

Titles and Offshore Division

Information Letter

Oil and Gas Titles Branch

TITLES AND OFFSHORE DIVISION

TITLES-08-05

**SUBJECT: DISPOSAL WELL TENURE – *PETROLEUM AND NATURAL GAS ACT*
AMENDMENT - *Miscellaneous Statutes Amendment Act (No. 2), 2008*
Bill 43, Sec. 58, 59.1, 60(4)(b), 61.1, 62(2), 63**

Amendments to the *Petroleum and Natural Gas Act* support policy direction set out in the BC Energy Plan (<http://www.energyplan.gov.bc.ca>), which requires no surface disposal of water produced from coalbed gas operations. Consequently, the Province has amended section 59 of the *Petroleum and Natural Gas Act* to provide tenure certainty for the disposal needs of coalbed and other unconventional gas projects with unique disposal needs.

The new amendments, under section 61.1, allow the Ministry of Energy, Mines and Petroleum Resources (the Ministry) to continue tenure before a disposal well is drilled. Continuing petroleum and natural gas rights in the disposal zone ensures the tenure does not lapse during the planning and development processes. It also prevents conflicts from arising between a disposal operator and an oil and gas operator over the same space.

The recent amendments are required for cases where section 100 approvals do not exist, but disposal (especially of produced water) is in a long-term plan or is approved under a minor regulation instead of section 100. For example, in coalbed gas development planning, water disposal is developed in stages over the life of the project, which may be many decades, and moves geographically as needed. Leases planned for disposal operations in middle and late stages of a coalbed gas project risk early expiry in the absence of these provisions. In addition, most ordinary produced water disposal wells have been approved under a minor regulation, not section 100.

This title continuation will provide for long-term planning for water disposal from coalbed gas operations and other unconventional gas projects.

Those rights not used for disposal will revert to the Crown. This is consistent with the amendments passed in March 2007 to section 59 of the *Petroleum and Natural Gas Act*, called “zone-specific retention.” Titles-07-09 Zone Specific Retention *Miscellaneous Statutes Amendment Act, 2007, Bill 12*



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Attachment: Questions and Answers

FREQUENTLY ASKED QUESTIONS

Q: What is a disposal well tenure?

A: A disposal well tenure is in the form of a lease issued pursuant to the *Petroleum and Natural Gas Act*, and the well situated on it is utilized for disposal of water.

Q: What term does a disposal well tenure have associated with it?

A: A lease issued for the purposes of holding a disposal well holds the same term as a lease holds under the *Petroleum and Natural Gas Act* which is five or 10 years.

Q: What is the primary reason for recent amendments?

A: Recent amendments authorize the Ministry to continue existing title to leases of petroleum and natural gas rights where disposal operations are planned or in operation, where the Oil and Gas Commission may not yet have issued approvals, and over those areas and zones that the Director of Petroleum Lands determines to be most suitable to the disposal operation. This provides for more flexibility to accommodate unique disposal well needs.

Q: Will these amendments allow issuance of new petroleum and natural gas title?

A: No. These measures apply to the continuation of petroleum and natural gas leases past their initial terms, NOT to the issuing of title.

Q: One method of continuing a lease is to obtain an approval under section 100 of the *Petroleum and Natural Gas Act*. Will the recent changes affect that privilege?

A: No. This new continuation method will be an added opportunity and will be independent of the provisions for lease continuation due to section 100 approvals which are typically applied to complex production schemes. The existing ability to continue a lease by holding an approval under section 100 will remain available.

Q: What is the expected normal application of these provisions?

A: The recent amendments are required for cases where section 100 approvals do not exist but disposal (especially of produced water) is in a long-term plan or is approved under a minor regulation instead of section 100. For example, in coalbed gas development planning, water disposal is developed in stages over the life of the project, which may be many decades, and moves geographically as needed. Leases planned for disposal operations in middle and late stages of a coalbed gas project risk early expiry in the absence of these provisions. In addition, most ordinary

produced water disposal wells have been approved under a minor regulation, not section 100.

Q. How will the new provision assist a disposal well operator?

A: This new provision will allow the leases and zones in which these wells operate to be continued over an area that the Director of Petroleum Lands determines is suitable. This will ensure that a third party does not obtain rights and interfere with the disposal operation by exploring for oil and gas in an active disposal zone.

Q. Can the disposal operator be better protected by less formal Ministry notations on undisposed rights or through software solutions?

A. Holding of title is a more certain and secure solution than a software or notation solution, as no third party can obtain those rights either by intention or oversight.

Q. Is the primary intent for these amendments to facilitate greenhouse gas sequestration?

A. No. These changes are being undertaken to facilitate the safe underground disposal of produced water from coalbed and other unconventional gas operations envisioned in the BC Energy Plan. Regulation and title frameworks for greenhouse gas sequestration are included in the Oil and Gas Activities Act which comes into force in 2009. However, these provisions could be used in the interim in those cases where the greenhouse gases originate from petroleum and natural gas activities, pending full development of this framework.