



Indian and Northern
Affairs Canada

Affaires indiennes
et du Nord Canada

**Indian Oil and
Gas Canada**

**Pétrole et gaz des
Indiens du Canada**

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Your file - Votre référence

March 2004

Our file - Notre référence
E-5855-7

Information Letter

Assignment of Contract Rights and Approval

Background

This Information Letter outlines the requirements for the approval of an assignment of contract rights in an Oil and Gas Permit, Oil and Gas Lease, Surface Lease, Right of Way Agreement and Option Agreement (Contract).

Conditions for Assignment of Contract Rights and Approval

When a company assigns its interest in a Contract, it must obtain approval to do so from the Executive Director of Indian Oil and Gas Canada (IOGC). Prior to approval, the assignment is reviewed by IOGC to determine whether the assignment is in accordance with section 49 of the *Indian Oil and Gas Regulations, 1995* (Regulations) and IOGC's Policy and Procedures Directive regarding assignments.

An assignment must be completed in the form required by the Executive Director entitled "Assignment of Contract Rights and Approval" and submitted to the Executive Director for approval.

In accordance with the Regulations, an assignment of contract rights may not be approved if:

- it is conditional;
- it would result in more than five persons having an interest in the Contract;
- it purports to assign less than an undivided five percent interest in the Contract;
- any party to the assignment has been notified that a royalty payment is outstanding;
- any party to the assignment is otherwise in default and has not commenced and diligently continued to remedy the default;
- it is not properly executed by the assignor and the assignee or the assignment is not accompanied by proof of execution;
- it is not accompanied by the fee set out in Schedule II of the Regulations; and
- on the request of the Executive Director, the assignee fails to provide

evidence of its financial ability to fulfill its obligations under the Contract.

In accordance with IOGC's Policy and Procedure Directive regarding assignments, an assignment of contract rights will not be approved if it transfers a divided interest. If a Contract is in default or upon review it is determined that a Contract is in default, IOGC will refuse approval of the assignment until the default has been remedied.

Default is where a Contract holder has failed to comply with the Contract or the Regulations, and includes but is not limited to circumstances where the Executive Director has directed the Contract holder to take action to remedy the situation, or in the alternative where legal action has commenced to remedy a situation. In the case of royalties, a contract will not be considered to be in default unless there has been prior written notification of monies owing.

Execution of an Assignment of Contracts Rights and Approval must be under corporate seal or by witness and affidavit of execution. If an attorney is executing, a witness and affidavit of execution are also required. Additionally, if a Power of Attorney has not previously been submitted for registration by IOGC at Indian Lands Registry, two original Power of Attorney documents must be submitted with an assignment.

For surface Contracts, a copy of the associated well or pipeline transfer approved by the applicable provincial regulatory body must be submitted with an assignment.

The fee set out in Schedule II of the Regulations is payable to the Receiver General for Canada for each Contract being assigned. Such fee is currently \$50.00 per Contract.

An assignment is not approved by IOGC unless it has been executed by the Executive Director, IOGC.

Regulatory Authority

Indian Oil and Gas Canada (IOGC) is a regulatory agency within Indian and Northern Affairs Canada responsible for the management and administration of oil and gas resources located on Indian reserve lands in Canada. The mandate of IOGC is:

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

Enquiries

Enquiries related to this Information Letter should be forwarded to:

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