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Ministry of Energy, Mines and Petroleum Resources

Titles and Offshore Division

Information Letter Oil and Gas Titles Branch

TITLES AND OFFSHORE DIVISION

TITLES-08-04

SUBJECT: SEC. 72 CROWN RIGHTS ALTERNATIVE DISPOSITIONS
Miscellaneous Statutes Amendment Act (No.2), 2008
Bill 43, Sec. 55(1)(b), 71, 72, 133

Recent amendments to the *Petroleum and Natural Gas Act* will implement policy direction set out in the BC Energy Plan (<http://www.energyplan.gov.bc.ca>) to encourage and accelerate exploration for both conventional and unconventional oil and gas in new basins that have limited infrastructure and/or require innovative approaches to exploration and development.

The Ministry of Energy, Mines and Petroleum Resources (the Ministry) seeks the ability to adjudicate among multiple parties, using more flexible criteria and processes than are currently available. The amendments provide for a disposition mechanism to consider criteria that reflect the commitments of the BC Energy Plan. These criteria may include increased engagement with communities and First Nations, increased consideration of environmental values, increased exploration in new basins and increased flexibility in tenuring systems.

The amendment allows the Ministry, through advanced instruction from the Lieutenant Governor in Council (LGIC), to design dispositions of Crown reserves that will bring maximum economic, social and environmental benefit to the Province in those areas with limited infrastructure and industry interest.

The Ministry will engage other agencies, industry, First Nations and other representatives to provide input on criteria options that may be presented to the LGIC for consideration and eventual inclusion in Ministry regulations.

This amendment does not apply to dispositions of Crown petroleum and natural gas rights pursuant to Section 71 of the *Petroleum and Natural Gas Act*.

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Attachment: Questions and Answers

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Frequently Asked Questions

Q: Why use section 72 of the *Petroleum and Natural Gas Act* to issue tenure?

A: Use of this section allows for more certainty and control for the Ministry regarding the issuance of *Petroleum and Natural Gas* tenure.

Q: How often is section 72 used?

A: Section 72 is rarely used. To date, there have been four tenures issued under section 72 (One Isle Lake, Klappan, Elk Valley and Exshaw).

Q: What is the primary purpose of the recent amendments?

A: The legislation will implement policy direction set out in the BC Energy Plan. It is anticipated that the change will accelerate exploration for both conventional and unconventional oil and gas in new basins that have limited infrastructure and/or require innovative approaches to exploration and development.

These changes include increased engagement with communities and First Nations, increased consideration of environmental values, increased exploration in new basins and increased flexibility in tenuring systems.

Q: What sort of alternative criteria are incorporated in recent amendments?

A: Community interests, First Nations considerations, environmental values, technological merit and economic planning are all potential criteria.

The amendment allows the Ministry of Energy, Mines and Petroleum Resources, through advanced instruction from the Lieutenant Governor in Council (LGIC), to design dispositions of Crown reserves that will bring maximum economic, social and environmental benefit to the Province in those areas with limited infrastructure and industry interest.

Q: Who decides which criteria will be used, and who chooses between the multiple proposals?

A: The LGIC will by regulation set out which criteria are to be used, which ones are mandatory and which ones are optional and will state whether the Minister, the Director of Petroleum Lands, or LGIC will decide which is the winning proposal.

Q: Does the monetary value factor still play a part?

A: Yes. The LGIC may set the price and rent, the terms and conditions, and the process to be used in any disposition of rights.

However, this process will allow for the issuance of tenure to the best proposal, not just the highest monetary bid, in those areas where infrastructure and industry interest is limited.