

(i) the results of all drillstem tests,

(ii) core analyses,

(iii) fluid analyses,

(iv) data from all wireline logs run at the wellsite, and

(v) other diagnostic data; and

(b) within 60 days, a final well history report.

**(4)** All wireline log data and results of drill stem tests, including pressure data that are submitted pursuant to subsection (3), shall be in both paper and magnetic digital form if the information was originally obtained in magnetic digital form.

**(5)** The Executive Director may, in consultation with the band council, in writing, direct a permittee or lessee to supply, within a reasonable time, any information that is in addition to the information submitted pursuant to subsections (2) to (4) and that is relevant to the operation.

## **PERMIT RIGHTS**

**15.** Subject to subsection 27(1), a permittee

(a) may drill for oil and gas within the permit area, if the permittee has first obtained a well licence referred to in section 11; and

(b) has the exclusive right to select one or more leases pursuant to section 20 on relinquishment of the permit area or a portion thereof.

**16.** The initial term of a permit shall be

(a) the term, if any, that is specified in the call for tenders pursuant to which the permit is granted;

(b) where the permit is granted consequent to a call for proposals or to direct negotiations, the term

specified in the permit; or

(c) in any other case, one year.

**17. (1)** Before the end of the initial term of a permit, or of any extension thereof, the permittee may apply to the Executive Director for an extension or a further extension of the term of the permit in respect of all or part of the permit area.

**(2)** A permittee who makes an application under subsection (1) shall send a copy of the application to the band council.

**(3)** An application made under subsection (1) shall contain

(a) a summary of the exploratory work that has been completed;

(b) an estimate of the costs that have been incurred in evaluating the permit area to the date of the application; and

(c) an outline of the operations that are proposed for the extension period specified in the application.

**(4)** Where a permittee who is applying for an extension of a permit pursuant to subsection (1) has complied with the requirements of the permit and these Regulations and has provided an outline of the operations for the extension period, the Executive Director may, with the approval of the band council, grant an extension of the permit for a term not exceeding one year.

**(5)** Subsection (4) does not apply in respect of a permit the provisions of which provide for an extension of the permit, in which case an extension of such a permit shall be in accordance with those provisions.

#### **PERMIT FEE**

**18.** Except as otherwise specified in the permit, the fee for a permit shall be paid in advance in the amount of

(a) for the initial term, \$2.50 per year per hectare of the permit area; and

(b) for each extension of the term, \$5.00 per year per hectare of the permit area.

#### **DISCOVERIES**

**19.** Where oil or gas is discovered in a permit area in a commercial quantity, the permittee shall apply, pursuant to section 20, for one or more leases in the permit area that contains the discovery well, before the earlier of

(a) the day that is 90 days after the day of the discovery, and

(b) the commencement of the drilling of any other well in the permit area within 8 km of the discovery well.

#### **CONVERSION OF PERMITS TO LEASES**

**20. (1)** Where, before the end of the term of a permit, or of any extension thereof, a permittee applies to the Executive Director for the conversion of the permit to one or more leases and sends a copy of the application to the band council, the Executive Director shall, in consultation with the band council, grant the leases applied for if the permittee has

(a) complied with the terms and conditions of the permit, these Regulations and any direction given under these Regulations; and

(b) paid the first year's lease rental and the lease fee set out in Schedule II for each lease applied for.

**(2)** The aggregate area of a lease granted pursuant to subsection (1) shall not exceed



- (a) any portion of the permit area that is specified for lease entitlement in
  - (i) where permit was granted consequent to a call for tenders, the call for tenders, or
  - (ii) where the permit was granted consequent to a call for proposals or direct negotiations, the permit; or
- (b) if no area is specified for lease entitlement as described in paragraph (a), one half of the original permit area.

(3) The area of a lease granted under subsection (1) shall

- (a) be in the form of a square or rectangle;
- (b) have an area that is not less than one quarter-section and not more than six sections;
- (c) have a length that is not longer than twice its width; and
- (d) be separated from any other lease area by a distance of not less than 1.6 km, except where the lease areas are diagonally situated so as to have a common corner.

(4) The boundaries of the area of a lease granted under subsection (1) shall conform to the boundaries of

- (a) sections, legal subdivisions, lots or aliquot parts of lots; or
- (b) if the lease is for an unsurveyed area, projected sections, legal subdivisions lots or aliquot parts of lots.

(5) Notwithstanding subsections (3) and (4), the Executive Director may grant a lease in respect of an area that does not meet the requirements set out in those subsections if

- (a) the shape and boundaries of an Indian reserve are such that a lease area selected cannot meet those requirements;
- (b) a call for tenders consequent to which the permit was granted provides for a lease area that does not meet those requirements; or
- (c) the permit expressly provides for a lease area that does not meet those requirements.

(6) Notwithstanding subsection (3), if a deposit of crude bitumen is identified, the Executive Director may, on application by a permittee and with the approval of the band council, grant a lease with an area larger than that set out in that subsection if the aggregate area of all leases applied for does not exceed the limit set out in subsection (2).

## **FINANCIAL STATEMENTS IN RESPECT OF EXPLORATORY WORK UNDER PERMIT**

**21. (1)** Where the rights and interests in a permit area are surrendered under section 44 or a permit is converted to one or more leases under section 20, the Executive Director may direct the permittee to submit to the band council and to the Executive Director, within 90 days after the date of surrender or conversion, as the case may be, an affidavit setting out an itemized statement, in a form prescribed by the Executive Director, of all expenditures incurred in respect of the exploratory work that was conducted under the permit.

(2) The Executive Director may, in writing, direct a permittee to submit, within a reasonable time, information in addition to that submitted pursuant to subsection (1) that relates to the specific purpose for which each expenditure was incurred.

(3) The Executive Director shall notify the band council of any direction that is made and of any information that is submitted pursuant to subsection (2).

## **LEASE RIGHTS**

**22.** Every person who proposes to drill for and produce oil and gas on Indian lands shall, before beginning any drilling or production activities, obtain a well licence referred to in section 11, a lease and a surface rights contract.

**23.** The holder of a lease may drill for, produce and treat oil and gas within the lease area, transport, market or sell that oil or gas, and carry on such operations as are necessarily incidental thereto.

**24. (1)** Except as otherwise specified in a lease or in a permit in respect of which a lease was granted pursuant to section 20, the initial term of a lease granted under subsection 10(1) or 20(1) shall be five years.

**(2)** On application in writing to the Executive Director, made before the end of the term of a lease and accompanied by any information additional to that described in section 25 that the lessee considers pertinent, the Executive Director shall, if the lessee is not in default under the lease, these Regulations or any direction given under these Regulations, grant a continuance or a further continuance of the lease for an additional five years in respect of any part of the lease area that

*(a)* is within a spacing unit, project, unit or pooled area that contains a well that is producing, or that is capable of producing, oil or gas in paying quantity;

*(b)* is determined by the Executive Director to be within the limits of an oil or gas pool;

*(c)* contains a service well approved pursuant to subsection 36(2);

*(d)* is an area for which a compensatory royalty is being paid; or

*(e)* is an area described in paragraph (5)(a) or (b) in which drilling has resulted in a well that is capable of producing oil or gas in paying quantity.

**(3)** Any part of a lease area in respect of which the term of the lease is extended pursuant to subsection (2) shall be restricted to zones down to and including the base of the deepest zone within the lease area that is producing, or that is capable of producing, oil or gas in paying quantity.

**(4)** A continuance that is granted in respect of a service well shall be restricted to the zone approved in respect of that well pursuant to subsection 36(2).

**(5)** Where, before the end of the term of a lease, drilling of a well is commenced on a spacing unit that comprises any part of the lease area, on application to the Executive Director by the lessee, the term of the lease shall be extended, for the period during which drilling is being conducted diligently and continuously to the satisfaction of the Executive Director, in respect of

*(a)* the area within the spacing unit that contains the well; and

*(b)* any additional area of the lease that is approved by the Executive Director in writing.

**(6)** The Executive Director, in determining whether a lease area is within the limits of an oil or gas pool in accordance with paragraph (2)(b), shall consider only

*(a)* information submitted by the lessee in respect of an application under subsection (2) before the date on which the term of the lease was to end;

*(b)* information that has been submitted by the lessee at the request of the Executive Director to substantiate the lessee's application;

*(c)* information that, on the date on which the term of the lease was to end, is contained in the records of Indian Oil and Gas Canada; and

*(d)* data produced on or before the date on which the term of the lease was to end.

**(7)** Where a lessee fails to submit an application pursuant to subsection (2) before the end of the term of a lease, the

Executive Director may, after consulting with the band council, in respect of an area that otherwise meets the requirements of subsection (2), grant a continuance of the lease, in writing, in respect of that area for an additional five years.

**(8)** Where the Executive Director is of the opinion that all or a part of a lease area in respect of which an application for a continuance is made does not meet the requirements of paragraphs (2)(a) to (e) or subsection (5), the Executive Director may, after consulting with the band council, grant a continuance of the term of the lease in respect of that area for such a period and on such terms and conditions as the Executive Director may specify in writing for the purpose of giving the lessee an opportunity to obtain and submit to the Executive Director additional information in support of the application.

**(9)** On receipt of any additional information submitted pursuant to subsection (8), the Executive Director shall consider the information and notify the lessee in writing as to whether the term of the lease in respect of the lease area referred to in that subsection qualifies for continuance.

**(10)** Where the term of a lease is not extended under this section in respect of any part of a lease area, the Executive Director shall amend the description of the lease area accordingly.

**(11)** Notwithstanding anything in this section, the Executive Director may, with the approval of the band council, by agreement with the lessee, extend the term of a lease in respect of all or a part of the lease area that does not meet the requirements of paragraphs (2)(a) to (e) and subsection (5), on such terms and conditions as are specified in the agreement, for a period not exceeding five years.

**(12)** The Executive Director shall notify the band council of every lease, or part thereof, that qualifies for continuance or in respect of which a continuance is not granted pursuant to this section.

**25. (1)** Six months before the end of the initial term and six months between the end of any continuance of a lease, the lessee shall provide the Executive Director with a report that contains

(a) data that indicates any wells in the lease area that are capable of producing oil or gas in paying quantity from one or more specified zones;

(b) identification of any relevant unit operation and unitized zone underlying the lease area;

(c) geological, geophysical or engineering data that demonstrate the extent of the productive area for each zone that the lessee claims is capable of producing oil or gas in paying quantity, including

(i) a geological evaluation of the oil and gas potential for all prospective zones within the lease area,

(ii) an estimate of the amount of original oil and gas in place,

(iii) an estimate of the amount of original recoverable oil and gas reserves,

(iv) the oil and gas production volumes to date, and

(v) an estimate of the remaining recoverable oil and gas reserves;

(d) any future development plans; and

(e) identification of any service wells approved pursuant to section 36 and any data that demonstrate benefits to the band that are attributable to those wells.

**(2)** Before the end of the initial term of a lease and each succeeding continuance of a lease, the lessee shall make a presentation to the band council and the Executive Director in respect of any developments that relate to the lease, including the information referred to in subsection (1).

## **LEASE RENTALS**

**26.** Except as otherwise provided in a lease, the annual rent for a lease is the greater of \$5 per hectare of the lease area and \$100, payable in advance.

## **SURFACE RIGHTS**

**27. (1)** Every person who proposes to engage in any surface operations that are related to the exploitation of oil or gas on Indian lands, including an operator who operates under a permit or a lease, shall, before commencing those operations, on application to, and in the form approved by, the Executive Director,

(a) if the operations require an exclusive right to use or occupy the surface of those lands, obtain a surface lease in respect of those lands; or

(b) if the operations require an easement in, or a right to cross over, those lands, obtain a right-of-way in respect of those lands.

**(2)** A person who makes an application under subsection (1) shall

(a) deliver to the band council and to any band member in lawful possession of land in respect of which surface rights are required a copy of the application and a paper print of a survey plan prepared pursuant to section 40;

(b) negotiate the terms and conditions of the proposed surface lease or right-of-way with the band council and any band member in lawful possession of the land, including

(i) the consideration to be paid, based on the fair market value of the rights granted under the surface lease or right-of-way,

(ii) if a surface lease is required for the purpose of above-ground structures, an annual rent based on loss of use, adverse effect and rents received by other lessors in the locality for lands of similar area and character that are used for similar purposes, and

(iii) compensation for any anticipated incidental damages, inconvenience and nuisance and injurious affection; and

(c) after obtaining the approval of the band council and the consent of any band member in lawful possession of the land, deliver to the Executive Director

(i) the consideration and compensation negotiated under paragraph (b) and the fee set out in Schedule II and, in the case of a surface lease, the first of any annual rents,

(ii) four additional copies of the application on which are indicated the approval of the band council and the consent of that band member, and

(iii) a sensitized polyester base film copy and four paper prints of a survey plan prepared pursuant to section 40.

**(3)** Unless otherwise specified in the surface rights contract, the term of a surface lease or right-of-way shall be for such a period as is necessary to allow for the exploitation of the oil or gas in respect of which the surface rights granted thereunder are required.

**(4)** On receipt and evaluation of the material referred to in subsection (2) and on payment of the fee set out in Schedule II, if, in the opinion of the Executive Director, the applicant requires a surface lease or right-of-way to exercise rights under a permit or lease and the terms and conditions negotiated under paragraph (2)(b) are satisfactory, the Executive Director may grant a surface lease or right-of-way to the applicant, subject to such additional terms and conditions as may be agreed to by the Executive Director, the band council, any band member in lawful possession and the applicant.

**(5)** A surface lease or right-of-way granted under subsection (4) shall include the signatures of a quorum of the band

council.

**(6)** The holder of a surface lease that requires that an annual rent be paid pursuant to subparagraph (2)(b)(ii) shall, unless otherwise provided in the surface lease, renegotiate the amount of that rent with the band council, any band member in lawful possession of the land and the Executive Director, on the same basis as that set out in that subparagraph, at the end of the lesser of every

*(a)* five year period, and

*(b)* any period fixed by a provincial authority for the renegotiation of surface leases in respect of non-Indian lands.

**(7)** The holder of a surface lease that has been renegotiated pursuant to subsection (6) shall submit to the Executive Director evidence of the approval of the band council to the renegotiated rent, accompanied by payment of any additional moneys owing in respect of the renegotiated rent.

**(8)** On receipt of the evidence and any moneys submitted pursuant to subsection (6), the Executive Director shall, if the Executive Director is satisfied that the renegotiated terms are based on the criteria set out in subparagraph (2)(b)(ii), amend the surface lease accordingly.

**28.** Notwithstanding subsection 27(1), where the Executive Director has decided to grant a surface lease or right-of-way pursuant to subsection 27(4), the Executive Director may, in writing, authorize the commencement of surface operations prior to the issuance of the surface lease or right-of-way.

**29.** Where the Executive Director determines that surface rights in respect of all or a part of the area of a surface lease or right-of-way are no longer required for the extraction, transportation or treatment of oil or gas, the Executive Director may, with the approval of the band council, terminate the surface lease or right-of-way in respect of that area by notice in writing to the contract holder and may direct the contract holder to conduct reclamation and abandonment operations in respect of any well or surface facility within that area.

**30. (1)** Where in negotiations under subparagraphs 27(2)(b)(i) to (iii) an agreement cannot be reached in respect of the rent or compensation referred to in those subparagraphs, at the request of the band council, the applicant or any band member in lawful possession of the land, the Minister may determine the rent or compensation.

**(2)** A determination made under subsection (1) shall set out the terms and conditions of the surface lease on which the determination was based and may provide for periodic reviews of the rent or compensation determined and the manner in which further reviews are to be conducted.

**(3)** Where an agreement cannot be reached in a renegotiation of rent under subsection 27(6), at the request of the band council, the applicant or any band member in lawful possession of the land, the Minister may determine the rent.

**31.** Notwithstanding sections 6 and 27, with the permission of the band council and any band member in lawful possession of the land in respect of which surface rights are required, a person may enter on that land to locate proposed facilities or conduct surveys or for any other purpose necessary for the completion of an application under that section.

## **RIGHT OF ENTRY**

**32. (1)** Notwithstanding subsection 27(1), where an applicant

*(a)* has applied for surface rights pursuant to section 27,

*(b)* requests a right of entry onto the land in advance of the granting of a surface lease, and

*(c)* posts security in an amount that, in the opinion of the Executive Director, is sufficient to compensate for the use of the land before the granting of the surface lease and for any potential damages,

the Executive Director may grant to that applicant a right of entry onto the land for such time, in such a manner and on such terms and conditions as the Executive Director may in writing specify.

(2) The security posted under paragraph (1)(c) shall be applied to payments agreed on pursuant to section 27 or determined pursuant to section 30, or to payment for the use of the land, on the same basis as that set out in subparagraph 27(2)(b)(i).

(3) The Executive Director shall return to the applicant any portion of the security that is in excess of the amount applied to payments under subsection (2).

## **ROYALTIES**

**33. (1)** Except as otherwise provided in a special agreement under subsection 4(2) of the Act, a lessee shall pay a royalty on oil and gas obtained from or attributable to a lease area in the preceding month, in an amount calculated in accordance with Schedule I.

(2) A lessee shall pay a royalty referred to in subsection (1) or set out in a special agreement under subsection 4(2) of the Act on or before the twenty-fifth day of each month or at such other intervals as are specified in the lease.

(3) At the time a royalty is paid pursuant to subsection (1), or within such a period thereafter as the Executive Director may permit, a lessee shall submit to the band council and to the Executive Director a report and a financial statement, in such form as the Executive Director may require.

(4) Subject to subsection (5), every sale of oil or gas that is obtained from or attributable to a lease area shall include the sale on behalf of the Crown of any oil or gas that is the royalty payable under this section.

(5) At any time after giving reasonable notice in writing to the operator and giving due consideration to any obligations that the operator may have in respect of the sale of oil or gas, the Executive Director may, with the approval of the band council, direct that all or a part of the oil or gas that is a royalty payable under this section be paid in kind for a specified or indefinite period or until the Executive Director directs otherwise.

(6) Where the Executive Director determines that oil or gas that is a royalty payable under this section was sold at a price that was less than the fair market value at the time and place of production, the Executive Director, in consultation with the band council, may direct that compensation be paid, at the time that the next royalty payment is paid pursuant to subsection (1), in an amount that is equal to the royalty on the difference between the price at which the oil or gas was sold and its fair market value.

## **EQUITABLE OIL OR GAS PRODUCTION**

**34. (1)** Where the band council and the Executive Director jointly determine that there may be production or drainage of oil or gas from a permit or lease area by a well outside that area, the Executive Director, in consultation with the band council, may, by notice in writing, direct the permittee or lessee

(a) to commence drilling, within 90 days after the notice or such longer period as is specified in the notice, one or more wells into the zone or formation from which the production or drainage may be occurring and thereafter to continuously and diligently work to place those wells on production; or

(b) from the ninetieth day after receipt of the notice or the end of any longer period specified in the notice until the time that the wells referred to in paragraph (a) are drilled and placed on production or are otherwise proven to be not productive in paying quantity, to pay a compensatory royalty that is equal to

(i) during the first year, one half of the royalty that would be payable under section 33 if the wells were producing from the permit or lease area, based on the fair market value of the oil or gas, and

(ii) after the first year, the royalty that would be payable under section 33 if the wells were producing from the permit or lease area.

(2) The Executive Director may direct a permittee or lessee referred to in subsection (1) to submit a development

and production plan in respect of the permit or lease area to the Executive Director, in the form specified in the notice, within 90 days after receipt of the notice or within such longer period as may be specified in the notice.

(3) On receipt of a development and production plan submitted pursuant to subsection (2), the band council and the Executive Director shall jointly consider it and the Executive Director shall forthwith notify the permittee or lessee in writing that the development and production plan

(a) is approved as submitted; or

(b) is approved subject to such modifications as are specified in the notice.

(4) A permittee or lessee whose development and production plan is approved pursuant to subsection (3) shall, within 90 days after the approval or within such longer period as may be specified in the approval, complete the development and production of the permit or lease area in accordance with that plan or pay the compensatory royalty referred to in paragraph (1)(b).

35. A permittee or lessee is not required to comply with section 34 if the permittee or lessee surrenders the portion of the permit or lease area from which production or drainage may be occurring

(a) within the period set out in paragraph 34(1)(a); or

(b) if the Executive Director directs the permittee or lessee to submit a development and production plan, within the period set out in subsection 34(2).

## **SERVICE WELLS**

36. (1) A lessee who wishes to use a well as a service well shall

(a) obtain surface and subsurface rights for the site of the well; and

(b) make an application therefor to the Executive Director, accompanied by

(i) a copy of an approval for the use of the well as a service well given by the provincial authority that is responsible for such approvals, and

(ii) any data that demonstrate benefits to the band.

(2) The Executive Director may, with the approval of the band council, approve a service well in respect of a specified zone for a period of up to five years.

## **PLANS**

37. Every permittee or lessee shall, on receipt of a written direction from the Executive Director, submit to the Executive Director plans and diagrams, on a scale that is specified in the direction, that show plant or other facilities that are used in the development, production, treatment or transportation of, or other operations incidental to the exploitation of, oil and gas.

## **NOTICE OF DISCOVERY OR ABANDONMENT**

38. (1) If oil or gas is discovered in significant quantities during drilling or other operations in a permit or lease area, the permittee or lessee shall forthwith notify the band council and the Executive Director of the discovery.

(2) A permittee or lessee shall not abandon a well that has been cased and from which the original drilling rig has been removed without first obtaining the written approval of the Executive Director given in consultation with the band council.

## **CRUDE BITUMEN**

39. (1) Notwithstanding section 23, a permittee or lessee shall not commence production of crude bitumen, other

than the extraction of substances under a pilot testing operation, unless specifically authorized to do so under a lease.

(2) Where a deposit of crude bitumen is identified in a permit or lease area, the permittee or lessee may make an application to the band council and to the Executive Director for

(a) an amendment to the permit or lease to provide for production of crude bitumen, including an amendment to

(i) the term of the permit or lease,

(ii) the rental payable under the permit or lease,

(iii) the permit or lease area, or

(iv) any restriction to specified geological zones; and

(b) a variation, pursuant to subsection 4(2) of the Act, in the basis of calculation of royalties payable under the permit or lease.

(3) The Executive Director may, with the approval of the band council, amend a permit or lease in respect of which an application has been made under subsection (2) and a special agreement has been entered into pursuant to subsection 4(2) of the Act.

## **SURVEY PLANS**

**40. (1)** Every survey plan that is required under these Regulations shall

(a) be prepared in accordance with the requirements of the Canada Lands Surveys Act and any instructions issued by the Surveyor General of Canada for such surveys;

(b) be subject to review by the Surveyor General of Canada; and

(c) be recorded in the Canada Lands Surveys Records.

(2) If a dispute arises under a contract regarding the location of a well, facility or boundary, the Executive Director, in consultation with the band council, may in writing direct the contract holder to promptly arrange for a survey to be made.

## **POOLING, PROJECTS AND UNIT OPERATIONS**

**41. (1)** A permittee or lessee may, with the approval in writing of the Executive Director, pool a permit or lease area, a portion of a permit or lease area or one or more geological zones that underlie a permit or lease area with any other oil or gas rights, including oil or gas rights that are not governed by these Regulations.

(2) The oil or gas that is attributable to a lease area is

(a) where the lease area is included in a spacing unit, the portion of production of wells in the spacing unit that is equal to the portion that the lease area constitutes of the total area of the spacing unit; or

(b) where a compulsory pooling agreement is in effect, the portion of production determined on the basis set out in the compulsory pooling agreement.

(3) The Executive Director shall advise the band council of any lease areas pooled pursuant to subsection (1).

**42. (1)** The Executive Director may, with the approval of the band council, in writing and on such terms and conditions as the Executive Director may consider advisable, authorize the inclusion of one or more lease areas, or portions thereof, in a unit or project that is established for the development of all or part of a field or pool.

(2) The portion of the production from a unit or project that is allocated to a lease area included in a unit or project



pursuant to subsection (1) shall, for the purposes of these Regulations, be deemed to be produced from that lease area.

(3) Under an authorization made under subsection (1), a lessee may carry out any activities in a unit or project that are consistent with the effective operation of the unit or project, including measures that are designed to enhance recovery, such as the flooding, cycling and injecting of water or other substances.

43. Every agreement that authorizes pooling, projects, units or unit operations and that was entered into under the former Regulations continues according to its terms.

### **SURRENDER OF A CONTRACT**

44. (1) A contract holder who is not in default under the contract, these Regulations or a direction made under these Regulations may at any time, by notice in writing sent to the band council and to the Executive Director, surrender the contract rights and interests in respect of

(a) a permit or lease area;

(b) part of a permit or lease area, if the boundaries of the remainder are acceptable to the Executive Director; or

(c) with the approval in writing of the Executive Director, all or a part of the area of a surface lease.

(2) Approval of the surrender of contract rights or interests in respect of a surface lease is subject to

(a) inspection by the band council of the surface of the area to be surrendered and confirmation by it that the restoration of the surface is satisfactory; and

(b) such terms as the Executive Director may specify as conditions of the approval.

(3) Where rights and interests in respect of a part of a contract area are surrendered, the Executive Director shall amend the description of the contract area in the contract accordingly.

(4) No portion of any rental fee paid in advance shall be refunded to a contract holder on the surrender of any rights or interests in the contract.

(5) Where rights and interests in respect of a part of a contract area are surrendered, the total of the annual rental fee and any other consideration that is payable for the remainder of the contract area shall not be less than \$100.

(6) A notice under subsection (1) shall be in such form as the Executive Director may prescribe.

### **SUSPENSION OF OPERATION**

45. Where the Executive Director determines that an operation that is conducted under these Regulations presents a danger to persons or property or may waste oil or gas or disturb or damage a reservoir, the surface or the environment or that an emergency exists, the Executive Director may, in writing and, if possible, with prior notice to the band council, direct the operator to suspend any operations or to take such remedial action as the Executive Director considers necessary.

### **CANCELLATIONS**

46. (1) Where a contract holder has not paid an amount due under a contract and has not surrendered the contract pursuant to section 44 within 30 days after the amount became due, or where the Executive Director determines that a contract holder has failed to comply with the contract or with these Regulations, the Executive Director may direct the contract holder to take action immediately to remedy the situation.

(2) Where the Executive Director determines that a contract holder has not commenced to remedy a situation within 30 days after the date of receipt of a direction given under subsection (1) or, having commenced to remedy the

situation within that period, has failed to continue to diligently remedy the situation, the Executive Director may cancel the contract.

(3) The cancellation of a contract under subsection (2) does not relieve the contract holder from any liabilities arising under the contract, including any liability for abandonment and reclamation costs.

(4) The Executive Director shall advise the band council of any directions given, or cancellations made, under this section.

## **INSPECTIONS**

**47. (1)** The band council or the Executive Director may, at any reasonable time,

(a) inspect the wells, plant, equipment and operations of an operator that are related to production from a contract area;

(b) examine the records of an operator at the operation location or at the office of the operator;

(c) attend at the drilling, testing and completion of any well that is related to a contract area; or

(d) attend at any location on Indian lands where exploratory work is being conducted pursuant to these Regulations.

(2) Where facilities for the processing of oil and gas are located outside the contract area and are operated by a person other than the contract holder, the contract holder shall make all reasonable efforts to ensure that the band council and the Executive Director have access to those facilities for inspection purposes.

## **CONFIDENTIAL INFORMATION**

**48. (1)** Subject to the Access to Information Act, except as otherwise provided in this section, the band council and the Executive Director shall, for a period in keeping with the practice of the province in which the work is performed or for any other period agreed to by the contract holder, the Executive Director and the band council, keep confidential information that is contained in a report submitted by a contract holder pursuant to these Regulations other than information in respect of

(a) a contract that has been terminated or has expired; or

(b) any part of the area of a contract that has been surrendered.

(2) Information in a report in respect of a contract or area referred to in paragraph (1)(a) or (b) shall not be released before the earlier of

(a) one year after the date on which the contract terminated or expired or the area was surrendered, as the case may be, and

(b) the expiration of any applicable period established in accordance with the practice of the province in which the work is performed.

(3) Subject to subsections (4) and (5), seismic information that is specific to a permit or lease area and that is submitted pursuant to subparagraph 9(2)(c)(ii) by, or on behalf of, a contract holder or reviewed pursuant to subsection 9(5) shall be kept confidential by the band council and by the Executive Director until the earlier of

(a) either

(i) where the permit has not been converted to a lease under section 20, the expiration of the permit, or

(ii) in any other case, the expiration of the lease or of any lease into which the permit was

converted under section 20, and

(b) five years after completion of the seismic field work.

(4) Interpretations of seismic data, including maps, that are provided by the contract holder shall not be released without the consent of the contract holder.

(5) Information contained in a report provided by the contract holder pursuant to these Regulations may be released at any time with the consent of the contract holder.

(6) Any information that is obtained under section 47 shall be kept confidential, except where its disclosure is necessary to ensure compliance with the contract or these Regulations.

#### **CONTRACT ASSIGNMENT OR AMENDMENT**

**49. (1)** An assignment of contract rights shall be submitted for approval to the Executive Director in a form required by the Executive Director.

(2) The Executive Director may refuse to approve an assignment of contract rights

(a) that is conditional;

(b) that would result in more than five persons having an interest in a contract;

(c) that purports to assign less than an undivided five per cent interest in the contract;

(d) where any party to the assignment

(i) has been notified that a royalty payment is outstanding, or

(ii) is otherwise in default under a contract and has not commenced and diligently continued to remedy the default;

(e) where the assignment is not properly executed by the assignor and the assignee or the assignment is not accompanied by proof of execution;

(f) where the assignment is not accompanied by the fee set out in Schedule II;

or

(g) where the assignee fails to provide, on the request of the Executive Director, evidence of its financial ability to fulfill its obligations under the contract.

(3) The Executive Director shall forward to the band council a copy of any assignment received pursuant to subsection (1).

**50.** The Executive Director may, with the approval of the band council, on application by a contract holder, amend or re-issue a contract, or consolidate two or more contracts, to the extent necessary to carry out the purposes of these Regulations.

#### **GENERAL**

**51.** For the purposes of these Regulations, where two or more persons are named as a contract holder in respect of an undivided interest in a contract, their duties and obligations are joint and several.

**52.** A contract holder is responsible for the payment of all rates, assessments and taxes levied, as a result of operations in the contract area, against the contract area or against the contract holder, occupier or operator, or any agent thereof.

**53.** Every person who requests a service set out in column I of an item of Schedule II shall pay the fee set out in column II of that item.

**54.** To the extent that it is practicable and reasonably efficient, safe and economical to do so, every person who conducts exploratory work, drilling or production operations under these Regulations shall employ persons who are resident on the Indian lands on which the work is being conducted.

**55.** Any decision, direction, notice or other document that is required or authorized to be sent pursuant to these Regulations shall be

(a) personally served on the addressee or sent by registered mail or registered courier to the addressee at the addressee's last known address;

(b) sent by registered mail, in which case it shall be deemed to have been received four days after the day on which it was sent; or

(c) sent by such other method as may be expressly agreed to by the parties.

**56. (1)** Where an action that is required to be taken by a person within a time fixed by or under these Regulations has not been taken within that time, the Executive Director may, with the approval of the band council, extend the time within which the action may be taken if the Executive Director is satisfied that the delay was unavoidable and that it would not prejudice any other person to allow such an extension.

**(2)** Any action taken by a person within an extended time specified by the Executive Director under subsection (1) is, subject to any intervening rights acquired under these Regulations by another person, valid as though it were taken within the time originally fixed by or under these Regulations.

#### **REVIEW BY MINISTER**

**57. (1)** A person who is dissatisfied with a decision, direction, action or omission of the Executive Director under these Regulations may, within 60 days after the decision, direction or action or, in the case of an omission, within 60 days after the day on which the omission was discovered or ought to have been discovered, apply in writing to the Minister for a review of the decision, direction, action or omission.

**(2)** The Minister shall review an application made pursuant to subsection (1) and advise the applicant in writing of the final decision in the matter.

#### **FORMS**

**58.** The Executive Director may prescribe such forms as are necessary for the purposes of these Regulations.

#### **TRANSITION**

**59.** Notwithstanding section 25, a lessee is not required to provide a report referred to in subsection 25(1) or make a presentation referred to in subsection 25(2) in respect of the initial term of a lease, or a continuance thereof, that ends before January 1, 1996.

#### **SCHEDULE I**

(Section 33)

#### **ROYALTIES**

##### *Oil Royalty*

**1. (1)** The royalty on oil that is obtained from, or attributable to, a lease area shall comprise the basic royalty determined pursuant to subsection (2) or (3) plus the supplementary royalty determined pursuant to subsection (5), calculated at the time and place of production.

(2) During the five year period beginning on the date determined by the Executive Director to be the date of commencement of production of oil from a contract area, the basic royalty is the part of the oil that is obtained from, or attributable to, each well during each month of that period calculated in accordance with the table to this subsection.

**TABLE**

=====

*COLUMN I COLUMN II*  
*MONTHLY PRODUCTION*

*ITEM (m3) ROYALTY PER MONTH*

-----

- 1. Less than 80 . . . . .10% of the number of cubic metres
- 2. 80 to 160 . . . . .8 m3 plus 20% of the number of cubic metres in excess of 80
- 3. More than 160 . . . . .24 m3 plus 26% of the number of cubic metres in excess of 160 -----

(3) Commencing immediately after the period referred to in subsection (2), the basic royalty is the part of the oil that is obtained from, or attributable to, each well in a contract area during each month thereafter calculated in accordance with the table to this subsection.

**TABLE**

=====

*COLUMN I COLUMN II*  
*MONTHLY PRODUCTION*

*ITEM (m3) ROYALTY PER MONTH*

-----

- 1. Less than 80 . . . . .10% of the number of cubic metres
- 2. 80 to 160 . . . . . 8 m3 plus 20% of the number of cubic metres in excess of 80
- 3. 160 to 795 . . . . . 24 m3 plus 26% of the number of cubic metres in excess of 160
- 4. More than 795 . . . . .189 m3 plus 40% of the number of cubic metres in excess of 795

(4) The Executive Director shall advise the band council of the date of commencement determined under subsection

(2).

(5) The supplementary royalty referred to in subsection (1) is

(a) in respect of oil to which subsection (2) applies, the royalty determined by the formula Equation not displayed

and

(b) in respect of oil to which subsection (3) applies, the royalty determined by the formula Equation not displayed

where

S is the supplementary royalty in dollars,

T is the amount of oil, in cubic metres, that is obtained from,  
or attributable to, each well in a contract area during a month,

B is the basic oil royalty, in cubic metres, calculated under  
subsection (2) or (3),

P is the actual selling price of the oil per cubic metre, and

R is the reference price, equal to

(a) in the case of oil obtained from a source set out in column II of an item of the table to this subsection,  
the amount set out in column III of that item, and

(b) in any other case, \$25 per cubic metre.

## TABLE

*Column I Column II Column III*

*Item Reserve Source Producing Reference*

*before January 1, Price (\$/m3)*

1974

1. Pigeon Lake Indian Cardium \$24.04

Reserve No. 138A Leduc 25.37

2. Sawridge Indian Gilwood Sand 25.13

Reserve No. 150G

3. Stony Plain Indian Lower Cretaceous 24.64

Reserve No. 135 Acheson Leduc 24.45

Yekau Lake Leduc 25.01

4. Sturgeon Lake Leduc 21.51

Indian Reserve No. 154

**Column I Column II Column III**

**Item Reserve Source Producing Reference**

*before January 1, Price (\$/m3)*

1974

5. Utikoomak Indian Gilwood Sand Unit

Reserve No. 155A No. 1 \$25.00

West Nipisi Unit

No. 1 24.58

6. Whitebear Indian 10-2-10-2 W2 well 22.40

Reserve No. 70 8-9-10-2 W2 well 22.63

7. Blackfoot Indian 6-25-20-21 W4 well 18.19

Reserve No. 146

8. Ermineskin Indian 6-11-45-25 W4 well 19.18

Reserve No. 138

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**Gas Royalty**

**2. (1)** Where gas that is obtained from, or attributable to, a lease area is sold, the royalty payable is the gross royalty value of the gas, determined pursuant to subsection (2), less the portion of the cost of gathering, dehydrating, compressing and processing the gas that is equal to its gross royalty value divided by its total value.

**(2)** The gross royalty value of gas that is obtained from or attributable to a lease area is the basic gross royalty value of 25 per cent of the quantity of that gas multiplied by the actual selling price plus a supplementary gross royalty value determined pursuant to subsection (3), calculated at the time and place of production.

**(3)** The supplementary gross royalty value on gas referred to in subsection (2), individually determined for each gas component produced, is equal to the sum of the products obtained by multiplying 75 per cent of the quantity of each gas component by

(a) in the case of marketable gas,

(i) if the actual selling price exceeds \$10.65/103 m<sup>3</sup> but does not exceed \$24.85/103 m<sup>3</sup>, 30 per cent of the difference between the actual selling price per 103 m<sup>3</sup> and \$10.65/103 m<sup>3</sup>, or

(ii) if the actual selling price exceeds \$24.85/103 m<sup>3</sup>, \$4.26/103 m<sup>3</sup> plus 55 per cent of the portion of the actual selling price in excess of \$24.85/103 m<sup>3</sup>;

(b) in the case of pentanes plus, if the actual selling price exceeds \$27.68 per cubic metre, 50 per cent of the portion of the actual selling price in excess of \$27.68 per cubic metre;

(c) in the case of sulphur, if the actual selling price exceeds \$39.37 per tonne, 50 per cent of the portion of

the actual selling price in excess of \$39.37 per tonne;

(d) in the case of other components from a source that produces marketable gas, an amount equal to the product obtained by multiplying the actual selling price of each of those components by the percentage by which the overall royalty rate for marketable gas, taking both basic and supplementary gross royalties values into account, exceeds 25 per cent; and

(e) in the case of other components from a source that does not produce marketable gas, the lesser of one third of the actual selling price of that component and the amount determined under any special agreement entered into under subsection 4(2) of the Act.

(4) For the purposes of this section, volumes referred to are volumes measured at standard conditions of 101.325 kPa and 15°C.

(5) The Executive Director shall advise the band council of any costs that are deducted under subsection (1) for gathering, dehydrating, compressing and processing.

### **Royalty on Oil or Gas Consumed**

**3. (1)** Notwithstanding sections 1 and 2 and subject to subsection (2), the royalty payable on oil or gas obtained from, or attributable to, a lease area that is consumed in the drilling for, or the production or processing of, oil or gas obtained from, or attributable to, that lease area is nil.

**(2)** Subsection (1) does not apply in respect of oil or gas that is consumed for the production or processing of crude bitumen.

### **Interpretation**

**4.** For the purposes of sections 1 and 2, "actual selling price" means the greater of

(a) in respect of

(i) oil, the price at which the oil is sold, and

(ii) gas, the price or other consideration payable that is specified in the gas sales contract under which the gas is sold, free of any fees or deductions other than transmission charges beyond the facility outlet; and

(b) the fair market value of the oil or gas, determined pursuant to subsection 33(6) of these Regulations.

## **SCHEDULE II**

(Sections 6, 10, 20, 27, 49 and 53)

### **FEES**

#### ***Column I Column II***

##### ***Item Service Fee***

1. Granting of a permit \$250
2. Granting of an oil and gas lease 250
3. Granting of a surface lease 50
4. Granting of a right-of-way 50
5. Granting of an exploratory licence 25



6. Assignment of a contract 50

7. Surrender of a part of a contract area 25

8. Record search 25