

General Information

Purpose

- ◆ Use this guide to help you complete the Licence Validation Application form, for validation of petroleum and natural (PNG) licences at the end of their initial term, under Sections 5 through 13 of the Petroleum and Natural Gas Tenure Regulation.
- ◆ The purpose of validation is to continue an initial term licence into a five year intermediate term, subject to the same continuation requirements as a primary term lease under the Regulation.
- ◆ The “Regulation” (and sections) in this guide refer to the Petroleum and Natural Gas Tenure Regulation, unless otherwise specified.
- ◆ You may also use this form to apply for extension of the term of an initial term licence, under Section 8(1)(h) of the Mines and Minerals Act.

Resources

- ◆ The form and the regulation are available via the Alberta Energy website at <http://www.energy.gov.ab.ca> under Our Business → Tenure → Tenure Administration.
- ◆ On the department web site you will also find a copy of the Authorization Form, as well as the Licence Grouping Application Form and Guide.
- ◆ If you have questions, please contact the Edmonton office at **(780) 427-7425** and ask for **Continuations**.

Submitting an Application

- ◆ An application for validation must be received by the department **on or before expiry** of the initial term of a licence, but **no sooner than 3 months before expiry**.
 - If the validating well drilled through midnight of the expiry date, the initial term of the licence expires one month (*as defined in Section 22(8) of the Interpretation Act*) following rig release. Under these circumstances, the deadline for application is one month after rig release.
- ◆ **Best Practice:** Advise the department if drilling over expiry to avoid cancellation of the agreement.
- ◆ Applications may be mailed, delivered or faxed to the department.
 - Mail or drop off applications at the Alberta Department of Energy offices in Calgary or Edmonton.
 - Fax applications to the Edmonton office at (780) 422-1123. If application is faxed, do not mail the original.
 - Do not e-mail applications.
- ◆ **Submit a separate validation application for each expiring licence.** A validation application is required even if a grouping application including the licence has been submitted or approved.
- ◆ **Only one validation application per licence will be considered by the department.** A later application supersedes any previous application(s), unless the “Amendment to Previous Application” box is checked.
- ◆ The application may be rejected if it does not comply with this Guide or the Regulation.
- ◆ Always complete Parts 1 through 4 of the form. Complete parts 5A, 5B and/or 6 as applicable.
- ◆ **Well logs are required with each validation application.** The success of your application may be affected if all relevant data is not submitted.
- ◆ **You must be the designated representative of the Licence you are validating.** If not, proper authorization must be submitted to the department.
- ◆ **Payment of annual rental and late application penalty is required at the time of application.**
- ◆ Where required on the form, the preferred date format is YYYY-MMM-DD, e.g. 2008-JAN-11.
- ◆ Each page of your application should reference the PNG licence number. On page 1, this information is included in Part 2. On page 2, enter the licence number at the top of the page.

Status of the Licence

- ◆ Once the department receives and registers your application, the department’s land information system (LSAS) gives an agreement status of “Intermediate Term Applic” until the department finalizes the validation decision.
- ◆ Lands not applied for at expiry may revert to the Crown.
- ◆ Do not assume validation is granted until you receive final confirmation from the department.

Validation of the Licence

- ◆ If the department agrees with the validation application, a letter of validation and amended appendix for the agreement are mailed to the designated representative and copied to the applicant. Upon validation, the licence enters into a five year intermediate term.
- ◆ Licences are subject to severance of deeper rights at the end of their initial term. Validation is based on the deepest zone evaluated. An evaluated zone must be fully penetrated, or penetrated by more than 15 meters, by a validating well or a grouping well.

- ◆ Lands and rights which were not validated are cancelled and returned to the land bank to become available for purchase by other companies.

Offer and Request for Review (Appeal)

- ◆ If the department does not agree with the application, the applicant will receive a validation offer.
- ◆ The department will validate the licence based on the offer unless the applicant requests a review of the department's offer within one month of the offer letter. Only the applicant can request a review of the offer.
- ◆ Following a review, the department will finalize the validation.

Part 1

Administrative Information

- ◆ **Applicant Company:** Fill in the name of the company applying for validation, and the mailing address.
- ◆ **Amendment to previous application:** If amending a previous application, submit a complete form, not just the amended parts. Be sure to sign and date the amended application.
 - Check this box if your application amends or adds to a previous application.
 - If this box is not checked, the new application supersedes and replaces any prior applications.
 - Enter the date of the original application which your application is amending.
 - **Parts of form amended:** Identify which parts of the form are amended (e.g. 4 and 5)
- ◆ **Application Submitted after Expiry:** If you fail to apply for validation before a licence expires;
 - The late application penalty of \$5,000 + GST including rent is payable prior to validation of the licence
- ◆ **Well Logs & Other Technical Data:** The department requires well logs with all validation applications to confirm the deepest zone evaluated. Other technical data may be required to validate a productive spacing unit. Technical mapping is not required for validation.
 - Submit all data in print (hard copy) format. Do not submit in electronic or digital format.
 - A directional survey may be required when validating with a horizontal or multi-lateral well.
 - **Enclosed with application:** Check this box if you are submitting all technical data with the application, i.e., when the application is dropped off at the department, mailed or sent by courier.
 - **Being sent by courier or mail:** Check this box if technical data will follow separately, i.e., normally when an application is faxed. Please submit additional data within one week of application and reference the PNG Crown Agreement number on the envelope or cover page of the data package. You do not need to include a copy of the application form.

Part 2

Licence Information

- ◆ **PNG Licence Number:** Enter the 10 digit Crown Agreement number, e.g. 5405060101
- ◆ **Applicant is Designated Representative or Authorization is Attached:** Check the appropriate box.
 - If authorization is required, please enclose a completed Authorization Form, completed and signed by the designated representative. A copy of this form is available on the department web site on the Tenure Forms page.
- ◆ **Expiry Date:** Please enter the licence expiry date using the YYYY MMM DD format (e.g. 2007 –MAR 01).
 - If the validating well drills through expiry provide the original expiry date, not the extended date.
- ◆ **Well Drilled Over Expiry:** Check this box if the validating well drilled over expiry of the agreement.
 - Please ensure the spud date and rig release date of the validating well are updated in EUB records as soon as possible. The department cannot validate the licence until these dates are confirmed in the EUB system.
- ◆ **Re-Entry Well:** Ensure your well has a new spud date and rig release date.
- ◆ **Applying to Validation Entire Licence/ Applying to Validate Portion:** Please check the appropriate box.
 - If applying to validate a portion of the licence, please specify Sections along with the Meridian-Range-Township.
- ◆ **Requesting an extension under Section 8(1)(h) of the Mines and Minerals Act:** Check this box only if you are applying for an extension of the initial term.
 - Provide an explanation and supporting documentation to demonstrate that it was not possible to spud a validating well before expiry due to unforeseen, non economic circumstances beyond company control. Business decisions are considered within company control. You must demonstrate diligent effort, where possible, to overcome circumstances.
 - Specify the amount of additional time you would require under extension to spud the well.
 - The department may request additional information.

Part 3

Authorization to Use Well(s) for Validation

- ◆ **Applicant is/is not the well licensee:** If the applicant is not the same as the well licensee, attach authorization from the well licensee to use the well as a validating well.

Part 4

Signature and Contact Information

- ◆ **Applicant:** Print (type) applicant name and position title. Sign and date in the space provided.
- ◆ **Please provide phone number of applicant.**

- ◆ **Technical Contact:** Provide the name, title, phone and fax number of a technical contact or alternate land administration contact.
- ◆ **At the top of Page 2,** insert the licence number that appears on Page 1 to ensure that we keep both pages of your application together.

Part 5(A) Validating Well (Section 9(1), 9(2), 9(3) and 9(4) of the Regulation)

- ◆ The 16 character well event id is the preferred format for referencing a well event (e.g. 100-01-01-001-01W4/00)
- ◆ **Validating Well ID:** Well event that earns the right to continue a specified numbers of sections from the initial term of the licence into the intermediate term of the licence.
- ◆ **Total Measured Depth:** The total measured length of the wellbore based on submitted data.
- ◆ **Number of Sections Earned:** Calculated based on Schedule 2 of the P&NG Tenure Regulations.
- ◆ **Deepest Zone Evaluated:** The deepest zone that was penetrated and evaluated.

Part 5(B) Grouping Well (used as a Validating well) (Section 10 of the Regulation)

- ◆ Each grouping well must be identified separately and the number of earned sections based on the total depth must be indicated. From this total please indicate the number of sections being assigned to licence being validated.
- ◆ If a grouping well(s) is not being used for validation, **do not include it on the validation form.**
- ◆ The 16 character well event id is the preferred format for referencing a well event (e.g. 100-01-01-001-01W4/00)
- ◆ **Grouping Number:** Assigned by the department when grouping application is approved.
- ◆ **Well ID:** The well event ID that was used in the approved grouping.
- ◆ **Total Measured Depth:** The total measured length of the wellbore. (Directional Survey may be required)
- ◆ **Number of Sections Earned:** Calculated based on Schedule 2 of the P&NG Tenure Regulations.
- ◆ **Number of Sections Selected:** The number of sections selected from the grouping.
- ◆ **Deepest Zone Evaluated:** The deepest zone that was penetrated and evaluated.

Part 6 Well Logs and Other Technical Data

- ◆ ALL DATA IS HELD CONFIDENTIAL. The Department does not make data supplied by applicants available to anyone else unless authorized to do so by the party who provided the data.
- ◆ Well logs must be submitted to determine the rights evaluated by the deepest validating or grouping well.
- ◆ Please submit logs in print format only with formations clearly marked.
- ◆ If you wish your data to be used in support of another company's application, you must authorize the department to do so. (Part 6 of the validation form)
- ◆ Please obtain authorization from another company to use their data. (Part 6 of the validation form)
- ◆ All relevant data should be included with your application. 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 has only recently been submitted to the EUB (eg: recent test or production data), may not be available.
- ◆ "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 this Regulation. In many cases zones may be geological formations, but in some instances they are larger and include more than one formation (eg: the Mannville zone includes numerous formations).