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MINERAL RIGHTS INFORMATION BULLETIN 2013-01

SUBJECT: April 16, 2013 Alberta Tenure Information Exchange

The Canadian Association of Petroleum Land Administration (CAPLA) together with Alberta Energy hosted the Alberta Tenure Information Exchange.

Dear Session Participants:

Thank you to everyone who participated in the April 16, 2013 Tenure Information Exchange. There were approximately 290 attendees. Questions, answers and detailed feedback are available on the Alberta Energy website at www.energy.alberta.ca under "Our Business" → "Tenure" → "Publications & Maps".

Topics presented included:

Alberta Energy Regulator

Proclamation of the Responsible Energy Development Act to establish the Alberta Energy Regulator targeted for June 2013.

The Alberta Energy Regulator (AER) will assume all upstream oil, gas, oil sands and coal regulatory functions. In June 2013, for phase 1 the Alberta Energy Regulator will assume the role of the current Energy Resources Conservation Board functions by taking on the energy related enactments. Targeted within one year of proclamation, future phases will have the AER assume the regulatory functions of the *Public Lands Act*, *Water Act*, *Environmental Protection and Enhancement Act* and Part 8 of the *Mines and Minerals Act* for upstream oil, gas, oil sands and coal. It will be an independent, arm's length agency, not a Government of Alberta Department. The legislation does not include mineral tenure and Surface Rights Board functions.

Regulator's Mandate

"Provide for the efficient, safe, orderly and environmentally responsible development of Alberta's energy resources."

Land Use Framework

Land-use Framework regional planning is a key priority for the Premier and a key element of the Integrated Resource Management System. The presentation provided a high-level overview of regional planning under the Land-use Framework, including:

- Purpose of Regional Plans
- Regional Planning Status Update

- Highlights from the Lower Athabasca Regional Plan
- Next Steps

Regional plans deliver on the three core outcomes identified in the Land-use Framework: a healthy economy, healthy ecosystems and environment and people-friendly communities. The *Alberta Land Stewardship Act* supports the Land-use Framework and establishes the legal basis for regional plans.

Tenure Organization and Updates

Shallow Rights Reversion

Alberta Energy published Information Letter 2013 – 13 (IL) dated April 16, 2013, announcing the decision that there is an indefinite hold on serving Shallow Rights Reversion (SRR) notices. The IL announced that:

Effective immediately, there is an indefinite hold on serving SRR notices for petroleum and natural gas (PNG) agreements issued prior to January 1, 2009. If, at some future date this decision is changed, Alberta Energy will be sure provide industry with sufficient notice of a change.

The IL also clarifies that PNG agreements issued after January 1, 2009 are not affected by the decision as these agreements remain subject to shallow rights severance upon expiry – beginning in January, 2014.

Soldier Settlement Board Minerals

At the April 2010 Tenure Information Exchange, Alberta Energy presented the background on Soldier Settlement Board (SSB) minerals, explaining when the settlement was reached that allowed for the transfer of minerals and associated mineral leases from Canada to Alberta.

Tenure established a review process for SSB agreements, either to replace these agreements with Alberta lease agreements or to renew existing agreements. Under the settlement agreement we are obliged to administer the federal agreements; however, we encourage industry to replace their SSB agreements with Alberta leases.

Frequently Asked Questions

Frequently Asked Questions of Tenure business are available on the Alberta Energy website at www.energy.alberta.ca under “Our Business”→“Tenure”→“About Tenure”→“Tenure FAQs”.

Query by Map in Electronic Transfer System (ETS)

To aid industry in the review of land for posting and bidding, substantial enhancements have been made to the functionality and appearance of the Query by Map portal in ETS.

Some unique, user friendly features were presented to the audience via a “show-me-type”, moving visual display, which demonstrated scenarios for a query of land, posting of land and how to bid at a sale.

This updated tool is targeted for release in May 2013.

Production Allocation Unit Agreement (PAUA)

A PAUA is a type of unit agreement used for a single well where varied royalty and working interest holders share production from the well.

The PAUA ensures that the royalty payments from one well are distributed to all parties in an equitable manner.

Continuations Business Process Review (BPR)

The Discovery and Review phases of the BPR were concluded and Alberta Energy provided a high level overview of the proposed changes. Tenure and the BPR Committee continue to analyze feedback and consider the recommendations for implementation. Proposed changes include:

- Provide clarity to the rules for validation
- Adjust the rules to accommodate horizontal and multi-legged wells
- Redefine "Groupings"
- Provide clarity and consistency for short term continuations
- Make changes to accommodate early response times to industry

An update on the status of the changes to the Petroleum and Natural Gas Tenure Regulation was provided. The changes will include provisions to accommodate the implementation of shallow rights reversion starting in 2014.

It is expected the regulations will be in place by fall 2013, with an implementation date of January 2014. This timing is subject to change due to the legislative approval process.

The E-Continuations project is in progress. Mock screen shots of E-Continuations on the ETS were shared. E-continuations on ETS is expected to be implemented early 2014.

BPR - NEW INFORMATION

Tenure conducted a further review in regards to the picking of sections for validation on an initial term licence. Rather than the **proposed** rule of selecting earned sections from the boundary of the section containing the drilled well, the choice of where an earned section is selected from will remain **as it is today (the agreement boundary)**.

We sincerely appreciate your attendance and feedback. Thanks again to CAPLA for hosting another successful event.

Please note: this information will only be available on our website for two years.

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