

QUESTIONS AND ANSWERS FROM THE INFORMATION EXCHANGE  
APRIL 24, 2008

**ERCB**

Questions and answers to be provided at a later date

**CONTINUATIONS**

**1. How long before response from department on licence validation?**

A decision can't be made until the agreement expires. Licence validation takes place within two months of expiry.

**2. SECTION 15. You have all PNG in an agreement and are applying for all PNG to base Mannville. What do you put for zone?**

Your application will be based on data from a specific zone within Mannville, such as Colony or Glauconitic. That is the zone you should put in your application. If successful, your continuation will be for Mannville.

**3. Once we receive an offer letter and we accept can we not keep working do we need to wait for final letter?**

That decision is a risk-decision you will have to make. You can re-start work once you have accepted the continuation offer; however, some tasks (such as applying for a new well licence) could be jeopardized. For example, the ERCB does not view an offer as the same as having the rights, so your well licence application may be rejected.

**4. Could you explain briefly continuation under 8 1(e).**

Section 8(1)(e) of the *Mines and Minerals Act* is not a continuation section. It is the section of the Act that outlines under what circumstances the department is allowed to reinstate an agreement that was previously cancelled.

**5. What is the timing, after expiry of PNG agreement for the agreement to be cancelled in the system, so they can be re-posted?**

This varies, depending on a number of circumstances. If an agreement expires without application, normally it will be cancelled within 4-6 weeks of expiry.

**6. Part 7 of the continuation application indicates it is "optional for company use" but Pierangelo said it must be filled in to help our application. Which is correct?**

Part 7 of the continuation application form has some parts which are mandatory (zones, type of continuation), some parts which you fill in if they apply to you (data previously submitted or being submitted by another company) and one part which is optional. The optional portion is the checklist of data. The department doesn't use this list but industry asked us to leave it on the form for their use.

**7. (a) When applying for continuation of a 1 section crown lease, if there is a holding that has been approved of for the producing zone of the lease, does it affect the crown's decision on what is geographically continued?**

Holdings are not considered when continuing agreements. Continuations use the spacing that was in place prior to the creation of the holding.

**(b) What if there is reduced spacing?**

Reduced spacing does affect continuations. If you have reduced spacing, the continuation will be based on that reduced spacing. For example, if you have 1/2 section Viking gas as reduced spacing, the department would require evidence that both 1/2 sections were eligible to continue.

**(c) Will a section 18 be issued subsequently?**

A section 18 notice will not usually be automatically issued when you reduce spacing. However at the next review the agreement will be reviewed based on the new spacing, and if necessary a section 18 notice will be issued at that time.

**8. Is there a course for the technical portion of continuation practices? For geologists by AB Energy geologists that review the continuation application info to explain the best info to provide for a continuation application. There are too many "green" geologists that could benefit from training from AB Energy.**

The Canadian Association of Petroleum Landmen offers a course called Alberta Crown Lease Continuation. This course is taught by both a regulatory expert and a technical expert from the Department.

**9. When section 18 notices are issued why can't all registered interest holders be sent a copy?**

The designated representative is the party that the department will send notices to, unless a designated representative has not been furnished (see section 31 of the *Mines and Minerals Act*). It is the responsibility of the designated representative to notify all registered interest holders.

**10. In land searches I frequently find Crown PNG leases past primary term with no well production for often more than 5+ years still under a section 15 (held by production).**

**Why is that? What is the crown protocol for auditing for held by production lands?**

There are 5 categories of continuation under Section 15. The agreements you are looking at may be continuing pursuant to another sub-section other than production [which is 15(1)(a)], such as 15(1)(b) unitized rights. Lands continuing pursuant to Section 15 may be reviewed to determine if a Section 18 notice of non-productivity should be served. Section 18's are served through area reviews (department led) or third party requests for review. Information Letter 2004-14 outlines the process to request a review of a continuing agreement.

**11. Can you request a Section 16(8) extension if you are unable to spud a well due to objections to your well licence application by surface occupants and/or offset surface land owners?**

Yes, if your agreement is already continuing under a Section 16 continuation; no, if your agreement is not currently continuing under a Section 16. Section 16(8) is an extension of the Section 16 period.

**12. Also, if the county suspends access to your lease for completing operation prior to your expiry date, can you apply for a Section 16(8) extension?**

If your agreement was continuing previously under a Section 16 continuation then yes, you can request a Section 16(8) extension. If your agreement is expiring from its primary or intermediate term, then you could not request a Section 16(8) extension (requires the agreement to be continuing pursuant to Section 16 first).

The only other extension category that could be possible is Section 8(1)(h) of the Mines and Minerals Act and this is a highly restrictive section of the Act. There is no guarantee that this situation might qualify, as the department would have to look at the full situation.

**13. Under normal circumstances, bans in the Spirit River area would come off approx. mid May. Due to an unusually wet winter and recent snow storms, it is now anticipated that road bans will not be taken off until June. Is it possible to request a Section 17 continuation for a primary lease expiring May/June under these circumstances?**

The answer to this question is that it depends on the data you submit. To acquire a Section 17 continuation requires a certain level of data. If you have not completed any work and are asking if you could obtain Section 17 continuation due to the road bans being in place, the answer is no, as you would be basing your request on intended work, not actual work.

**14. Between expiry date and department response for lease continuation (not licence validation) producing well bottom hole pump burns out. Can a work over be done to replace pump or must well be shut in until continuation or validation response is received from department? (Well producing before expiry date).**

If the well is producing before expiry you may complete your work over.

**15. Has the department ever considered the implementation of a special time period to complete testing and data gathering if the operation started before the expire and continues over expiry? This would be similar to drilling over expiry but involves land date collection which is necessary and advantages for the continuation application. Diligent, capital spending operators should be recognized and given this extra time to complete the operation.**

No, the department has not considered a special time period, nor would we. The five-year term of a primary lease or intermediate licence is designed so that an agreement holder has time to perform the work required to gain continuation. Companies should plan to commence their operations earlier in the life of an agreement so that this situation doesn't arise. You may also be eligible to apply for a Section 16 continuation depending on the rig release date of your well. Section 16 qualifying wells must be either drilling over expiry *or* have a rig release date with 3-months of expiry.

**ETS**

**16. When processing a transfer why do you have to go through the steps and then go back and change status to concurrence?**

Clients within a company must fulfill certain roles to complete a transfer successfully. For example, the Creator initiates the transfer process and then the Reviewer reviews the transfer and changes the transfer status to Concurrence. This change in status triggers a system generated

email. The email will go to transferees who have been assigned the role of Concurrer. The change in status to Concurrence is a requirement to prompt this automatic email to the Concurrer(s).

**17. When transfer is complete, there is no indication that is finished.**

When the transfer process is complete, the Memorandum of Registration is generated and made available to the client in the Work in Progress folder. Following concurrence, the department normally takes 2 to 3 days to complete the transfer process. Initially it was felt that an email notification would not be necessary however, the department will review and consider enhancing the system with an email notification upon completion of the transfer process.

**18. A PNG Licence must be 1 section to post. How can 1 post for less than 1 section like you said in your presentation?**

The minimum size of a licence is 1 section in the Northern and Foothills regions and 6 sections in the Plains region. If for example, you wish to post two and one half sections in the Northern area you must post the land as full sections even though you may know that half of one section is already subject to an agreement. i.e. You want to post sections 1, 11E & 12 (11W is in another agreement). You would enter the following land; Sections 1, 11 & 12.

**19. Are there plans to allow posting requests to be modified or withdrawn electronically rather than calling AE?**

This suggestion was considered when the posting request phase of e-Tenure was in development. The department along with the Crown Mineral Disposition Review Committee carefully reviews each request received. To facilitate this review, requests are converted to hard copy, mapped and then circulated to a number of work units within the department. Taking into account this review process, it was decided that electronic modification or withdrawal of requests by the client would not be possible.

**OTHER**

**20. Scenario: Holding on one (1) section of freehold land. 2 gas wells drilled on F/H section. DOE Crown serves 2 separate offset notices (one for each well) to lessee of adjacent crown section.**

(a)How is the applicable comp royalty calculated? Compensation is calculated based on the amount of royalty that would owe from the freehold well as if the freehold well was producing on a Crown spacing unit. The value of the Crown's royalty share would be calculated by using 80% of the Gas Reference price or 100% of the Oil Par price. Refer to Section 23 of the P&NG Tenure Regulations for more information.

On both wells? Calculation is based on each single well. Refer to number 24 of the Offset frequently asked questions which is available on our website.

(b)If you have elected to pay compensatory royalty based on first offset notice received will Crown serve another offset notice when second well on freehold section with holding goes on production?

Compensatory royalty is referred to as Offset Compensation. An offset notice is served for each producing freehold well. Holdings are never considered in the administration of P & NG Tenure; the department uses only drilling spacing units.

**21. There is a quarter-section down spacing on a freehold section overlying a holding.**

**There is a well in the northwest quarter of the section. If the adjoining section is Crown, does the department issue an offset obligation due to the fact that Part IV of the OGCR is suspended due to the holding? Am I adjoining with regards to DSU?**

The ERCB approval to suspend spacing based on a holding does not affect Tenure administration since we only consider spacing units and not holdings. In this question the offset notice would still be served based on the spacing unit in effect at the time.