

February 1, 2006

MINERAL RIGHTS INFORMATION BULLETIN 2006-01

SUBJECT: SEVERANCE OF DEEPER RIGHTS AT THE END OF THE INITIAL TERM OF A PETROLEUM AND NATURAL GAS LICENCE

Under Section 11(8) of the Petroleum and Natural Gas Regulation, petroleum and natural gas licences issued after December 31, 2001 are subject to severance of deeper rights at the end of their initial term. To date, this has only affected licences in the Plains Region because of their shorter two-year term. **Severance of deeper rights now affects four-year initial term licences in the Northern Region which expire after December 31, 2005.**

As of January 1, 2006, severance of deeper rights applies to both Plains and Northern Regions initial term licences. In these regions, the five year intermediate term is granted to the deepest rights validated during the initial term. Rights below the deepest penetrated zone are severed from the licence and returned to the land bank for future sale.

Validation is based on the deepest zone penetrated by more than 15 metres by the grouping or validating well. The additional metres drilled must have evaluated petroleum and natural gas rights in the location of the licence by providing evidence of the presence or absence of petroleum or natural gas.

In both the Plains and the Northern Regions, industry must submit open hole logs when applying to validate initial term licences. Formations should be clearly marked on the logs. These well logs are used by the department to confirm the rights evaluated by the deepest validating or grouping well. To minimize processing delays, please ensure your application package is complete.

Five year licences in the Foothills Regions which expire on or before December 31, 2006, continue to be validated without severance. Therefore, when rights are validated all zones remain in the agreement, regardless of the deepest zone penetrated.

Note that well logs are required in **all** regions for licences containing only deeper rights.

For more information on grouping and validating initial term licences, please refer to the Alberta Energy website at <http://www.energy.gov.ab.ca/>. Application forms for licence grouping and validation are available on the website, along with the Licence Grouping Guide, the Licence Validation Guide and the Frequently Asked Questions (FAQ) for Initial Term Licences. For more information, please contact:

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