

## INFORMATION LETTER

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UPSTREAM DEVELOPMENT DIVISION

UDD-16-05

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

Various amendments to the *Petroleum and Natural Gas Act* (PNG Act) and regulations are brought into force by British Columbia Regulation (BC Reg.) 198/2016 (see [Order in Council 550/2016](#) for the content of this Regulation). The amendments to the PNG Act were passed by the legislature as part of [Bill 12, \*Natural Gas Development Statutes Amendment Act, 2014\*](#) (Bill 12). Implementation of the changes was delayed to allow time for the supporting regulations to be completed.

The objectives of the Bill 12 amendments are to modernize the PNG Act and streamline the administration of tenure by instating a more consistent approach to all three tenure types – permits, drilling licences and leases. BC Reg. 198/2016 supports these objectives by bringing into force certain amendments outlined in Bill 12. Some amendments in Bill 12 are not being brought into force at this time. The Ministry is still working out the finer details for these changes and intends to implement them as soon as possible.

Most of the changes in BC Reg. 198/2016 take effect August 1, 2016. This includes updated fines for an offence under the PNG Act and a provision to allow reinstatement of a lease when a lessee's failure to pay rent was inadvertent or the result of circumstances, other than financial circumstances, beyond the control of the lessee.

The changes in BC Reg. 198/2016 respecting drilling licences are for clarity only and do not affect how drilling licences are administered.

BC Reg. 198/2016 contains two key changes to the petroleum and natural gas lease continuation provisions.

- The first is a new continuation option for five year leases. Effective August 1, 2016, five year leases are eligible for a **one-time**, one-year continuation with penalty payment. The cost is \$15 a hectare in addition to the annual rent. Ten year leases remain eligible for a one-year continuation with penalty that can be used up to three times. The penalty amounts for ten year leases have not changed. Continuation must be requested no more than 60 days after the expiry of the lease.
- The second is a change to the eligibility for lease continuation on the basis of an *Oil and Gas Activities Act* special project. **Please note that this particular change does not take effect until August 2017.** Effective August 1, 2017, only the following types of special projects will make a spacing area in a lease eligible for continuation under section 58 (3) (a) of the PNG Act:

- development or production of petroleum or natural gas, or both, from a field or pool or portion of a field or pool, using repressuring, recycling or pressure maintenance to enhance recovery;
- operation or use of a storage reservoir, including the disposal of produced water or acid gases;
- the disposal of petroleum, natural gas, water produced in relation to the production of petroleum or natural gas or waste.

The Ministry is working to revise the tenure policy guides to provide details on the changes introduced in BC Reg. 198/2016. Further information letters will be issued as the policy guides are updated.

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