

Definitions

Adsorption

The adhesion of a layer of molecules of a liquid, gas or dissolved substance to the surface of a solid.

Associated Gas

Defined in the EUB Reserves Publication as *gas in a free state in communication in a reservoir with crude oil, under initial reservoir conditions.*

Capable of Producing in Paying Quantity

Not defined in the *Petroleum and Natural Gas Tenure Regulation*. By policy, capability is determined by the Department based on several factors including production, tests, reserves, logs and mapping of wells on the agreement and in the area.

Coal Cleat

Characteristic continuous fissures in coal that occur in orthogonal sets that are formed during and as a part of the coalification process. These fissures may be as closely spaced as several millimetres.

Coalbed Methane

A naturally occurring hydrocarbon gas, predominantly Methane, generated by coal and stored in coal seams.

Coal Rank

The term used to define discrete points in the maturation process in the formation of coal from freshly deposited organic matter in swamps to a graphite like material at the end of the progression. Rank may vary within a seam and from seam to seam.

Deeper Rights Reversion Zone Designation (DRRZD)

See "Zone".

Dewatering

In a Coal Seam that is charged with water the water must be removed from the coal to lower the pressure and to initiate methane gas desorption.

EUB (the Board)

Alberta Energy and Utilities Board.

Gas Content

Gas is stored in Coal as free gas in fractures such as cleat and as adsorbed gas within the matrix of the coal. The "Gas Content" in Coalbed Methane technology is conventionally considered to be the amount of gas adsorbed by the coal matrix and is expressed as Volume per Unit weight.

Adsorption Isotherm

The quantitative relationship, at constant temperature, describing how the concentration of adsorbed phase molecules at an interfacial surface varies as a function of increasing pressure.

Location

Defined in section 1(l) of the *Petroleum and Natural Gas Tenure Regulation* as:

- (i) *the subsurface underlying the surface area of the tract described in the licence or lease as its location, or*
- (ii) *where the licence or lease grants rights to petroleum or natural gas or both in some but not all of the subsurface, the subsurface area or areas underlying the surface area of the tract described in the licence or lease as its location and in respect of which rights are granted.*

Maceral

Microscopic organic particles in coal that are a result of the maturation process in the formation of coal

Mapping

Geological mapping such as net pay, hydrocarbon pore volume and structure maps supported by cross-sections and any other data that establishes the areal extent of the pool (eg: geophysical data, engineering data). For CBM, Methane Adsorption, Permeability and Coal isopachs maps in addition to any of the aforementioned map types

Natural Gas

Defined in section 90(2)(a) of the *Mines and Minerals Act* and used to determine ownership of production when the title to the natural gas and the petroleum is split: . . . *the production from any well that, in the opinion of the Minister, initially produces gas either alone or with oil at a gas-oil ratio of 1800:1 or higher . . .*

Offset Zone

Defined in section 1(n) of the *Petroleum and Natural Gas Tenure Regulation* as:

- (i) *in relation to a freehold spacing unit, a zone underlying the freehold spacing unit and identified in an offset notice in accordance with section 20(2)(a), or*
- (ii) *in relation to a Crown spacing unit laterally adjoining a freehold spacing unit that is the subject of an offset notice, the zone underlying the Crown spacing unit that is the same as the zone identified in the offset notice in accordance with section 20(2)(a).*

Petroleum

Defined in section 90(2)(b) of the *Mines and Minerals Act* and used to determine ownership of production when the title to the natural gas and the petroleum is split: . . . *the production from any well that, in the opinion of the Minister, initially produces oil either alone or with gas at a gas-oil ratio of less than 1800:1 . . .*

Pool

Defined in the *Oil and Gas Conservation Act* as *a natural underground reservoir containing or appearing to contain an accumulation of oil or gas or both separated or appearing to be separated from any other such accumulation.*

Potentially Productive Part of the Location

Defined in section 17(1) of the *Petroleum and Natural Gas Tenure Regulation* as:

- (i) *a part of the location of the lease in which one or more potentially productive zones occur, or*
- (ii) *a subsurface area lying stratigraphically below the base of the deepest productive zone in all or part of the location of the lease and in which one or more potentially productive zones occur.*

Potentially Productive Zone

Defined in section 17(1)(c) of the *Petroleum and Natural Gas Tenure Regulation* as *a zone that is, in the opinion of the Minister, potentially capable of producing petroleum or natural gas or both in paying quantity.*

Producing Well

Defined in section 1(q) of the *Petroleum and Natural Gas Tenure Regulation* as *a well that is considered by the Minister to be a producing well on the basis of the records of the Board and other information available to the Minister.*

Productive

Defined in section 1(r) of the *Petroleum and Natural Gas Tenure Regulation* as *capable, in the opinion of the Minister, of producing petroleum or natural gas from [a] well in paying quantity.*

Qualifying Well

Defined in section 16(1)(a) of the *Petroleum and Natural Gas Tenure Regulation*:

a well is a “qualifying well” in relation to a lease if the well qualifies under any of the following subclauses at the expiration of the term of the lease or the expiration of a continuation period of the lease, as the context requires:

- (i) *a well that is being drilled in the location of the lease or in a section of land containing all or part of the location of the lease;*
- (ii) *a well that is being drilled outside the location of the lease and, in the opinion of the Minister, will evaluate petroleum and natural gas rights in the location of the lease;*
- (iii) *a well that has been drilled in the location of the lease or in a section of land containing all or part of the location of the lease, but in respect of which the 3-month period following the rig release date for the well has not yet expired;*
- (iv) *a well that has been drilled outside the location of the lease and, in the opinion of the Minister, has evaluated petroleum and natural gas rights in the location of the lease, but in respect of which the 3-month period following the rig release date for the well has not yet expired.*

Rig Release Date

Defined in section 1(t) of the *Petroleum and Natural Gas Tenure Regulation* as *the rig release date for the well according to the records of the Board.*

Spacing Unit (SU)

Defined in section 1(u) of the *Petroleum and Natural Gas Tenure Regulation* as

- (i) *in relation to a well drilled or being drilled,*
 - (A) *the drilling spacing unit for the well prescribed by or pursuant to the Oil and Gas Conservation Regulations (AR 151/71), or*
 - (B) *where the Board has issued an order suspending the operation of Part 4 of the Oil and Gas Conservation Regulations (AR 151/71) in respect of the area in which the well is drilled or being drilled, the area that was, immediately before the effective date of the order, the drilling spacing unit prescribed for the well by or pursuant to those Regulations,*

or

- (ii) *the area that would be the drilling spacing unit prescribed for a well by or pursuant to those Regulations if the well were drilled and in the absence of any order of the Board suspending the operation of Part 4 of those Regulations in respect of that area.*

Vitrinite Reflectance

Characteristic and measurable reflectance of light from the surface of a Vitrinite maceral that can be used to determine the Rank of the maceral or maceral group being examined.

Zone Designation (ZD)

See “Zone”.

Zone

Defined in section 1(x) of the *Petroleum and Natural Gas Tenure Regulation* as a *stratum or series of strata considered by the Minister to be a zone for the purposes of this Regulation*. In many cases zones may be geological formations, but in some instances they are larger (geological groups) and include more than one formation (eg: the Mannville zone includes numerous formations).

A Zone Designation (ZD) designates a lithostratigraphic zone described specifically by the depths identified in a particular well. ZDs are used, for instance, to describe the zones included in natural gas leases. When a ZD is being used the depths and the interval take precedence over the name given to the zone.

A Deeper Rights Reversion Zone Designation (DRRZD) identifies a zone by its name. As noted in ERCB Decision 95-10, *historically the name of the zone identified within type wells takes precedence over the depths identified in terms of utilizing a DRRZD*. DRRZDs are used primarily for deeper rights reversion, but can also be used for other purposes, such as offsets.

Section 21(2) of the Oil and Gas Conservation Act authorizes the EUB to resolve any dispute concerning ZDs or DRRZDs (see also ERCB Decision 95-10).

General Information

- ◆ An application for continuation must be received by the Alberta Department of Energy, at either the Edmonton or the Calgary office, on or before the expiry of any of the agreements included in the application.
- ◆ Lands and rights that are not included in an application will expire.
- ◆ You should not assume that continuation has been granted until you receive confirmation from the Department.
- ◆ Unless otherwise stated, sections referred to in this document and in the Continuation Application Guide and Form are from the *Petroleum and Natural Gas Tenure Regulation*.
- ◆ You may use the Continuation Application Form to apply for continuation under sections 15, 16 and 17, and for extensions under sections 16(8) and 18(6). This form may be used to request an extension under section 8(1)(h) of the Mines and Minerals Act, or you may apply by letter. To apply to request a review of a continuation decision do not use this form – please apply by letter. To apply for validation of an initial term licence, please use the Licence Validation Form available on the department’s web site.

Overview of Continuations and Extensions

- ◆ The following types of continuation are available pursuant to the *Petroleum and Natural Gas Tenure Regulation*. They are discussed in more detail in the following pages.
 - Section 15: indefinite continuation for a spacing unit that is considered productive;
 - Section 16: a short-term continuation for a spacing unit allowing the lessee to finish drilling or testing a well;
 - Section 17: a one-year continuation, available only at the end of the primary term of a lease or the intermediate term of a licence, for a spacing unit that is considered potentially productive;
 - Section 18: a one-year notice issued against an agreement that was formerly continued, advising that a spacing unit is no longer considered productive.
- ◆ Deeper rights reversion applies to sections 15, 17 and 18. The deeper rights are not severed during a continuation under section 16.
- ◆ An agreement that is continuing under section 16 may be eligible for one or more extensions pursuant to section 16(8) if more time is required.
- ◆ An agreement that is continuing under section 18 may be eligible for a short-term extension pursuant to section 18(6) if one or more of the following conditions are met:

- operations have been conducted on the agreement to prove it productive;
 - there are drilling restrictions on the agreement such as winter drilling or environmental constraints;
 - there are other extenuating circumstances.
- ◆ An extension under Section 8(1)(h) of the *Mines and Minerals Act* may be granted under extenuating circumstances where an agreement cannot be continued under the *Regulation*. The applicant must demonstrate unusual or unforeseeable circumstances that were beyond the company's control and diligent effort, where feasible, to address those circumstances.
 - ◆ When determining productivity, the Department only considers data that is publicly available or that is supplied by the applicant. **EUB confidential data is not available to the Department.**

Notes on Technical Data

- ◆ ALL DATA IS HELD CONFIDENTIAL. The Department does not make data supplied by applicants available to anyone else unless authorized to do so by the party who provided the data. No information submitted for a continuation is used for any other application, even if it relates directly to another agreement.
- ◆ If you wish your data to be used to support someone else's application, you must authorize the Department to do so.
- ◆ Minimum data requirements described in this Guide are printed in **bold type**. **The success of your application may be affected if this data is not submitted.**
- ◆ You may refer to data submitted by your company in the past 12 months in support of another application. In Box 3 in Part 3 of the Application Form (Page 1), specify the data you want reviewed, the date it was submitted, and the agreement number(s) to which it related.
- ◆ You are welcome to present data in person at the Department's Edmonton office. Contact Continuations to book a meeting. Please have the following information ready:
 - Preferred date and time (if possible, have an alternative in case your preferred date or time is not available)
 - Crown agreement number(s)
 - Zone(s)
 - Who will be attending
 - Audio-visual equipment required
 - Approximate length of time required
 - Type of data being presented (geological, engineering, geophysical)
- ◆ All data relevant to your application should be included. Note that data submitted to the EUB is not available to the Department, with the exception of wells, production data and test data that are non-confidential and that have been entered on the EUB system. Data that has been released from confidential status for less than three months, and data that has only recently been submitted (eg: recent test or production data), may also be unavailable.
- ◆ Following the Department's initial review of your application, more information maybe requested. Failure to submit additional data as required will affect the success of your application.
- ◆ All productive and potentially productive zones must be listed.
- ◆ Copies of the well logs and cross-sections should include a large enough interval to correlate the zones; ie: completed interval plus regional markers above and below.
- ◆ To avoid ambiguity, all wells should be referred to by unique well identifier.
- ◆ All data submitted is retained by the Department, with the exception of seismic sections, which may be returned upon request (check Box 6 in Part 3, on Page 1 of the Application Form).

- ◆ Where the guidelines specify that test results are required, this usually refers to a test that provides a measurable rate, such as a drillstem test or a production test. However, in situations where the normal testing of a well is prevented by regulatory constraints, other forms of test may be considered.
- ◆ Supporting data may include all types listed in different sections of this Guide, as well as:
 - Maps including paleogeographic, facies development and trend maps
 - Core or sample descriptions, including adsorption data for CBM
 - Geological or technical references
 - Engineering data including oil and gas analyses, pressure data and dewatering data (for CBM)
 - Reserves information including material balance and volumetrics calculations
 - Test data such as spinner surveys, RFTs and injectivity tests (for CBM)
 - Surveys for horizontal or deviated wells with vertical and horizontal projections of the well's trajectory
 - EUB applications and approvals including Holdings, changes in spacing units, EORs, and Projects

Productive Well

15(1)(a)

15(1) . . . the Minister . . . shall approve the continuation of a lease after the expiration of its term to the extent that the location is within . . . the spacing unit for a productive well.

Summary

Continuation is granted for the spacing unit of a well, down to the base of the deepest productive zone in the well.

Guidelines

Oil Wells

- ◆ An oil well will qualify for continuation under section 15(1)(a) if:
 - it is physically producing at expiry.
- ◆ A well may qualify for continuation under section 15(1)(a) if:
 - it has been recently tested with results comparable to other wells in the area that are productive from the same zone;
 - eg: a well that was tested just before expiry with good results and no apparent problems, and is about to be put on production.
 - the well has produced, and is still capable of producing at rates that are comparable to other wells in the area that are productive from the same zone;
 - eg: a well that produces seasonally, and is shut in for several months of every year.
 - the well has been production tested or has previous production that is comparable to other wells in the area that are productive from the same zone, but is presently shut in for a reason other than economics or poor productivity;
 - eg: a well in which a deeper zone is shut in to allow a shallower zone to produce.
- ◆ A well will not qualify for continuation under section 15(1)(a) if:
 - it is suspended because it is presently uneconomic to produce.

Gas Wells

- ◆ A gas well will qualify for continuation under section 15(1)(a) if:
 - it is physically producing at expiry;
 - it has been tested with results comparable to other wells in the area that are productive from that zone;
 - eg: a Medicine Hat gas well that tested at 1,000 m³/d with no indications of production problems. or
 - eg: an Ardley Coalbed Methane gas well that tested at 1,000 m³/d with no indications of production problems.
 - the well has produced, and is still capable of producing at rates that are comparable to other wells in the area that are productive from the same zone;
 - eg: a well that produces seasonally or to fulfill a gas contract.
- ◆ A gas well may qualify for continuation under section 15(1)(a) if:
 - it is untested, but its log characteristics indicate that it is productive, when compared to other wells in the same pool that have been tested or are producing;
 - eg: a capped gas well that is demonstrably in the same pool as several other productive wells.
 - there is associated gas;
 - eg: a zone whose production and log characteristics indicate an oil leg with an associated gas cap.
 - the zone is temporarily abandoned, but meets some or all of the criteria for productivity;
 - eg: a well that is bridge-plugged above a productive zone to allow a shallower zone to be tested.
- the well is currently being used for the purpose of CBM production. This may include a well that is still in the dewatering stage.
- ◆ A well will not qualify for continuation under section 15(1)(a) if:
 - it has been tested at a rate significantly lower than is considered economically viable for the area;
 - eg: a Foothills well that tested 1,000 m³/d from the Mississippian.
 - it tested gas TSTM (too small to measure), even if other wells in the area yielded the same results and were subsequently completed as producing wells;
 - it tested gas at high rates but displayed indications that it would not be capable of sustained production in paying quantity;
 - eg: a well whose test results indicated depletion, high water cuts, limited reserves, or fluids in the well (heavy oil or water).
 - the zone is permanently abandoned, even if it was tested at rates comparable with other wells in the area that are productive from the same zone.

Units and Gas Storage Agreements

15(1)(b) and (d)

15(1) . . . the Minister . . . shall approve the continuation of a lease after the expiration of its term to the extent that the location is within . . . a spacing unit all or part of which is within the unit area of a unit agreement to which the lease is subject [or] a spacing unit all or part of which is within the area of a gas storage agreement to which the lease is subject.

Summary

For each spacing unit within a unit or gas storage agreement, continuation is granted down to the base of the deepest zone that is subject to the agreement.

Guidelines

A spacing unit is considered productive if a leased zone within it is subject to the unit, production allocation unit agreement or gas storage agreement.

The Department reviews data to determine, for each spacing unit, the deepest zone in the unit, production allocation unit agreement or gas storage agreement, and to verify that it is included in the lease or licence.

Offset Compensation

15(1)(c)

15(1) . . . the Minister . . . shall approve the continuation of a lease after the expiration of its term to the extent that the location is within . . . a spacing unit laterally adjoining the spacing unit for a freehold well if the lessee, in accordance with this Regulation and before the expiration of the term of the lease, has notified the Minister in writing that the lessee elects to pay offset compensation in respect of the location or the part of the location within the spacing unit.

Summary

Continuation is granted, down to the base of the offset zone for any spacing unit that is subject to an obligation to pay offset compensation.

Guidelines

A zone is considered productive if the lessee has elected to pay offset compensation on the production from an adjacent freehold well. The Department reviews the freehold well to determine if the zone is still producing and is included in the Crown agreement.

Productive Pool

15(1)(e)

15(1) . . . the Minister . . . shall approve the continuation of a lease after the expiration of its term to the extent that the location is within . . . a spacing unit all or part of which is productive from a zone in the location.

Summary

The lessee may supply mapping and other technical data demonstrating that a spacing unit is underlain by a productive pool. Continuation is granted for the spacing unit down to the base of the deepest productive zone.

Guidelines

A spacing unit is considered productive for oil or gas if:

- ◆ there is at least one productive well in the pool,
- ◆ mapping supported by other technical information is supplied by the lessee (the Department will not generate mapping for the lessee) that demonstrates the presence of a productive pool, and
- ◆ the mapped productive pool underlies the spacing unit in the opinion of the Department.

Qualifying Well with Technical Data

16

16(1)(a) . . . a well is a qualifying well in relation to a lease if the well qualifies under any of the following subclauses at the expiration of the term of the lease or the expiration of a continuation period of the lease, as the context requires:

- (i) a well that is being drilled in the location of the lease or in a section of land containing all or part of the location of the lease;
- (ii) a well that is being drilled outside the location of the lease and, in the opinion of the Minister, will evaluate petroleum and natural gas rights in the location of the lease;
- (iii) a well that has been drilled in the location of the lease or in a section of land containing all or part of the location of the lease, but in respect of which the 3-month period following the rig release date for the well has not yet expired;
- (iv) a well that has been drilled outside the location of the lease and, in the opinion of the Minister, has evaluated petroleum and natural gas rights in the location of the lease, but in respect of which the 3-month period following the rig release date for the well has not yet expired.

16(2) . . . if at the expiration of the term of a lease there are one or more qualifying wells in relation to the lease, the Minister shall approve the continuation of the lease after the expiration of its term with respect to the whole or part of its location . . .

Summary

Section 16 provides for a short-term continuation of a spacing unit to allow for the drilling and/or testing of one or more wells. It may be applied for at the end of a primary term of a lease or the intermediate term of a licence, or following a previous continuation pursuant to section 16, section 17, or section 18.

If an agreement contains a well that is drilling at expiry or has a rig release date in the last three months of the primary/intermediate term, up to five sections of the agreement will continue for six months from the rig release date. If more than five sections are requested in one or more expiring agreement, mapping must be supplied. Although no deeper rights reversion takes place at this time, it is nevertheless important that information is submitted on all prospective zones.

The drilling of subsequent wells during the section 16 term will trigger further continuation periods of three months each from the rig release date. Once the drilling program has been completed, the spacing unit may be eligible for continuation under section 15.

Guidelines

There are two options for continuation under section 16:

- ◆ **Without technical data**, you may apply for continuation for six months from the rig release date of the initial qualifying well, or three months for a subsequent qualifying well for:
 - ◆ in a single agreement, up to five sections of land per qualifying well, or
 - ◆ any number of agreements up to five sections of land per qualifying well provided the five sections being selected touch or corner the section containing the qualifying well, or
 - ◆ multiple agreements which comprise the one section containing the qualifying well
 - ◆ applications based on more than one qualifying well – all agreements must be submitted on one application
- ◆ **With technical data**, you may apply for one or more agreement(s) for more than five sections using the same qualifying well.
- ◆ All lands or agreements using the same qualifying well must be submitted on one application form as no qualifying well can be used more than once.
- ◆ You may not “pick and map” from the same qualifying well (ie. select up to 5 sections of land and also map additional lands with technical data).

If you apply for more than five sections with mapping and the Department disagrees with your application, you may then qualify to select a maximum of five sections per qualifying well (refer to “Without technical data” above). The Department’s notification of disagreement with your application will make this option available if you are eligible.

An application for one or more agreements within a single section does not require the submission of technical data.

The additional lands may be continued for six months from the rig release date if

- mapping is supplied by the lessee (the Department will not generate mapping for the lessee),

- the mapped rights are contained in the agreement, and
 - the mapped prospective pool or play being drilled by the qualifying well underlies the section in the opinion of the Department;
- eg: for an agreement containing all rights to basement, those sections of the agreement that are underlain by a prospective Viking pool being drilled will be continued to the basement.

Potentially Productive Zones

17

17(2) *The Minister may approve the continuation of a lease in respect of a potentially productive part of the location pursuant to this section on the basis of*

- (a) *an application made in accordance with subsection (3), or*
 (b) *an acceptance made in response to an offer notice given to the lessee.*

Summary

- ◆ Continuation pursuant to section 17 is only available after the expiry of the primary term of a lease or the intermediate term of a licence. It does not apply after a period of continuation under section 16, section 17 or section 18.
- ◆ The lessee may apply for continuation pursuant to section 17.
- ◆ The Department will offer the one-year continuation for a spacing unit if it is not considered productive under section 15(1)(a) or (e), but is considered potentially productive.
- ◆ The agreement is severed at the base of the deepest potentially productive zone.
- ◆ At the expiry of a section 17 continuation, the spacing unit may be eligible for further continuation under section 15 or section 16.

Guidelines

- ◆ A zone in a well not considered productive under section 15(1)(a) may be considered potentially productive if the well is not abandoned, and at least one of the following conditions is met:
 - the zone was previously producing,
 - the zone has been tested with questionable results,
 - the zone has untested associated gas (gas cap),
 - the zone has log pay, or
 - the zone has other indications of hydrocarbon potential.
- ◆ If the well is abandoned, it may be considered potentially productive if a zone in the well has log pay that is supported by other data such as:
 - nearby wells, having analogous log characteristics, that are productive from the same zone,
 - core or sample data with porosity, permeability and hydrocarbon shows,
 - kicks or indications of hydrocarbons while drilling,
 - test results from the zone indicating hydrocarbon potential,
 - the zone was previously producing and has remaining reserves.
- ◆ A spacing unit not considered productive under section 15(1)(e) may be considered potentially productive if:
 - mapping is supplied by the lessee (the Department will not generate mapping for the lessee),

- there is at least one well in the pool considered productive as per section 15(1)(a) or potentially productive as per section 17, and
- the mapped pool potentially underlies the spacing unit, in the opinion of the Department.
- ◆ A spacing unit may be considered potentially productive based on an undrilled seismic anomaly if the following conditions are met:
 - the undrilled seismic anomaly is on the same line, or within the same 3D survey, as another seismic anomaly that has analogous seismic characteristics and has been drilled,
 - the drilled well contains reservoir rock.

eg: a reef play with more than one seismically defined pinnacle reef will require a well to be drilled on one of the pinnacles for a section 17 continuation to be considered on the undrilled pinnacles.

Notice of Non-Productivity

18

18(1) The Minister may give a lessee written notice in accordance with this section if

- (a) the lease is continued pursuant to section 15(1)(a) or (e) as to all or any part of its location in a spacing unit and the Minister considers that the deepest productive zone in the spacing unit is then no longer productive,*
- (b) the lease is continued pursuant to section 15(1)(b) as to all or part of its location in a spacing unit and the deepest productive zone in the spacing unit is then no longer subject to a unit agreement,*
- (c) the lease is continued pursuant to section 15(1)(c) as to all or part of its location in a Crown spacing unit and the freehold well concerned has, for a continuous 6-month period, ceased to produce petroleum or natural gas from the zone that is the same as the deepest productive zone in the Crown spacing unit, and the Minister considers the zone in the freehold spacing unit to be no longer productive, or*
- (d) the lease is continued pursuant to section 15(1)(d) as to all or part of the location in a spacing unit and the deepest productive zone in the spacing unit is then no longer subject to a gas storage agreement.*

(8) If a notice is given to a lessee pursuant to this section then, subject to subsection (9), the lease expires at the end of the one-year period referred to in the notice as to the whole or part of the location, or the subsurface portion, as the case may be, to which the notice relates.

(9) Before a lease expires in respect of all or part of its location or a subsurface portion, as the case may be, at the end of the one-year period pursuant to subsection (8), the lessee may apply for approval of the continuation of the lease pursuant to section 15 or 16 as to the location or the part of the location or the subsurface portion, as the case may be, or any lesser area or subsurface portion, and for that purpose section 14 applies, with the necessary changes, as though the expiration of the one-year period were the expiration of the term of the lease.

Summary

A notice issued pursuant to section 18 advises the lessee that a spacing unit of an agreement continuing under section 15 is no longer considered productive. The section 18 notice is for one year, at the end of which the lessee may apply for further continuation under section 15 or section 16.

An agreement that is continuing under section 18 may be eligible for a short-term extension pursuant to section 18(6) if one or more of the following conditions are met:

- operations have been conducted on the agreement to prove it productive;
- there are drilling restrictions on the agreement such as winter drilling or environmental constraints;
- there are other extenuating circumstances.

Guidelines

- ◆ Any changes (eg: new drilling, changes in production, well status changes) which put in question the productivity of a spacing unit may result in a section 18 notice being served. The one-year notice applies to the rights below the base of the deepest zone considered productive by the Department. Note that the lessee may have information that the Department does not have (eg: flow tests, new production), and may be able to satisfy the notice simply by producing this information. In some cases, the lessee may have already submitted the data to us in connection with the same or a different agreement, in which case he can direct us to use that data again.
- ◆ A request by a person other than the lessee to review the productivity of an agreement is acted upon if, in the opinion of the Manager of Continuations, it appears to be in the public interest to do so. A request for a review should therefore include information to support the belief that the review would be in the public interest. It should also include relevant technical information, if available. A review may then be conducted to determine if there are circumstances which would lead to the serving of a section 18 notice, such as well abandonment or pool depletion. A notice will not be served if the agreement is subject to an offset obligation, or included in a unit or an EUB-approved project.
- ◆ Continuation under section 17 is not available at the expiry of the section 18 notice.

Review of Continuation Decision

14(2)

If the Minister disagrees in whole or in part with an application made in accordance with subsection (1), the Minister shall give a notice to the lessee respecting the disagreement and specifying the period of time within which the lessee is entitled to respond to the notice.

Summary

A notice is sent to the applicant in cases where the Department disagrees with the application and is not prepared to continue some or all of the lands or rights. The applicant then has the right, within one month of the date of the notice or until the expiry of the agreement, whichever is later, to submit additional information and ask for the decision to be reviewed.

Guidelines

- ◆ The notice informs the applicant that the Department is not prepared to continue the lease in accordance with the application. The notice may offer the option of continuing the lands or rights under section 17, or it may inform the applicant that the Department does not consider any of the lands or rights to be productive.
- ◆ If new information is submitted, it must relate to operations that were conducted before the expiry of the agreement; if it relates to operations conducted after expiry it is ineligible and may in fact constitute trespass.
- ◆ The decision will only be reviewed if there is new, eligible information to support the request.