

INFORMATION LETTER

OIL AND GAS DIVISION

OGD-20-01

SUBJECT: Amendments to the *Petroleum and Natural Gas Act* and Regulations

Various amendments to the *Petroleum and Natural Gas Act* (PNGA) and regulations are brought into force by B.C. Reg. 33/2020 (see [Order in Council 085/2020](#) for the content of this regulation). The amendments to the PNGA were passed as part of Bill 12, *Natural Gas Development Statutes Amendment Act*, 2014 and Bill 15, *Energy, Mines and Petroleum Resources Statutes Amendment Act*, 2018. Implementation of the changes was delayed to allow time for the supporting regulations to be completed.

Most of the amendments do not change the rules for drilling licences and leases, but there are key changes to the drilling licence and lease continuation provisions. Details are provided below.

Amendments to the *Petroleum and Natural Gas Act*

The amendments to the PNGA strengthen the legislative authority for drilling licences and improve the regulation-making powers for leases:

- Part 5.1, Drilling Licences was added to set out the rights conferred by a drilling licence, as well as some of the basic processes around issuance, rent, expiry and reinstatement. The detailed rules for drilling licences remain in the Petroleum and Natural Gas Drilling Licence and Lease Regulation (DLLR), including the circumstances in which a drilling licence may be converted to a lease.
- New regulation-making powers were added to support the new provisions in the PNGA and to enable regulations respecting lease terms and continuations.

Several regulatory provisions have been moved or repealed to align with the changes to the PNGA, and some language in the regulations has been amended to ensure that existing policies are clearly reflected. Amendments include the following:

- Lease term details have been moved from the PNGA to the DLLR;
- Some fee and rent amounts have been moved to the Petroleum and Natural Gas Act Fee, Rental and Work Requirement Regulation;
- The definition of “spacing area” in the Petroleum and Natural Gas General Regulation has been repealed and replaced;
- Language in the DLLR respecting earning wells and lease selection has been amended to ensure that it clearly reflects existing policy.

These amendments are effective February 27, 2020. The amendments do not change the rules for drilling licences and leases.

Drilling Licence and Lease Continuations

Consistent with the minister's existing discretion to continue a drilling licence in the following circumstances, the amendments give the minister discretion to continue a lease if drilling of a well is delayed pending the completion of:

- an environmental or socio-economic study;
- a public hearing; or
- a planning or consultation process.

The amendments also give the minister discretion to continue a drilling licence or a lease if drilling of a well is delayed pending the completion of:

- the correction of unsafe conditions at the well site; or
- the provision of safe access to the well site.

The expanded drilling licence continuation provisions are effective February 27, 2020, and the new lease continuation provisions are effective March 1, 2020. These amendments provide flexibility when access to tenure is delayed.

For an application to be considered by the minister, the following criteria must be met:

- The tenure holder must have submitted an application to drill a well to the BC Oil and Gas Commission at least 30 days before the end of the current term of the drilling licence or lease. In the case of a drilling licence, the application must have been for a well that would be eligible for designation as an earning well.
- The tenure holder must submit a written application to the Director of Petroleum Lands before the end of the current term of the drilling licence or lease along with the annual rent.

The minister may grant continuation for a period of one year or less. There is no limit on the number of times that a tenure holder may apply for this continuation; however, approval is discretionary, and an application is required for each successive extension.

The Ministry is working to revise the tenure policy guides to reflect the changes to the PNGA and regulations and provide more information about application requirements. Further information letters will be published as these guides are updated.

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