

December 22, 2006

## MINERAL RIGHTS INFORMATION BULLETIN 2006-04

### **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 affected licences in the Plains Region and the Northern Region. **Severance of deeper rights now affects five year licences in the Foothills Region which expire after December 31, 2006.**

As of January 1, 2007, severance of deeper rights applies to initial term licences in all three 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.

Open hole logs are now required with all applications for validation of initial term licences. Formations should be clearly marked on the logs. The department uses well logs to confirm the deepest rights evaluated. To minimize processing delays, please ensure your application package is complete.

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.

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