



Ministry of Energy, Mines
and Petroleum Resources

Titles Division

INFORMATION LETTER

Tenure Issues & Administration

TITLES AND OFFSHORE DIVISION

TITLES-06-05

**SUBJECT: CLARIFICATION OF POLICIES AND PROCEDURES RELATED TO
REDUCED CONTINUATION ELIGIBILITY**

Section 58(3)(a) of the *Petroleum and Natural Gas Act* (Act) requires the Director of Petroleum Lands to continue a spacing area for one year if, in the opinion of the Director, that spacing area is "eligible". A spacing area is deemed eligible if it meets any one of the four criteria listed in subsections (a) through (d) of section 58(1) of the Act. One of those criteria, defined in subsection (c) of section 58(1), is that at least half of the spacing area covers a delimited pool. The Oil and Gas Titles Branch of the Ministry maintains a set of land plats defining the boundaries of these pools. These pool boundaries coincide with spacing area boundaries and are not the pool boundaries maintained by the Oil and Gas Commission for estimating reserves and classifying wells. For reference, Appendix 1 contains an excerpt of section 58 of the Act.

The Branch amends its land plats as new technical information is processed. When such amendments reduce pool size, all or some of the spacing areas held by a Lease may no longer satisfy the section 58(1)(c) criterion for continuation eligibility. If the continuation eligibility of a spacing area depends solely on subsection 58(1)(c), the spacing area will be ineligible for section 58(3)(a) continuation at the next anniversary date of the Lease.

Continuation of the affected spacing areas beyond that anniversary date will require the submission and approval of an application under section 58(3)(a) or section 58(3)(c) of the Act by the normal deadline. Section 58 of the Act allows applications to be made up to 60 days following the expiry date. Failure to submit such application within this period will result in the return of the affected spacing areas to Crown reserve.

Following a land plat amendment the Branch will send a "Notice of Reduced Continuation Eligibility" ("Notice") to each titleholder of record on the date of the Notice. The Notice will list the locations no longer deemed "eligible spacing areas" under section 58(1) of the Act and advise titleholders to submit an acceptable continuation application or surrender the locations listed.

The Branch will make every effort to send the Notices as close to the land plat amendment date as possible but no earlier than three calendar months prior to the Lease anniversary date.

Gerald German
Executive Director, Titles Division
December 15, 2006

Attachment: Appendix 1

For more information related to
oil and gas tenures, please contact:

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PETROLEUM AND NATURAL GAS ACT

[RSBC 1996] CHAPTER 361

(excerpt)

- 58** (1) In this section, "**eligible spacing area**" means a spacing area that
- (a) contains a petroleum well or a gas well,
 - (b) is subject to a scheme approved under section 100,
 - (c) in the opinion of the director, covers, to the extent of at least one half of its area, a pool of petroleum or natural gas that has been delimited, or
 - (d) in the opinion of the director, may be adequately drained by a petroleum well or a gas well situated on a contiguous spacing area.
- (2) A lease issued under section 52 from a Class A permit, or issued in respect of a location situated wholly or partly in a prescribed area, expires on the fifth anniversary of the date it is issued, but any other lease expires on the 10th anniversary of the date it is issued.
- (3) If a lease expires, whether after its initial term or after a continuation by the director under this section, the director must, on application by the lessee made not later than 60 days after the expiry of the lease,
- (a) continue the lease for one year in respect of any eligible spacing area included in the location of the expired lease,
 - (b) if the lease is subject to a unitization agreement under section 114 or to an agreement under section 78 to establish the amount of royalty to be paid, continue the lease for one year in respect of the parts of the location of the lease that are subject to the unitization agreement,
 - (c) if the division head approves a yearly program of exploratory work designed to delimit a pool, or a field of petroleum or natural gas, continue the lease for one year in respect of all or part of its location, or
 - (d) if the drilling of or work on the establishment of a well is incomplete on the expiry date of the lease and the director is satisfied that the drilling or work will continue if the lease is continued, continue the lease for one year.