



# talk about **tenure**

July 2008

## Facts on Tenure

### Crown mineral rights

The Crown owns 81 per cent of the province's mineral rights (including those for petroleum and natural gas and oil sands). The remaining 19 per cent are freehold mineral rights owned by individuals, companies and the federal government on behalf of First Nations or in national parks. Mineral title holders have a corresponding legal right to access their minerals.

### Public offerings

The Department of Energy (DOE) manages Crown-owned mineral rights on behalf of Albertans. A key concept in the management of mineral resources, for the benefit of Albertans, is the transfer from the Crown to the private sector, through agreements issued under the *Mines and Minerals Act*, of the right to "win, work and recover" resources. These agreements outline contractual obligations that allow the government to collect associated revenue from resource development in the form of royalties, bonus bid payments and rents.

Public offerings of petroleum and natural gas and oil sands are held every two weeks. The public offering process is often referred to as a "land sale," however, the mineral rights are not sold but leased or rented.

Instead of a change in ownership, Alberta's Crown-owned petroleum and natural gas rights are issued in the form of licences or leases through a competitive bidding system.

Oil sands rights are issued as leases or permits through the same competitive bidding system. The highest bidder wins the right to "drill for, win, work, recover and remove" Crown-owned minerals.

Tenure is the holding of property as a tenant. On a yearly basis, the province holds an average of 24 public offerings. As of April 2008, the DOE administers 98,660 petroleum and natural gas agreements.

### How do public offerings work?

Public offerings are initiated when a company or individual submits a posting request through a web-based process. Once a posting request has been received, the DOE determines whether the rights are available and then, if applicable, advises the requestor if their parcel will be subject to a surface access restriction. Surface access restriction may affect mineral exploration and development activities. The identified restriction would arise from policies, programs, projects, initiatives or similar interests pursuant to provincial legislation or regulations.

In specific situations, an access restriction may be placed on Crown mineral agreements. There are varying levels of access restriction, which include no restriction, some restriction or no surface access. If the requestor wishes to proceed, the rights are offered for sale as a parcel.

Parcels consist of three elements: the substances, the rights and the lands to which those rights pertain. Parcels are advertised in a public offering notice published on the DOE's website eight weeks in advance of the public offering.

[www.energy.alberta.ca](http://www.energy.alberta.ca)

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## **How do companies or individuals bid on a parcel of land?**

To bid on the mineral rights, eligible companies must be registered to do business in Alberta and have an Electronic Transfer System (ETS) account. All bidding and posting is web-based. Participants submit bids electronically by 12:00 p.m. on the day of the sale. Late bids are not accepted.

The names of the winning bidders and the amount paid for each parcel of land are published on the DOE's website after each sale.

## **How do companies get permission for surface access?**

Companies must get permission from the surface landowner to drill a well. On privately owned lands, access approval is a confidential matter between the landowner and the mineral lessee. To construct a well site on publicly owned land, a mineral surface lease is needed from the Department of Sustainable Resource Development. In both cases, companies must apply to the Alberta Energy Resources and Conservation Board (ERCB) for a licence to drill the well.

## **How do Albertans benefit from the tenure process?**

Petroleum and natural gas and oil sands land sales bring in a steady source of resource revenue to the province.

In 2007/08, the government collected over \$11 billion in non-renewable resource revenues, with over \$1.1 billion coming from bonuses and sales of Crown leases and another \$159 million coming from rentals and fees. This revenue helps fund priority programs like health care, infrastructure, education and social services.

Owners of freehold mineral rights pay a tax to the Crown based on the production of oil or gas from their holdings. The tax ensures the owners contribute to Alberta's infrastructure and regulatory costs.

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