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**Tenure Information Exchange
Alberta Department of Energy
and**

**Canadian Association of Petroleum Land Administration
Canadian Association of Petroleum Landmen
April 22, 2010**

**Government
of Alberta**

A G E N D A

<u>TOPIC/PRESENTER</u>	<u>START</u>	<u>TIME</u>
<ul style="list-style-type: none"> 1. Welcome/Introductory Comments and Introduction of Diana McQueen 	8:00 am	15 Min.
<ul style="list-style-type: none"> 2. Energy and Land Use in Alberta. Update on Competitiveness Review (Diana McQueen, MLA for Drayton Valley-Calmar and Parliamentary Assistant to the Minister of Energy, Ronald Liepert)) 	8:15 am	30 Min.
<ul style="list-style-type: none"> 3. Tenure Business Process Review (Brenda Allbright, Branch Head, Tenure) 	8:45 am	15 Min.
<ul style="list-style-type: none"> 4. Soldier Settlement Board (Retha Purkis, Director, Unconventional Agreements) 	9:00 am	15 Min.
<ul style="list-style-type: none"> 5. Question Period 	9:15	30 Min.
<ul style="list-style-type: none"> ----- B r e a k ----- 	9:45 am	20 Min.
<ul style="list-style-type: none"> 6. Shallow Rights Reversion and Consolidation (Donna Crawford, Manager, Continuations) 	10:05 am	15 Min.
<ul style="list-style-type: none"> 7. Alberta Energy System Application Development (Dianne Johnston, Manager, Business & Facility Services and Susan Haselgruber, Associate Director, Information Technology) 	10:20 am	15 Min.
<ul style="list-style-type: none"> 8. Company Amalgamations (Agnes Kilmarnock, Manager, Business & Facility Services) 	10:35 am	15 Min.
<ul style="list-style-type: none"> 9. Question Period 	10:50 am	30 Min.
<ul style="list-style-type: none"> 10. Closing Remarks(Brenda Allbright) 	11:20 am	5 Min.

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Tenure Business Process Review

Brenda Allbright April 22, 2010

**Government
of Alberta**

History

- Tenure work is guided by:
 - *Mines and Minerals Act* and associated regulations
 - Policy
 - Information Letters and Bulletins
- Last major review of legislation – 1998
- Over time it has been apparent that some processes are not working as well as they could

Objectives and Scope

Objectives

- Find efficiencies
- Reduce administration where possible
- Ensure tenure processes meet current needs of industry
- Ensure tenure processes continue to meet the goals of the government

Scope

- All tenure processes except Sales and Registrations, Trespass and Freehold Mineral Tax

Process to Date

- Introduced concept late 2009 to Tenure Industry Advisory Committee
 - Members include industry associations as well as ERCB and department representatives
- Determined it was timely to do this project
- Sub-committee created to work on the discovery phases and prepare “as is” models
- Good news: Bulk of petroleum and natural gas tenure processes are working to everyone’s satisfaction
- Most of the comments or concerns received dealt with continuations processes

What's Been Bothering Industry (samples)

Length of time to get a final response

- *Potential solutions to consider:*
 - Electronic continuation applications/responses
 - Immediate continuation for those things that are administrative in nature (i.e. section 16)

Not knowing what data to submit

- *Potential solutions to consider:*
 - Form tied to technical guidelines
 - Form can't be submitted without correct information

Not knowing what stage their application is at in department

- *Potential solution to consider:*
 - Tracking system

What's Been Bothering Department (samples)

Length of time to send a final response

Potential solutions to consider:

- Electronic continuation applications/responses
- Immediate continuation for those things that are administrative in nature (i.e. section 16)
- Electronic training

Complete/poor/late applications

Potential solutions to consider:

- System prevents submission of incomplete application or late application
- Electronic training

Complexity of Initial Term Licences

Potential solutions to consider:

- Eliminate licences
- Review term of primary term leases

Moving Forward

Project Charter for Phase 2 will be finalized concentrating on
Continuations

Working Group will be formed

Work will begin in Summer 2010

Information will be placed on web when available

Changes are in three categories:

- Policy
- Regulation
- Legislation

Department reserves the right to make final decision

Contact Information

Industry

Your association representatives

Department

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– 780.422.9393

Lori Enns, Director, P&NG Tenure Operations

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– 780.427.3607



Thank you!

Soldier Settlement Board Minerals

Outline

Soldier Settlement Act - Background

Alberta's Claim to Soldier Settlement Board minerals

Alberta/Canada Comprehensive Settlement Agreement

Implementation of terms and provisions of the final Agreement

Background

Soldier Settlement Board (SSB) established in 1917 to re-establish returning service men

and provided under Homestead regulations

2500 interest-free loans

New Act passed in 1919 to deal with demand for land



Background

District offices established
across the three prairie
provinces

Assessment of applicants

Training was provided to
veterans

Assistance to wives and
families



Background

November 1920 – 5785
soldiers established in Alberta
heavy debts and adverse
farming conditions
agricultural frontier was
extended
lessons learned for the
Veterans Land Act - WWII



Alberta's Claim

Natural Resources Transfer Act (NRTA)

- Effective October 1, 1930
- Dominion of Canada granted the prairie provinces jurisdictional control over the crown lands and natural resources within their respective boundaries

Who is the rightful owner of SSB minerals?

- Unpatented SSB minerals transferred to Alberta
- Canada continued to administer minerals in the name of the Soldier Settlement Board

Alberta's Claim

Alberta and Saskatchewan investigate ownership question

- Section 1 - Natural Resources Transfer Act
- SSB minerals vested to the provinces
- Federal government did not agree

Alberta files a Statement of Claim – February 2001

- Asserts claim to SSB parcels in Alberta
- Includes revenues earned from SSB minerals since 1930

Saskatchewan launched legal action – August 2003

the Settlement Agreement

Canada and Alberta have negotiated an out-of-court settlement
April 1, 2010 – titles transferred to Alberta

- 212 Soldier Settlement Board mineral titles
- 89 associated leases
- 265 other federally owned mineral titles
- 7 associated leases
- a cash settlement of \$31 million

Saskatchewan announced a settlement – December 2009

Implementation - Tenure

Existing federal P&NG agreements

- Alberta will honour the 96 petroleum and natural gas leases
- Canada advised lessees about the transfer

Alberta replacement dispositions

- Lessees have the option to replace the existing federal lease with a standard Alberta P&NG lease agreement
- Consolidation into one lease

Payment is payable to the Minister of Finance (Alberta)

Implementation – The Sale Process

June 2, 2010 to June 15, 2010 Posting Request Acceptance Period

- Use the Electronic Transfer System (ETS) to submit your request to the Department of Energy
- Refer to Information Bulletin 2010-01 published April 12, 2010

September 29, 2010 public offering

Direct Purchase process

- You must qualify under the standard direct purchase requirements
- Applications will be accepted as of June 2, 2010

Implementation – Royalty Payments

Alberta Replacement Disposition – collection of royalty will be subject to the current royalty formulae

Federal Lease – calculation of royalty will be in accordance with federal provisions but payment will be made to Minister of Finance (Alberta)

See Information Bulletin 2010-01

Contact Information

Revenue

- Retha Purkis 780-427-8062
- Liz Crowe 780-422-9431
- Sharon Wong 780-638-3144

Gas Royalty

- Wayne Taljit 780-422-9296

Oil Royalty

- Beverley Murray 780-427-2193



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Questions

Government

resentation Outline

Shallow Rights Reversion (SRR)

Review and update

Consolidations

Overview

Information Letter

onna Crawford April 22, 2010

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Shallow Rights Reversion

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Shallow Rights Reversion (SRR)

SRR became effective January 1, 2009 for new agreements

The *Mines and Minerals Act* has been amended to include SRR under Section 82

The P&NG Tenure Regulation will be updated prior to 2014

Agreements that existed prior to January 1, 2009 will be impacted when a SRR notice has been served and expired

Shallow Rights Reversion

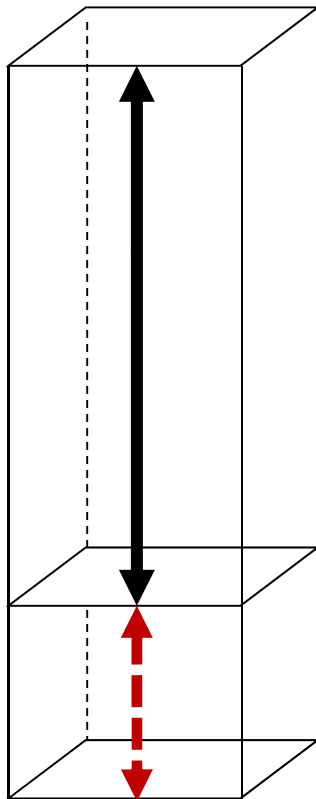
SRR will sever the petroleum and natural gas rights above the top of the shallowest productive zone from an agreement

At expiry this will result in the agreement being continued from the top of the shallowest productive zone to the base of the deepest productive zone

In some cases this may result in zone specific continuation

What Shallow Rights Reversion Looks Like

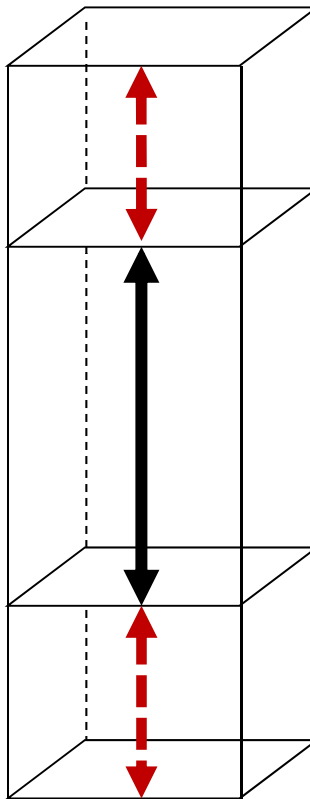
Deeper rights severance only



Need to know the **deepest** productive zone

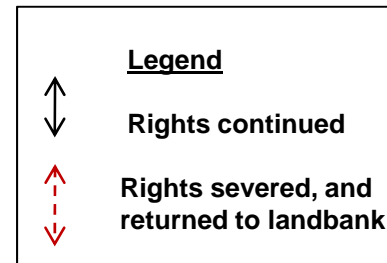
Continuation is **down** to the base of the **deepest** productive zone

Shallow and deeper rights severance



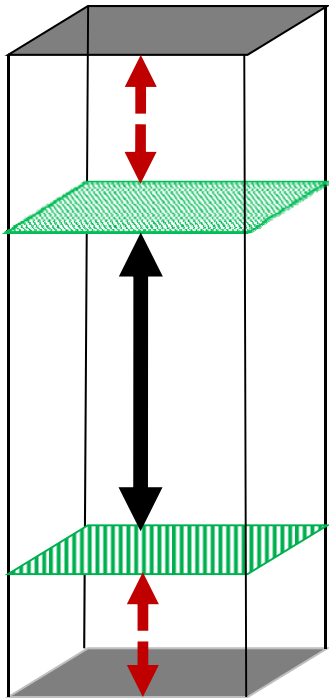
Need to know the **shallowest and deepest** productive zone.

Continuation is **below** the **top** of the **shallowest** productive zone to the **base** of the **deepest** productive zone

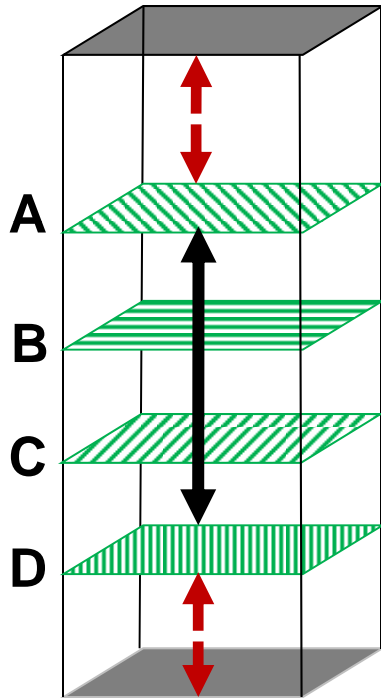


Examples of Shallow Rights Reversion

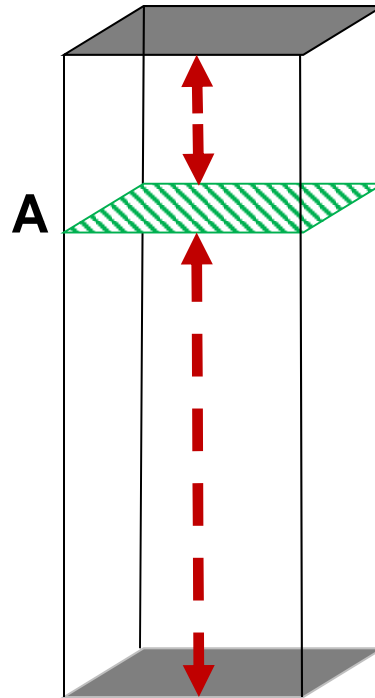
Shallow and deeper rights severance




Shallow and deeper rights severance (MULTIPLE ZONES)




Shallow and deeper rights severance (SINGLE ZONE)



Legend

 Rights continued

 Rights severed, and returned to land bank

Shallow Rights Reversion

Categories of Shallow Rights Reversion:

P&NG agreements issued after January 1, 2009

Existing agreements that have already been indefinitely continued

Existing agreements that were issued prior to January 2009, and not yet expired

Refer to Information Letter 2008-30

Agreements Issued After January 1, 2009

Upon expiry, an agreement holder will need to prove both the shallowest **and** deepest rights to gain continuation

Application for continuation will be in accordance to the P&NG Tenure Regulation

Upon expiry of an initial term licence, severance at validation will **not** include shallow rights reversion

Existing Agreements Already Continued

Shallow rights reversion notices must be served on agreements continuing indefinitely under Section 15 of the regulation

The serving of shallow rights reversion notices will begin in 2011. These notices will expire in 2014

The notice will indicate the shallowest zone the department determines is productive based on public records

A Section 18 notice of non-productivity may be served as well

Notices will be served based on vintage with the older agreements being first

2. Existing Agreements Already Continued (cont'd) - Responding to SRR Notices

Responding to a SRR notice will be in accordance with
the Mines & Minerals Act

- Section 16 of the P&NG Tenure Regulation is not available.
An extension under Section 82.1(6) of the Act may be used
for a qualifying well
- Section 17 of the P&NG Tenure Regulation is not available

Response may be received anytime during the three year
notice period

The Mines and Minerals Act does not provide for late
applications in response to SRR notices

2. Existing Agreements Already Continued (cont'd) - SRR Notice Information Letter

An Information letter has very recently been published which sets out the:

- Number of agreements being served notices in 2011 and 2012
- Term dates of the agreements being served
- Criteria used to select agreements to be reviewed for SRR notices
- Type of notice that may be served

Existing Agreements Issued Prior to January 1, 2009 and Not Yet Expired

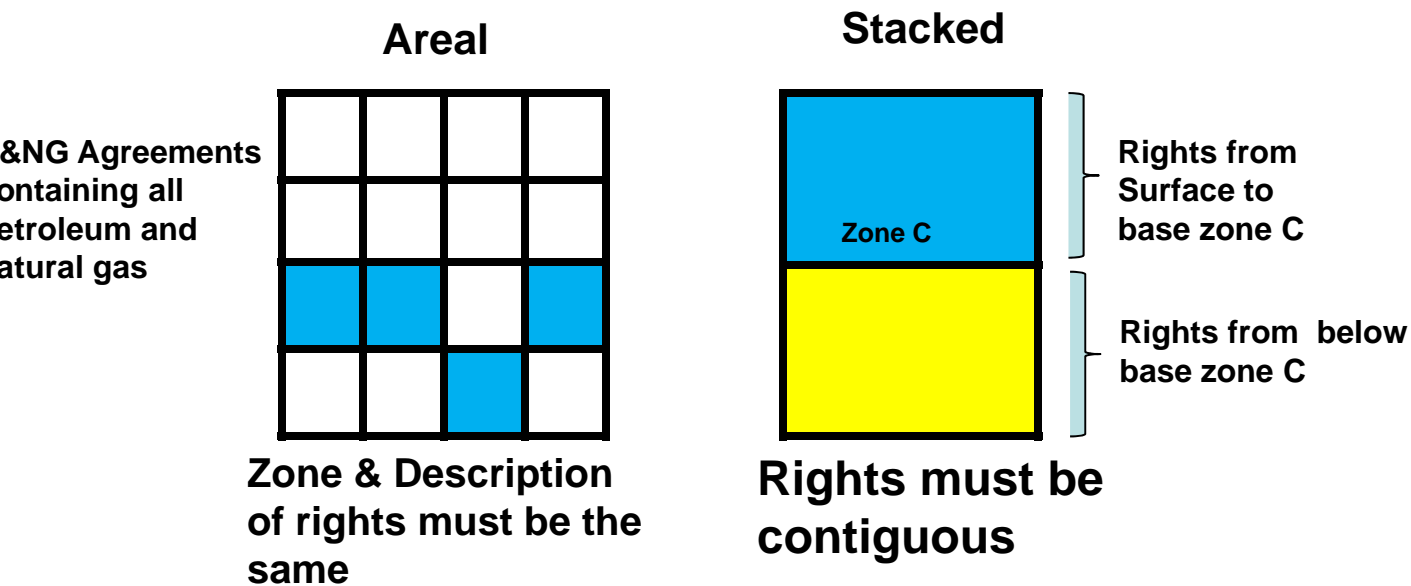
Agreements will be continued under deeper rights
reversion rules first

Once continued, they will be added to the “2. Existing
Agreements Already Continued” agreement count and
received a shallow rights reversion notice in due course

Consolidations

Consolidation

Lessees may choose to consolidate stacked agreements to retain more rights at shallow rights severance
In the past, only areal agreements could be consolidated



Consolidation Information Letter

Consolidation Information Letter 2010-10 criteria for consolidation of both lateral and stacked agreements:

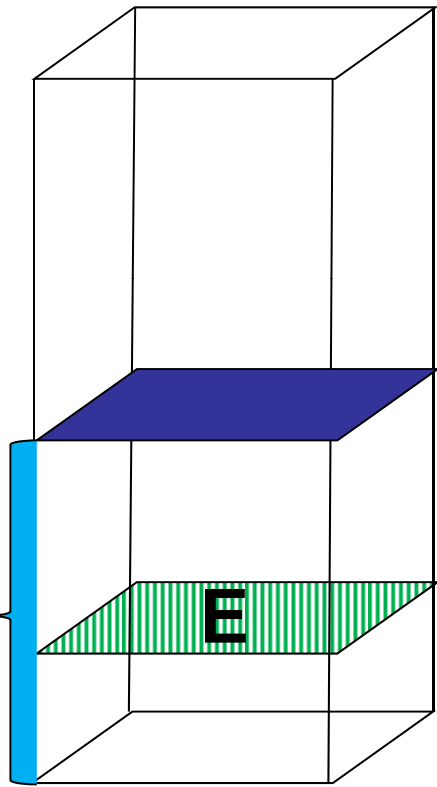
- Be in the same term
- Be for the same substances
- Have identical surface access restrictions
- Not be contained within a unit agreement
- Have the same designated representative
- Have lessees with equal interests

Advises of where and when to apply

Explains which agreement number will be used as the consolidated agreement

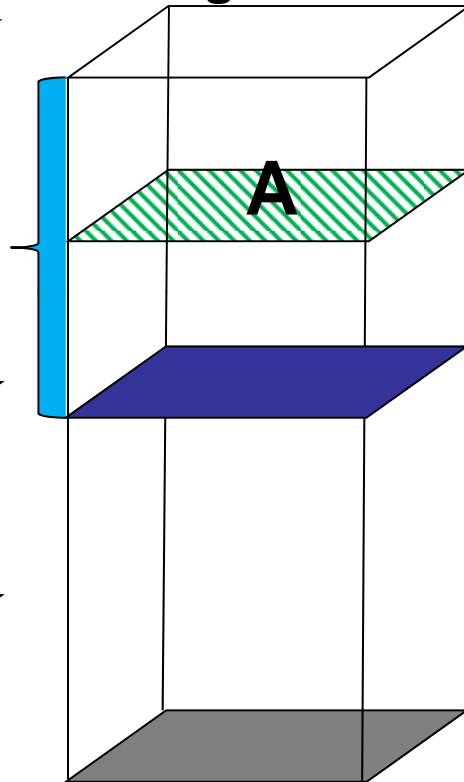
Example of Consolidating Agreements

Deeper agreement



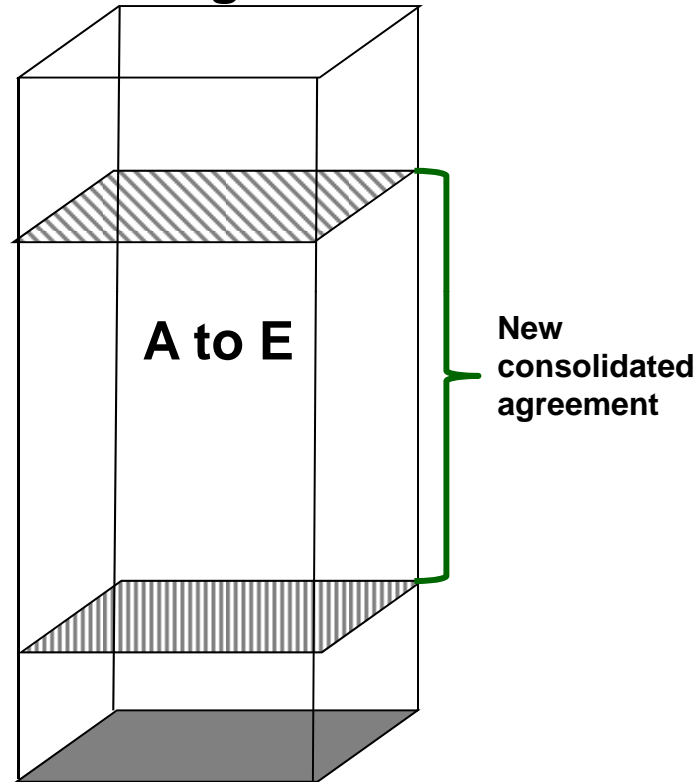
Zone Specific SRR

Shallow agreement



Zone Specific SRR

Consolidated agreement



Multiple Zones SRR

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Internal Application Enhancements

Overview

Overview

Department of Energy Internal Applications Development

- Moving Mainframe Applications to Client Server Platform
 - i.e. Land Status Automated System (LSAS), Central Accounts Receivable System (CARS)
- Surface handled in Sustainable Resource Development Ministry/Applications
- Subsurface handled in Department of Energy Ministry/Applications
- Seamless/transparent to Industry

Implementation

- Land Applications (DOE's and SRD's Land Applications) – Implementation January 2011
- Finance Application – Implementation February 2011

Internal Application Enhancements

Boundaries for Agreements and Restrictions

- **Current:** Squared off to a quarter section level
- **New:** Spatially accurate, based on natural boundaries
- Spatial data will not be available externally in first release

Internal Application Enhancements (cont'd)

Tracts created dynamically

- **Current:** Tract Numbers are assigned at the time of issuance and not changed
- **New:** Tract Numbers will be created and changed dynamically/automatically every time land and rights are changed

The appendix of a petroleum and natural gas (P&NG) agreement provides a description of the location and the leased substances and lands are listed in township order

Different locations of the same lease are split into tracts if the substance/rights are different

Internal Application Enhancements – Dynamic Tracts

Current: At issuance, tracts are numbered and ordered and left in that order for all subsequent amendments

New: At issuance, tracts are numbered and ordered by the system application according to the rules and all subsequent amendments may change the tract order

Current and New Rules for order of tracts:

- Most rights to least rights
- Most substances to least substances
- Shallow rights to deeper rights

The order of tracts may be complicated when rights are complex

Internal Application Enhancements - Tract Order

Appendix

Tract 1 P&NG below the base of the Peace River formation as designated in DRRZD 40

Tract 2 P&NG excepting Natural Gas in the Bluesky-Bullhead as designated in ZD 2748-1

Tract 3 P&NG below the base of the Peace River formation as designated in DRRZD 40 excepting natural gas in the Bluesky-Bullhead as designated in ZD 2748-1

Searches - Dynamically Created Tracts

- **Tract 1** P&NG excepting Natural Gas in the Bluesky-Bullhead as designated in ZD 2748-1
- **Tract 2** P&NG below the base of the Peace River formation as designated in DRRZD 40
- **Tract 3** P&NG below the base of the Peace River formation as designated in DRRZD 40 excepting natural gas in the Bluesky-Bullhead as designated in ZD 2748-1

Internal Application Enhancements – Road Allowance

Conventions used to Describe Road Allowances have Changed

Current convention = R-Road Allowance with Metes and Bounds

- 4-15-055: 14WR Road Allowance lying to the west including the intersection

New convention = Road Allowance with qualifier – i.e. RW, RS, RI

- 4-15-055: 14RW = Road Allowance lying to the west
- 4-15-055: 14RS = Road allowance lying to the south
- 4-15-055: 14RI = Road Allowance Intersection
- Example: 4-15-055: 14RW, RI
 - This means: Meridian 4 Range 15 Township 55 Section 14
West Road Allowance and Intersection

Internal Application Enhancements – Area Breakdown

P&NG agreements issued for the Crown portion of a location provide the land location and a metes and bounds description

5-20-062: 14 E, WP

Portions(s) lying designated as Lake #5 as shown on a plan...

For P&NG agreements issued since 1989 the appendix also provides an area breakdown for areas that are portions

For the purpose of this lease it is agreed that the portion(s) in the location contain(s):

29.32 hectares in 5-20-062: 14-SWP

63.77 hectares in 5-20-062: 14-NWP

Searches provided from the new system application will provide this information even if it not on the appendix at a quarter section level for all agreements

Reports and Data Files

Reports From New Application

Current

- Access search reports via Electronic Transfer System (ETS) or specialized reports from Crown Land Data Support
- Security access through ETS

New

- Searches
 - Same data and basic layout
 - Some adjustments to where data is contained
 - Current = Oil Sands areas were a remark in the LSAS reports
 - New = Oil Sands areas will be described in new database field
 - Additional data fields may become available
 - Searches will be available for Offset Notices
 - Surface reports will be enhanced by Sustainable Resource Development

Report Formats

- Report formats
 - **Current:** PDF, ASCII, TXT
 - **New:** PDF, XML, Report
- Single report combining surface and subsurface will be made available in a future release

Data Files

Current:

- Standard LSAS format (ASCII)

New:

- Data file formats will be XML
- Department of Energy will contact and work with Industry clients to move to new file formats

Contacts

Contact Information

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AMALGAMATIONS

HOW ARE THEY PROCESSED?

Kilmarnock April 22, 2010

Government

OVERVIEW

Crown land Data Support receives notification of amalgamations from Alberta Registries

There are various types of amalgamations:

- Example 1: All companies involved doing business with the Department
- Example 2: Only one company involved doing business with the department
- Example 3: Amalgamation results in a new company name being created
- Example 4: Amalgamation and a change of name occur on the same day
- Example 5: Multiple Provincial & Extra Provincial amalgamations and name changes occurring in the same day

OVERVIEW (cont'd)

- Crown Land Data Support (CLDS) – Client Registry will process the amalgamations in date order
- Client registry will process the amalgamation in:
 - The Petroleum Registry of Alberta (PRA)
 - Electronic Transfer System (ETS)
 - Department of Energy Internal Systems
- ETS account of the merged company(s) will be inactivated
- PRA will no longer accept new business under the name of the merged company(s) after the amalgamation established date
- After the corporate status has been changed on the internal systems other business processes will be activated

MALGAMATION - Example 1

Company A & B amalgamate into company B and both
& B are conducting business with the Department of
Energy

- Outstanding business for **A** should be resolved
- No new business should be submitted via ETS for **A**
- Client Registry will change the corporate status of **A** to amalgamated
- ETS account for **A** will be inactivated after all outstanding business has been resolved

MALGAMATION - Example 1 (cont'd)

- Client registry will complete the amalgamation process and forward the Memorandum of Registration (MOR) documents to B
- ETS site administrator for B should ensure:
 - ETS account has all the necessary form types to continue business
 - It may be necessary to set up new users
- PRA user security administrator for B
 - It may be necessary to set up new users
- Contact our Finance Branch if a new monthly statement contract is required for surface agreements

MALGAMATION - Example 2

Company A & B amalgamate into company B and only company A is conducting business with the Department of Energy

Outstanding business for A should be resolved

New business should be submitted via ETS for A

Government Registry will change the corporate status of A to amalgamated

To process the amalgamation a new code will be created for B
PRA & DOE

Government registry contacts B for written address confirmation

MALGAMATION - Example 2 (cont'd)

Client registry will complete the amalgamation process and forward the MOR documents to B

TS account for A will be inactivated after all outstanding business has been resolved

TS account set up/change form and authorization letter for the site administrator must be submitted for B

Authorization letter for the Business Associate user security administrator (BAUSA) must be submitted for B

Contact our Finance Branch if a new monthly statement contract is required for surface agreements

MALGAMATION - Example 3

Company D & company E amalgamate into company Z
Company D & company E are both doing business
with the Department of Energy

Outstanding business for D & E should be resolved

No new business should be submitted via ETS for D & E

Client Registry will change the corporate status of D & E to
amalgamated

To process the amalgamation a new code will be created for Z
with PRA & DOE

Client registry contacts Z for written address confirmation

Client registry will complete the amalgamation process and
forward the MOR documents to Z

MALGAMATION - Example 3 (cont'd)

TS account for **D** & **E** will be inactivated after all outstanding business has been resolved

TS account set up/change form and authorization letter for the site administrator must be submitted for **Z**

Authorization letter for the BA user security administrator must be submitted for **Z**

Contact our Finance Branch if a new monthly statement contract is required for surface agreements

MALGAMATION - Example 4

Company G (old) & company H amalgamate into company T then
changes their name to company G (new) and G (old) & H are
both doing business with the Department of Energy

Outstanding business for G (old) & H should be resolved

No new business should be submitted via ETS for G (old) & H

Client Registry will change the corporate status of G (old) & H to
amalgamated

To process the amalgamation a new code will be created for T on
PRA & DOE

Client registry contacts T for written address confirmation

Client registry will complete the amalgamation process

MALGAMATION - Example 4 (cont'd)

The next day the name change from T to G(new) will be processed on all systems

Two sets of MOR documents will be forwarded to G (new)

The ETS account for G (old) & H will be inactivated after all outstanding business has been resolved

The ETS account set up/change form and authorization letter for the site administrator must be submitted for T/G(new)

Authorization letter for the BA user security administrator must be submitted for G (new)

Contact our Finance Branch if a new monthly statement contract is required for surface agreements

MALGAMATION - Example 5

Company **M** continues out of the Province of Alberta and continues into another jurisdiction and company **M** is doing business with the department

Companies **M** & **N** amalgamate into company **P**

Companies **P** & **R** amalgamate into company **Q**

Company **Q** continues into Alberta as Company **K**

The above scenario outlines a more complicated type of amalgamation

MALGAMATION - Example 5 (cont'd)

Client Registry require copies of the out of province amalgamations that transpired

proof of the chronological order of the transactions cannot be obtained then the amalgamation process will stop

This amalgamation will take Client Registry at minimum 3 days to complete

These amalgamations will be processed as follows:

- Status of **M** changed
- Amalgamation of **M** & **N** into **P** is processed
- Amalgamation of **P** & **R** into **Q** is processed
- Name change from **Q** to **K** is processed
- MOR documents for all transactions will be produced and sent to **K**

Amalgamation scenarios unique to ETS

Company **B** is a child of the ETS account holder
Company **A** and company **B** amalgamates into
Company **C**

Company **B** must be removed from the ETS account of
Company **A**

Company **B** cannot be removed unless all outstanding
business is completed and this includes postings submitted for
future sales

Company **B** will not be added to the account of company **C**

amalgamation scenarios unique to ETS (cont'd)

Company **D** is a child of ETS account holder company **E** which amalgamates into another company but **D** is not part of the amalgamation

Company **D** must be removed from the ETS account of company **E**

Company **D** cannot be removed unless all outstanding business is completed and this includes postings submitted for future sales

Company **D** could apply for an ETS account of their own or they could become a child of another ETS account as long as proof of relationship is provided

Note: These processes described are the same when one company is sold to another

CONTACTS

If you have any questions or concerns please contact Crown Land and Data Support at 780 422 5727 and someone will be pleased to answer your questions or e-mail our group at CrownLandDataSupport@gov.ab.ca

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Questions

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