

General Information

- ◆ A response to an offset notice must be received by the Alberta Department of Energy, at either the Edmonton or the Calgary office, on or before the expiry date of the offset notice(s).
- ◆ You should not assume that the offset obligation has been resolved until you receive confirmation from the department, except in the instance of choosing a pay election. A pay election choice will not be confirmed until you receive an invoice.
- ◆ Sections referred to in the Offset Notice Response Guide and Form are from the Petroleum and Natural Gas Tenure Regulation.
- ◆ You may use the Offset Notice Response Form to respond to multiple offset notices as long as the option chosen and the Freehold Well ID for each offset is the same. In the case of a surrender, it is recommended that a different response form be used for each offset.
- ◆ All offset notices you are responding to must be listed on this form.
- ◆ Without a response prior to expiry, the offset notice is deemed to have expired and the affected land will be deleted from the lease.
- ◆ You must complete Part 1 in its entirety and all other applicable parts.
- ◆ If the name of the applicant is not identical to the designated representative, a letter of authorization is required. For example, if ABC Oil Ltd. is the applicant and XYZ Energy Ltd. is the designated representative, XYZ Energy Ltd. must supply a letter of authorization in order for ABC Oil Ltd. to apply.

Notes on Technical Data

- ◆ If you are supplying data in support of a response to an offset notice, complete the applicable portions of the form: Part 2 if you have put a well on production from the offset zone; Part 3 if you are surrendering but excepting producing or productive zones; or Part 4 requesting a review of the notice.
- ◆ ALL DATA IS HELD CONFIDENTIAL. This data is not made available to anyone else, unless authorized to do so by the party who provided the data. No information submitted in regards to an offset is used for any other offset notice response, even if it relates directly to another offset, unless otherwise specified.
- ◆ If you wish your data to be used in support of another company's response to an offset notice you must authorize the department to do so.
- ◆ **The success of your application may be affected if all required data is not submitted. Minimum data requirements described in this guide are bolded.**
- ◆ You may refer to previous data submitted by your company within the past 12 months to support a current response to an offset notice.
- ◆ You may present data in person at the department's Edmonton office by contacting Crown Equity to book a meeting. Please have the following information ready:
 - Preferred date, time and length of meeting (if possible, have an alternate date available)
 - Crown agreement number(s)
 - Offset notices being addressed and type of response.
 - Who will be attending and their professional designations
 - Type of data being presented (geological, engineering, geophysical)
 - Audio-visual equipment required
- ◆ All relevant data should be included with your response. Note that data submitted to the EUB is not available to the department, with the exception of well information, production data and test data that is non-confidential. Data that has been released from confidential status for less than three months and data that have only recently been submitted to the EUB (e.g. recent test or production data) may not be available.
- ◆ Following the department's initial review of your application, you may be advised of any deficiencies. Failure to respond in a prompt manner may affect the result of your response.
- ◆ The department retains all submitted data, with the exception of seismic lines, which may be returned upon request.
- ◆ "Zone" is defined in the Petroleum and Natural Gas Tenure Regulation as a stratum or series of strata considered by the Minister to be a zone for the purposes of the Regulation. In many cases zones may be geological formations, but in some instances they are larger and included more than one formation (e.g. the Mannville zone includes numerous formations).

- ◆ Supporting data may include all types listed in different sections of this Guide, as well as:
 - Well logs with marked formation tops and perforations
 - Production history and recent production data
 - DST, interpreted pressure data or flow test data
 - Engineering data including oil and gas analyses, pressure data
 - Seismic with synthetics
 - Net pay, isopach, structural mapping & cross sections
 - Geological discussion
 - EUB applications and approvals including changes in spacing units

- ◆ Copies of well logs and cross-sections should include a large enough interval to correlate the zones (e.g. completed interval plus regional markers above and below).

Part 1 Administrative Information

- ◆ Fill in your company name, address, agreement number, offset number, freehold well ID and your file number (i.e. the reference you would like us to quote when responding to you).
- ◆ If you are responding to two or more offset notices with the same expiry date, freehold well and the Crown agreements have the same designated representatives, you may list them all on the same line. If they have different expiry dates, freehold wells or designated representatives you must use a separate response form.
- ◆ Check the appropriate box to indicate whether or not you are the designated representative of the agreement you are applying for. If you are not, you will need to attach a letter of authority from the designated representative.
- ◆ If you are faxing this form do not mail a follow-up copy of the form unless you are sending the data by courier or mail. **NOTE:** The department must receive the mailed data within one week of your faxed application.
- ◆ The Offset Notice Response Form must be signed or it will not be accepted.
- ◆ To ensure our reply or any inquiries are directed to the correct person, also include a land and a technical contact.

Part 2 Notice Satisfied by Production

Use this section if you have placed a well on production from the offset zone.

- ◆ Fill in the unique well identifier for the Crown well
- ◆ Check the appropriate box to indicate whether the Crown well is newly drilled, put back on production or recompleted.
- ◆ Fill in the date that the well went on production.
- ◆ Identify what zone the crown well is producing from.
- ◆ The following data is required:

Well logs with marked formation tops and perfs, production history and completion reports.

Part 3 Election to Pay or Surrender

Use this section if you wish to defer the offset notice by paying offset compensation or if you wish to surrender the rights as advised in the offset notice.

- ◆ Check box 1 if you are electing to pay offset compensation.
 - Liability to pay offset compensation starts on the first day of the month following the expiry of the offset notice.
 - Liability to pay offset compensation ends on the first day of the month in which written notification is received and approved by the department.
 - 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 will 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.

- ◆ Check box 2 if you are surrendering.
 - Check box a, b, or c whichever is applicable
 - Box a) to surrender the lands or rights under offset notice to the base of the offset zone, exactly as outlined in the offset notice.
 - Box b) to surrender the entire agreement
 - Box c) to surrender a larger portion than identified in the offset notice, but less than the entire agreement, **or** to surrender the lands under the offset notice to the base of the offset zone and include the option outlined below.

Note: When choosing box C you may also include the following option:

- Surrender the lands under offset notice to the base of the offset zone excepting any:
 - Producing zone(s) –
 - Unitized or gas storage zone(s) -
 - Proven productive zone(s) –
 You must list the producing zone, unitized or gas storage zones or proven productive zones
To support your claim to keep a productive zone, you must also fill in Part 4 and provide substantiating evidence as listed in Notes on Technical Data. The minimum data required is log/completion/production data and structure/isopach mapping (geological and geophysical)

Part 4 Application for Review of Offset Notice

Use this portion of the form for when you wish to prove that the offset zone is not productive on your lease.

- ◆ Check the box requesting the review.
- ◆ Fill in the reason for review.
- ◆ The following data is required:
 - Well logs with marked formation tops and perfs, recent production data, DST, interpreted pressure data, flow test data, seismic with synthetics, net pay, isopach, structural mapping & cross sections, geological discussion.**
 - Any other technical data as indicated in *Notes on Technical Data* that you may wish to submit.
- ◆ If your response is submitted within the notice period you must also chose either a pay or surrender election. The review will not be processed unless an election is received at the same time. The alternate election is required in the event the Crown does not agree with your data. It does not affect the review of your data but ensures that rights or lands are not surrendered without the confirmation of the lessee.
- ◆ If you are requesting a review after you have been paying compensation, the election is not required. If the department disagrees with your data, the compensation billings will resume.

Part 5 Application for Extension

Use this portion of the form to request an extension. For example, if the notice expires in the summer but it is a winter drilling area only you will want to request an extension of time to get to the next winter drilling season, if you plan on drilling to satisfy the notice.

- ◆ Check the box requesting extension and identify the end date of the extension.
- ◆ You must also submit a letter outlining all reasons for the extension.
 - Extenuating circumstances beyond the control of the lessee must be clearly identified in the request.
- ◆ If your response is submitted within the notice period you must also chose either a pay or surrender election. The review will not be processed unless an election is received at the same time. The alternate election is required in the event the department does not agree with your application. It does not affect the review of your application but ensures that rights or lands are not surrendered without the confirmation of the lessee.
- ◆ If you are requesting an extension after you have been paying offset compensation, the election is not required. If the department disagrees with your application, the offset compensation billings will resume.
- ◆ Please note that an extension application is not a guarantee of receiving one.