

Ministry of Natural Gas Development

Guide to Acquiring Crown Petroleum and Natural Gas Tenures

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Upstream Development Division
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Summary of Revisions

Effective date	Section	Description
April 2017	All	New guide replaces former posting and bidding guides; contact information updated.

Contents

Introduction..... 4

Tenure Types..... 4

 Drilling Licences..... 4

 Leases..... 4

Requesting Petroleum and Natural Gas Rights 5

 Submitting Posting Requests 5

 Gas Spacing Areas 5

 Posting Request Maps and Shapefiles 6

 Denied posting requests 6

Withdrawing, Postponing or Revising Posting Requests 7

 Withdrawn posting requests..... 7

 Postponed posting requests 7

 Revised posting requests..... 7

 Deferred Parcels..... 8

 Submitting a Re-posting Request..... 8

Posting Petroleum and Natural Gas Rights..... 8

Bidding for Petroleum and Natural Gas Rights..... 9

 Bid Preparation 9

 Bid Submission 10

 Bid Acceptance 10

 Disposition Results 11

 Remittances..... 11

Contact Information 12

Introduction

The Ministry of Natural Gas Development (Ministry) disposes of parcels of Crown reserves of petroleum and natural gas (PNG) rights in accordance with section 71 of the *Petroleum and Natural Gas Act*. Dispositions take place once a month on the [Schedule of Disposition Dates](#) and are conducted through a sealed-bid public tender. This guide provides information related to acquiring PNG tenures through the processes of requesting, posting and bidding on parcels of Crown PNG rights available for disposition.

Tenure Types

The Ministry disposes of parcels of Crown PNG rights in the form of subsurface tenure. PNG tenure provides the exclusive right to explore for or produce Crown PNG resources specified in the tenure. Any oil and gas activities required to explore for or produce PNG resources, including well drilling and pipeline, facility or road construction, are authorized and regulated by the BC Oil and Gas Commission under the *Oil and Gas Activities Act* and its regulations. Oil and gas activities may occur on or off tenure, depending on the type of activity.

The Ministry currently issues two different forms of PNG tenure: drilling licences and leases.

Drilling Licences

Drilling licences are a form tenure conveying the right to explore for PNG resources in a defined area. They are intended to stimulate exploration and infrastructure investment through the requirement to drill “earning wells”, which provide credits towards converting a drilling licence to a lease.

The minimum size of a drilling licence request is one gas spacing area (GSA). The maximum size of a drilling licence request is 36 GSAs. The Ministry generally requires justification from the posting company for requests over 6,000 hectares (~24 GSAs).

Leases

Leases are a form of tenure conveying the right to produce PNG resources in a defined area. They are the only form of tenure giving a right of production. In addition to production rights, leases convey certain storage and disposal rights, subject to storage leases that were issued prior to the PNG lease in the same location.

The minimum size of a lease request is one GSA, unless complete gas spacing is restricted by existing title in the same stratigraphic zone. If the lease request is for a petroleum well, a lease may be an oil spacing area, which is a single unit of the PNG Grid or a quarter section of the Peace River Block.

Requesting Petroleum and Natural Gas Rights

The first step in acquiring Crown PNG rights is to submit a request to post a PNG parcel for disposition. The Ministry accepts posting requests up to and including the closing date for postings shown on the [Schedule of Disposition Dates](#). The length of time it takes to process a request for PNG rights until the rights are disposed of in the form of tenure is approximately three months.

Submitting Posting Requests

You can submit a request for posting Crown PNG rights by email at ptonline@gov.bc.ca.

Address the email to:

Manager, Crown Sales and GIS Services
Tenure and Geoscience Branch
Upstream Development Division
Ministry of Natural Gas Development

Please use the [Sample Posting Request Letter](#) and include the following information in your request:

- disposition date (if no date is specified the request will be for the next disposition);
- written description of area (based on the PNG grid and/or the Peace River Block);
- tenure type (drilling licence or lease);
- requested rights (i.e. all available rights or specific zones);
- sketch of area (map of legal description);
- contact information (name, address, phone, email).

The Ministry will send you an email acknowledging receipt of your posting request. If you do not receive an acknowledgement email by the closing date for your desired sale, please contact the Ministry by emailing ptonline@gov.bc.ca or by telephone at (250) 952-0333.

PLEASE NOTE: Posting requests do not get priority based on time or date of submission. If two or more posting requests for the same disposition overlap, reconfiguration may be necessary. The Ministry will provide you with details if your posting request is changed.

Gas Spacing Areas

Your posting request must include a written description of the area you would like offered for disposition described in terms of gas spacing areas. A gas spacing area (GSA) is made up of four units of the PNG grid or one section of the Peace River Block.

The centre of one GSA of the PNG grid is the intersection of 4 blocks of the grid. Example: 1 GSA = unit 100 of Block A; unit 91 of Block B; unit 1 of Block G; unit 10 of Block H, or any other four unit grid moving outward in an adjacent manner.

025	024	023	022	021	030	029	028	027	026
094-H-04 Block G						094-H-04 Block H			
015	014	013	012	011	020	019	018	017	016
005	004	003	002	001	010	009	008	007	006
				1 GSA					
095	094	093	092	091	100	099	098	097	096
085	084	083	082	081	090	089	088	087	086
094-H-04 Block B						094-H-04 Block A			
075	074	073	072	071	080	079	078	077	076

Posting requests can be made for other than normal spacing (OTNS) areas. The OTNS areas exist where the Peace River Block adjoins the PNG grid and in areas adjacent to British Columbia’s jurisdictional boundaries where partial GSAs are added to full GSAs.

If you are submitting a posting request for OTNS areas around the Peace River Block, please see the [Gas Spacing Map for the Peace River Block](#). For more information about the PNG grid, see the [Petroleum and Natural Gas Grid Regulation](#).

The Ministry will inform you if any changes are made to the configuration of your posting request to accommodate OTNS areas.

Posting Request Maps and Shapefiles

Posting requests being considered for disposition are shown on the posting request maps, in the parcel descriptions and in the shapefiles located on the [Ministry website](#). If your posting requests do not appear on the posting request maps and you have not been advised of this decision, please contact the Ministry by emailing ptonline@gov.bc.ca or by telephone at (250) 952-0333.

Denied posting requests

All posting requests are subject to an internal review to determine if the requested Crown PNG rights are available and located in areas where the Ministry is currently accepting requests. Parcel requests may be denied as a result of this review. Currently the Ministry is not accepting posting requests in the following areas:

- areas identified by ministerial order under section 72 of the *Petroleum and Natural Gas Act*;

- areas identified as ecological reserves under the *Ecological Reserves Act* or the *Protected Areas of British Columbia Act*;
- areas identified by policy under established Resource Review Areas.

Withdrawing, Postponing or Revising Posting Requests

Posting requests may be withdrawn from a disposition, postponed to a future disposition or revised by the original requestor up to the *Withdraw, Postpone and Revise Deadline* in the [Schedule of Disposition Dates](#). To withdraw, postpone or revise a posting request, contact the Ministry by email at ponline@gov.bc.ca or by telephone at (250) 952-0333 for approval. The Ministry retains the right to refuse requests to withdraw, postpone or revise a posting request when it is determined to be in the Crown's best interest.

Withdrawn posting requests

If the Ministry accepts a request to withdraw a posting request, the Ministry will not offer the withdrawn parcel for disposition.

Postponed posting requests

Postponed posting requests will be included in a future disposition provided the rights are still available for that disposition. The postponement of a posting request does not guarantee that the original requested configuration and/or the original requested rights will be preserved for the future date. For instance, a postponed parcel may be brought forward early if a second request is received for those same rights prior to the postponed date.

A parcel can be postponed for no longer than six months and may undergo a re-referral and additional consultation before it can be offered for disposition.

Revised posting requests

You may revise posting requests as follows:

- the requested tenure type may be changed;
- the requested rights may be changed;
- the size of the posting request may be reduced;
- multiple posting requests may be combined to create one or more larger parcels providing the footprint of the original requested area does not increase;
- posting requests may be split into smaller parcels providing the footprint of the original requested area does not increase.

Deferred Parcels

All posting requests are subject to a pre-tenure referral process where the Ministry seeks input from other provincial agencies, local governments and First Nations. The purpose of the pre-tenure referral is to identify certain environmental, community and First Nation considerations, which the Ministry takes into account in determining whether the parcel should be made available for disposition. The referral process may result in some parcels being reconfigured or deferred from disposition to address issues and or conclude consultation with First Nations. Posting requests currently deferred by the Ministry are shown on the deferred parcel maps and in the shapefiles located on the [Ministry website](#).

The Ministry will advise requestors if posting requests are deferred. When outstanding issues have been resolved, the deferred parcel will be brought forward for sale, unless the requestor is no longer interested, which will be confirmed by the Ministry prior to the sale. Parcels deferred for less than six months may be included in the next sale. Parcels deferred for more than six months may undergo a re-referral and additional consultation before being offered for disposition.

Submitting a Re-posting Request

If no bids or no acceptable bids are received for a parcel, you may make a re-posting request for the next available disposition date. Re-posting requests can be made by email up to and including the No Bid (NB) or No Acceptable Bid (NAB) Closing Date as shown on the [Schedule of Disposition Dates](#). The NB or NAB requests do not need to be requested by the original requestor, and they are included in the next sale for which a list of parcels has not already been advertised.

Re-posting requests must be the same shape, size, location and for the same rights as the original request. Re-posting request letters are the same as posting request letters, but please ensure it clearly states that your request is for re-posting. The Ministry retains the right to refuse re-posting requests.

Posting Petroleum and Natural Gas Rights

The Ministry publishes a [Notice of Public Tender](#) online and in the BC Gazette approximately seven weeks prior to the disposition date. The notice lists parcels of Crown PNG rights available for disposition, including caveats, terms and conditions.

Caveats disclose information identified during the pre-tenure referral process to inform bidders of potential access restrictions related to certain Crown designations, environmental values, local government zoning and First Nation rights under section 35 (1) of the *Constitution Act, 1982* (Canada). Tenure holders are expected to consider and address certain caveats accordingly prior to conducting oil and gas activities.

Terms and conditions can refer to the location, description of rights, length of time the rights are available, and other information stipulated under the *Petroleum and Natural Gas Act* and associated regulations related to the administration and issuance of drilling licences and leases.

Successful bidders should also be aware that they will be required to abide by the laws governing exploration and development regardless of specific caveats, terms or conditions listed in the Notice of Public Tender.

You can subscribe to receive an email copy of the Notice of Public Tender by emailing ptonline@gov.bc.ca or by telephone at (250) 952-0333.

Bidding for Petroleum and Natural Gas Rights

Bid Preparation

To acquire a parcel of Crown PNG rights at a disposition, you must submit a bid letter, in accordance with the [sample bid form](#), that includes the information outlined below. You must submit a separate bid letter for each parcel of Crown PNG rights listed in the Notice of Public Tender that you wish to acquire. Bid letters must be addressed to the Minister of Natural Gas Development.

Your bid letter must include the tenure issuance fee (\$500), the first year's rent for the parcel and a bonus bid. There is no minimum bonus bid in British Columbia; however, the Minister reserves the right to reject any or all bids that do not reflect the value of the rights being disposed of.

You must also include a pre-authorized debit (PAD) code in the bid form or letter, unless you are a first-time bidder. Please see the remittances information below for complete details on registering for PAD and submitting a payment, including payment options for first-time bidders.

A bid letter must include the following:

- statement that the bidder has read and understands the caveats related to the parcel and the terms and conditions for the disposition set out in the Notice of Public Tender;
- identifying parcel number published in the Notice of Public Tender;
- PAD code for the company responsible for tender payment and the company responsible for paying future rentals through ePayments (see Remittances section);
- full name of the parties to which the permit, drilling licence, or lease will be issued;
- percentage interest of each of the parties, in decimals, to a maximum of eight decimal places;
- total amount tendered (including issuance fee, rent and bonus bid);

- address for correspondence relating to the bid letter (must be one of the parties to which the drilling licence or lease will be issued);
- name and signature of the person submitting the bid.

Bid Submission

Although the bid form or letter is addressed to the Minister, you must submit your bid in a sealed envelope marked to the attention of the Executive Director, Tenure and Geoscience Branch and deliver it to the address below. Your envelope should also include the address of the company the Ministry should correspond with regarding the bid. Each bid must be submitted in a separate envelope with the parcel number legible on the front.

Delivery Address:

Executive Director, Tenure and Geoscience Branch
Upstream Development Division
Ministry of Natural Gas Development
6th Floor, 1810 Blanshard Street
Victoria, BC V8T 4J1

The Ministry recommends you appoint someone to deliver a bid by hand, rather than by courier to ensure bids are received on time and are properly recorded. Bids are accepted on the disposition date from 8:30 a.m. (PST) until noon (PST). **The Ministry will not accept late bids.**

When the person submitting a bid arrives, they must check in with the security desk in the building lobby. The security staff will escort them to a private area where a member of the Ministry will receive bids and have them sign the Bid Register for each bid submitted. The Ministry maintains a Bid Register for each disposition to ensure that all bids are properly received and accounted for. **The bid is not considered delivered unless the bid register is signed.**

You can deliver a bid prior to the disposition date by special arrangement only. To make an appointment to deliver an early bid, contact the Ministry by telephone at (250) 952-0333.

Bid Acceptance

Bids must be received by noon (PST) on the disposition date and are irrevocable once they are delivered. All bids are reviewed by the adjudication panel. The Minister reserves the right to reject any or all bids received.

Acceptance of a bid by the Minister obliges the successful bidder to enter into a drilling licence or lease agreement pursuant to the terms specified by the Minister and as described in the parcel description contained in the Notice of Public Tender.

Disposition Results

[Disposition results](#) are released the following day. To subscribe to the email distribution list to receive notification of the results, email ptonline@gov.bc.ca or telephone at (250) 952-0333.

The Ministry issues tenure the day following the disposition to provide tenure holders with beneficial use of a tenure agreement for its full term. One original signed copy of the title document is sent to the tenure holder for their records. Corporations holding tenure in British Columbia must register with the BC Corporate Registry within two months of acquiring tenure, in accordance with section 375 (1) of the *Business Corporations Act*. Please contact the [BC Corporate Registry](#) for information.

Remittances

Payment for successful bids (tenure issuance fee, rent and bonus bid) is due upon bid acceptance. All payments must be made by pre-authorized debit (PAD), unless you are a first-time bidder. Before you can pay by PAD, you must register using the forms attached below. Once you complete the forms, you will be assigned a PAD code, which you can use to pay through the ePayments system. Your PAD will not be accessed if you are not the successful bidder.

Please complete the following forms to register for PAD:

[**PAD Authorization Letter**](#)

[**Debit Authorization**](#)

[**Authorization for Agent**](#) - *This form is required only if you intend to allow an agent to submit bids on your behalf (using their letterhead and requesting we debit your bank account).*

Please mail the original signed PAD forms to the Revenue Reconciliation Clerk at the address below. For timely processing, you can submit the forms by email to png.epayments@gov.bc.ca or fax to (250) 952-0291; however, you must send the original signed forms by mail. The Ministry will process PAD program applications within two business days of receipt. Please contact the Revenue Reconciliation Clerk at the email address above or telephone (250) 952-0333 to confirm receipt of your PAD documents.

If you are a first time bidder, you may submit a payment by cheque, bank draft, or money order, payable to the Minister of Finance. You can only use this method of payment for the first disposition you participate in. Even if your bid is unsuccessful, you must register for PAD prior to the next disposition you plan to participate in.

Contact Information

Ministry of Natural Gas Development
Upstream Development Division
Tenure and Geoscience Branch

Telephone: 250-952-0333
Facsimile: 250-952-0291
Email: PNGTitles@gov.bc.ca

Mailing Address:

PO Box 9326, Stn Prov Gov't
Victoria, BC V8W 9N3

Location:

6th Floor, 1810 Blanshard Street
Victoria BC V8T 4J1

Revenue Reconciliation Clerk/ePayments Email: png.epayments@gov.bc.ca

Notice of Public Tender and Sales Results Subscription Email: ponline@gov.bc.ca