



**Regarding Yukon's
*Act to Amend
the Oil and Gas Act***

**SUMMARY DOCUMENT
for REVIEW and CONSULTATION**

Summer and Fall 2009

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1.INTRODUCTION

The Yukon *Oil and Gas Act* (Act) was enacted in 1997, and the transfer of responsibility from Canada to Yukon for the management of oil and gas resources occurred in November 1998. The Yukon government has developed a suite of regulations under the Act to manage the resource and industry.

Some important events and changes have taken place since then:

- Final land claim agreements have been reached with 11 of the 14 Yukon First Nations;
- The *Devolution Transfer Agreement* between Canada and Yukon came into effect in 2003; and
- The Yukon government and Yukon First Nations have worked together to coordinate the development of a common oil and gas regime for both First Nations lands and Yukon oil and gas lands.

Since the implementation of the Act over ten years ago, the Yukon government has kept track of a number of updates needed for the Act. The updates include:

- modernization to reflect current industry practices and operations in Canada;
- removal of provisions that are no longer applicable due to the passing of prescribed time periods or the completion of requirements;
- aligning Yukon's oil and gas legislation with common law provisions for consultation with First Nations; and
- new provisions to allow for the development of additional regulations to manage the emerging Yukon oil and gas industry sector.

2.THE REVIEW PROCESS AND HOW TO PROVIDE INPUT

The Yukon government is currently consulting on proposed amendments to the Act. This summary document provides an overview of the proposed amendments.

To further assist with consultation, the government has also prepared proposed text for an *Act to Amend the Oil and Gas Act* (Act to Amend). The Yukon government welcomes comments on both the information contained within this summary document and the proposed text for the Act to Amend. The draft text of the Act to Amend, along with this summary document is available online at www.yukonoilandgas.com or by request from the Yukon Oil and Gas Resources Branch (OGR). Contact information is provided on page 10.

The review process will include discussions and meetings with First Nations, industry representatives, conservation groups and interested members of the public. Meetings will be arranged as they are requested by respondents.

Comments may be submitted by completing the comment section contained at the end of this document, or through a separate submission. Comments may be hand delivered, mailed, faxed or emailed to Oil and Gas Resources through the information provided on page 10.

The government encourages all of those interested in this matter to submit written comments before the end of the consultation period.

The consultation period will conclude September 14, 2009 at 5:00 p.m. PDT

All submissions will be reproduced and made available on the OGR website www.yukonoilandgas.com. As well, comments provided during the consultation period will be summarized in a “What We Heard” document which will also be available on the OGR website after the consultation period is completed.

3.THE EXISTING YUKON OIL AND GAS ACT AND REGULATIONS

The Yukon *Oil and Gas Act* (Act) consists of five parts:

- PART 1 – ADMINISTRATION;
- PART 2 – OIL AND GAS RIGHTS;
- PART 3 – OPERATIONS;
- PART 4 – GENERAL, consisting of general matters such as audits, offences and penalties; and
- PART 5 – TRANSITIONAL AND COMMENCEMENT matters.

The Act was structured and written to apply to all oil and gas operations in Yukon. For example, Part 3 deals with oil and gas operations that apply to both Yukon First Nation lands, and Yukon oil and gas lands. If the operations relate to Yukon First Nation lands, an agreement may be reached with that Yukon First Nation respecting the coordinated management and regulation of oil and gas activities, and the recovery of oil and gas from a field or pool.

The Yukon government has enacted five regulations under the Act:

- the *Oil and Gas Disposition Regulations* – enacted August 1999, and amended February 2008, to establish the rules regarding the issuance and management of oil and gas rights in Yukon;
- the *Oil and Gas Royalty Regulations* – enacted February 2008 to regulate the payment of royalties;
- the *Oil and Gas Drilling and Production Regulations* – enacted July 2004 to regulate drilling operations, well operations, field facility construction and operations, and production and conservation activities in Yukon;
- the *Oil and Gas Geoscience Explorations Regulations* – enacted July 2004 to regulate petroleum exploration activities throughout the territory; and
- the *Oil and Gas Licence Administration Regulations* - enacted July 2004 to establish the rules for obtaining licences to conduct oil and gas operations in Yukon.

The *Oil and Gas Pipeline Regulations* are currently in development. A public review of these regulations will be held at a later date. Enacted regulations can be found online at www.yukonoilandgas.com.

4. PROPOSED AMENDMENTS TO THE YUKON OIL AND GAS ACT

Topic and Section	Description
1) Minor and Consequential Amendments	
Consequential amendments are required to add or change sections as a result of proposed amendments, to remain consistent with Yukon oil and gas regulations and other legislation, or to correct oversights in the original 1997 wording of the Yukon <i>Oil and Gas Act</i> (Act). Minor changes include typographical or grammatical corrections. Substantive changes to the Act are discussed under part 2 of this table.	
Security Notices Sections 10, 55, 56, 57 and 60	Proposed amendments to these sections relate to the registration of security notices and related statutory notices as well as providing the Yukon government with guidance for the registration of court orders or judgments that affect the registration of security notices. The suggested change to section 10 also aligns the Act with the Yukon <i>Financial Administration Act</i> concerning financial transactions.
Effective Date of a Permit Section 33	Repeal of Section 33 is proposed because it is redundant. The effective or commencement date of an Oil and Gas Permit is included in the current wording of section 34.
Location of a Lease Sections 35 and 39	These sections have been reworded to include partial spacing areas in the description of Oil and Gas Leases. The ability to utilize partial spacing areas ensures that no slivers of land are left unaccounted around natural or political boundaries.
Royalty Allowance Section 46	Rewording of the description of “royalty allowance” in this section reflects similar wording in the 2008 Yukon <i>Oil and Gas Royalty Regulations</i> .
Environmental Assessments Section 67	Repeal of Section 67 is recommended because it refers to the <i>Canadian Environmental Assessment Act</i> and is no longer necessary. The environmental assessments of oil and gas activities are now carried out in accordance with the <i>Yukon Environmental and Socio-economic Assessment Act</i> .
Offences Section 105	Amendments to section 105 clarify the types of penalties that could be levied for offences in contravention of the Act or oil and gas regulations. This amendment also corrects a typographical error.

<p>Transition Part 5, Section 115</p>	<p>Part 5 consists of one section. Section 115 provides for a transition period of six months from the initial enactment of the Act in 1997. As the transition period has now expired, repeal of Section 115 and Part 5 is recommended.</p>
<p>2) Substantive Amendments</p>	
<p>Substantive amendments are significant changes or additions to the Act that have consequences for the management of Yukon oil and gas resources.</p>	
<p>Definitions Section 1</p>	<p>Definitions for a number of oil and gas terms used in the Act are suggested and reflect either the proposed amendments to the Act, existing oil and gas regulations, anticipated <i>Yukon Oil and Gas Pipeline Regulations</i>, or to meet current industry terminology.</p> <p>Changes to the definitions for “oil and gas facilities” and “pipeline” reflect proposed changes to section 65.</p> <p>It is recommended that the term “pre-transfer well” be removed because it is only used in section 115, which is proposed to be repealed.</p> <p>The definitions of “security notices” and “transfers” reflect proposed changes to sections 55 and 20.1 respectively.</p> <p>The term “working interests” is proposed to be changed to more accurately reflect current industry use.</p> <p>An amendment to the definition of “Yukon oil and gas lands” is recommended to accurately reflect the definition in the <i>Yukon Act</i>.</p>
<p>Consultation with Yukon First Nations Section 13</p>	<p>Repeal of section 13 is proposed in order to align Yukon’s oil and gas legislation with common law provisions for consultation with First Nations and enable the Yukon Government to open southeast Yukon for new oil and gas activities.</p>
<p>Liability of Disposition Holders Sections 20 and 50</p>	<p>The suggested amendments to sections 20 and 50 are complementary and reflect common law. The sections state that co-holders of a disposition are jointly liable and that liability continues to be jointly held among all previous, current and new holders following a transfer of a disposition’s ownership. In addition, section 20 would require disposition holders to register any changes in disposition ownership with the Yukon Government.</p>

<p>Regulations for activities Section 65 and 113</p>	<p>Section 65 provides Yukon’s Commissioner in Executive Council with the ability to establish regulations for oil and gas activities.</p> <p>The proposed addition of paragraphs in subsection 65(1) provides authorization for new regulations. Specifically, paragraph (d.1) provides authorization for regulations governing pipeline tariffs and tolls.</p> <p>Paragraph 65(1)(d.2) provides for regulations regarding the construction or excavation of pipelines as well as the operation of heavy equipment across pipeline right-of-ways.</p> <p>The new paragraph 65(1)(r) authorizes regulations for hearings respecting pipeline tolls and tariffs, disputes concerning access to lands for surveys, expropriation orders, and compensations and toll charges of common carriers or processors. This provision also enables the Minister to decide who will adjudicate a complaint: a Yukon public body, an expert panel, or Yukon Government officials.</p> <p>Paragraph 65(1)(s) authorizes regulations for the determination of the remuneration of panel members.</p> <p>Paragraph 65(1)(q) provides for appeals to the Minister of decisions made by the Yukon Chief Operations Officer.</p> <p>Paragraph 65(1)(t) replaces subsections 113(1) to (5) and authorizes the imposition of financial penalties for the contravention of the Yukon <i>Oil and Gas Geoscience Exploration Regulations</i>, the contravention of conditions in a geoscience or oil and gas activity licence, or for carrying out an unlicensed geoscience activity. Subsections 113(1) to (5) would be repealed.</p> <p>Amendments to subsection 65(2) enable the reclassification of smaller pipelines between wells and a separator, dehydrator or an oil battery so that they may be licensed as a field facility under the Yukon <i>Oil and Gas Drilling and Production Regulations</i>.</p>
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Financial responsibility Section 66	In situations where the Minister seeks financial assurances from licensees, revisions to this section allow for the suspension of activities until those assurances are received.
Surface Access and Acquisition of Land Sections 69 and 70	Section 69 and 70 are related, and would require holders of oil and gas facility licenses to acquire land for sites, right-of-ways, and related access roads by agreement, or if necessary, by expropriations. These sections are consistent with Yukon's <i>Umbrella Final Agreement</i> .
Pipeline tolls and costs Section 77	Amendments to section 77 are complementary to the proposed new paragraphs 65(1)(d.1) and 65(1)(r), which provide the Minister with the flexibility to use a Yukon public body, a YG official or an expert panel to determine tolls and tariffs for pipelines. This section is recommended in preparation for the anticipated Yukon <i>Oil and Gas Pipeline Regulations</i> .
Abandonment of wells Section 89	The definition of "working interest" in section 1 is expanded in this section to include those parties specifically involved in the abandonment of wells.
Recovery of Pecuniary Penalties Section 113	As mentioned above, subsections 113(1) to (5) would be replaced by paragraph 65(1)(t). Subsection 113 (6) would then be replaced by a new section 113 to address the recovery of financial or pecuniary penalties imposed by the oil and gas regulations.

5.NEXT STEPS

Once the consultation period is complete, the Yukon government will review the submitted comments and prepare a "What We Heard" document summarizing consultation submissions. Both the "What We Heard" document and electronic copies of each submission will be available on the OGR website. In addition, the "What We Heard" document will be mailed to those who provide a written submission.

All submissions will be reviewed and carefully considered before the final drafting of amendments. Once the amendments have been finalized they will continue through the legislative process in the form of an *Act to Amend the Oil and Gas Act* (Act to Amend). It is expected that the Act to Amend will come before the legislature during the Fall 2009 sitting. Should it be approved by the legislature, the amendments will take effect as defined within the Act to Amend or on a date specified by the legislature. Enactment of the amendments will conclude this revision process of the Yukon *Oil and Gas Act*.

6.HOW TO CONTACT OIL AND GAS RESOURCES:

To provide comments, for more information, or to request a meeting, please contact Oil and Gas Resources through the information below.

Email: oilandgas@gov.yk.ca
Phone: (867) 667-5087
Fax: (867) 393-6262
Mail: Yukon Energy, Mines and Resources
Oil and Gas Resources
Suite 300, 211 Main Street
Whitehorse, Yukon Y1A 2B2

The OGR office is located on the 3rd floor of the Shoppers Drug Mart Building on the corner of Main Street and 3rd Avenue in Whitehorse.

Please provide your comments by 5:00 p.m. PDT on Monday, September 14, 2009. Thank-you.

Comments on Proposed Amendments to the Yukon *Oil and Gas Act*

Please respond by 5:00 p.m. PDT on Monday, September 14, 2009.

Email oilandgas@gov.yk.ca / Fax (867) 393-6262

Mail or hand delivery

Yukon Energy, Mines and Resources, Oil and Gas Resources,
Suite 300, 211 Main Street, Whitehorse, Yukon Y1A 2B2

Name: _____ Phone: _____

Please provide a mailing address if you wish to receive a copy of the submission summary "What We Heard":

Comments: _____
