

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

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

Tenure Business Process Review

Brenda Allbright April 22, 2010

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

Incomplete/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

- Brenda Allbright, Branch Head, Tenure
 - brenda.allbright@gov.ab.ca
 - 780.422.9393
- Lori Enns, Director, P&NG Tenure Operations
 - lori.enns@gov.ab.ca
 - 780.427.3607

Thank you!



Freedom To Create. Spirit To Achieve.

Soldier Settlement Board Minerals

Retha Purkis April 22, 2010

Government
of Alberta ■

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
- Land 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
- Rent 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

- Tenure
 - 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

Thank you!



Freedom To Create. Spirit To Achieve.

Questions

Presentation Outline

- **Shallow Rights Reversion (SRR)**

 - Review and update

- **Consolidations**

 - Overview

 - Information Letter

Donna Crawford April 22, 2010



Freedom To Create. Spirit To Achieve.

Shallow Rights Reversion

Government
of Alberta ■

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

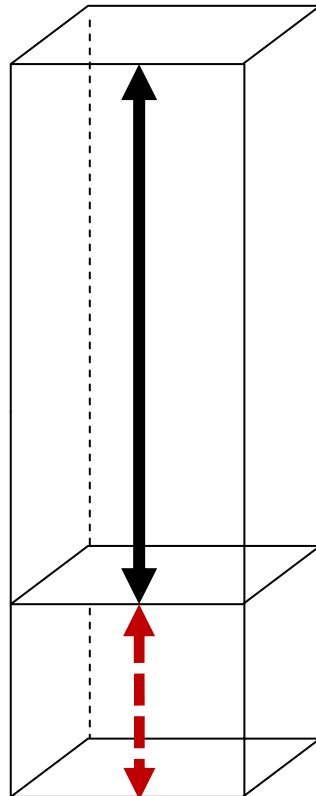
- SRR will sever the petroleum and natural gas rights above the top of the shallowest productive zone from an agreement
- At expiry this will result in the agreement being continued from the top of the shallowest productive zone to the base of the deepest productive zone
- In some cases this may result in zone specific continuation

What Shallow Rights Reversion Looks Like

Deeper rights severance only

Need to know the **deepest** productive zone

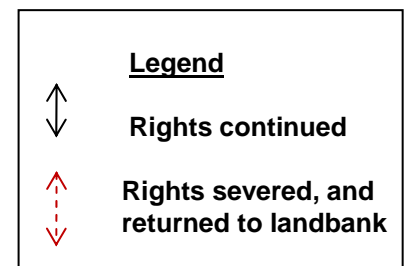
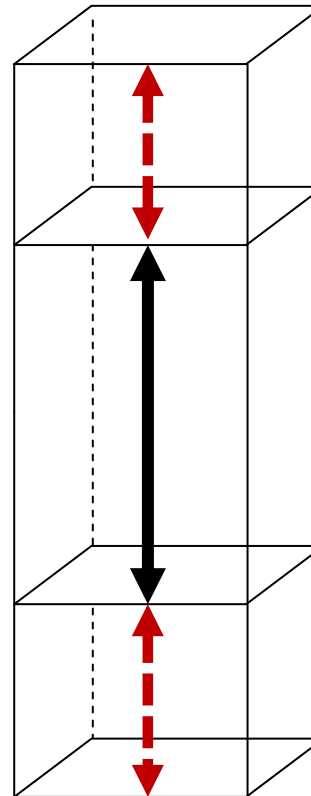
Continuation is down to the base of the deepest productive zone



Shallow and deeper rights severance

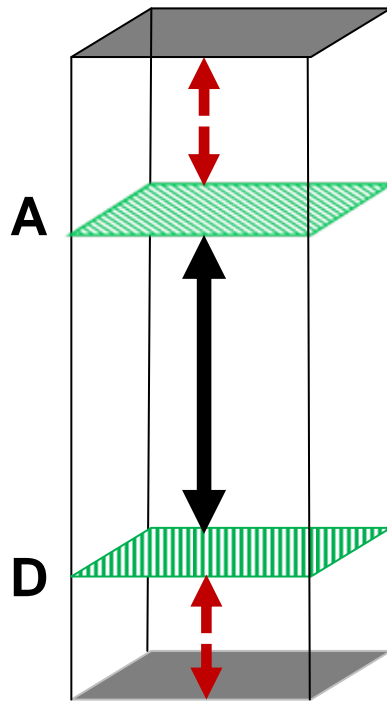
Need to know the **shallowest and deepest** productive zone.

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

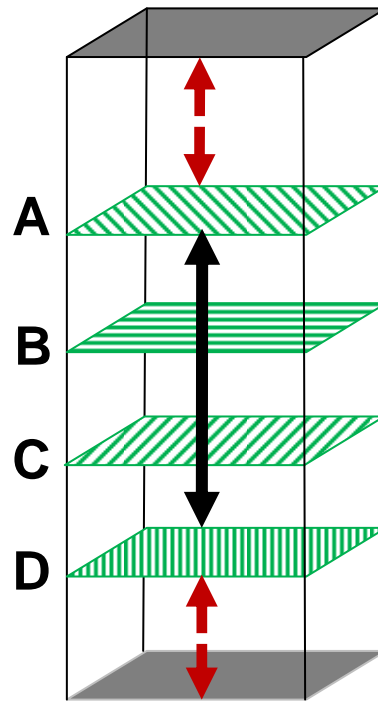


Examples of Shallow Rights Reversion

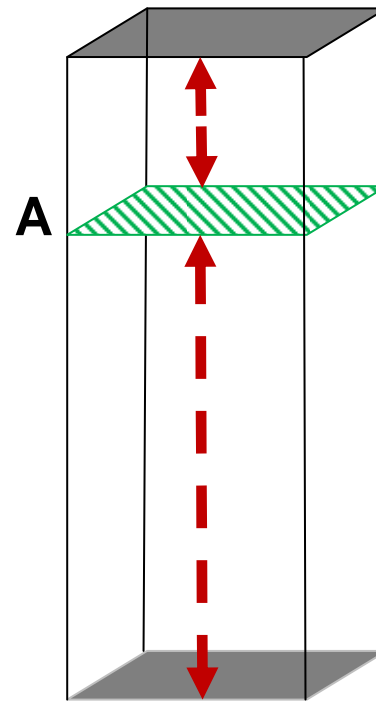
Shallow and deeper rights severance





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:

1. P&NG agreements issued after January 1, 2009
2. Existing agreements that have already been indefinitely continued
3. Existing agreements that were issued prior to January 2009, and not yet expired

Refer to Information Letter 2008-30

1. 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

2. 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

3. 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 served a shallow rights reversion notice in due course



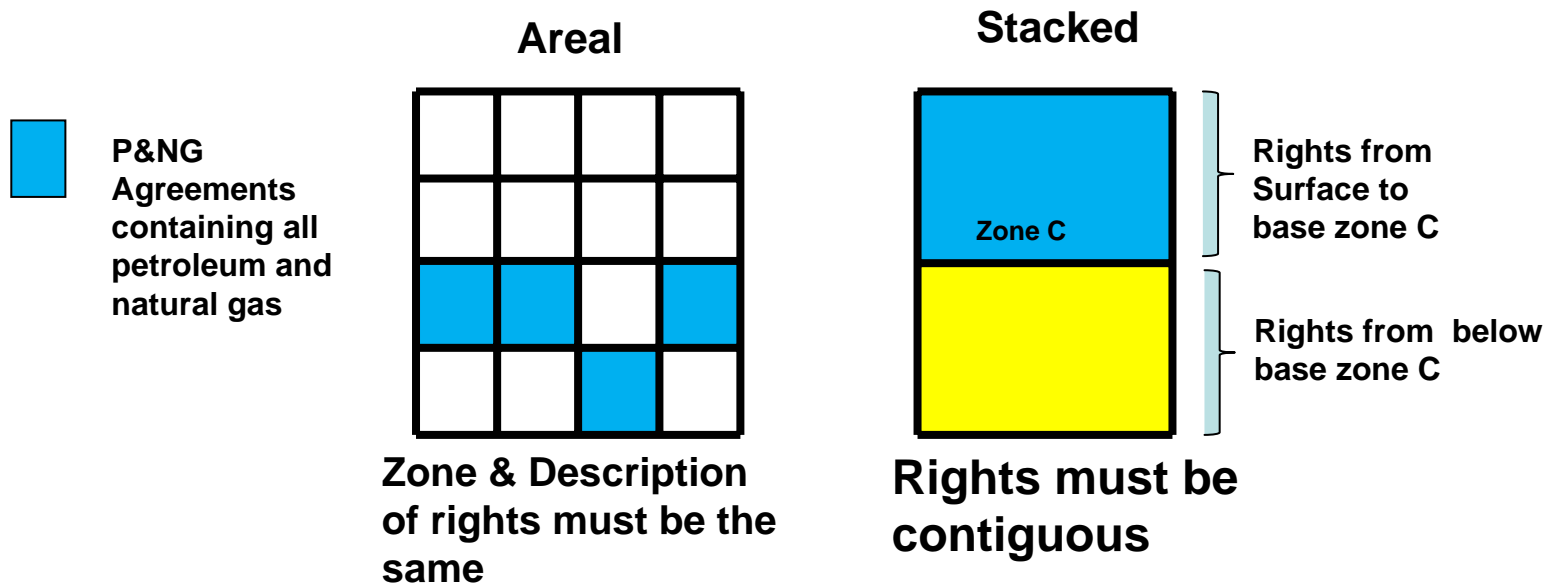
Freedom To Create. Spirit To Achieve.

Consolidations

Government
of Alberta ■

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

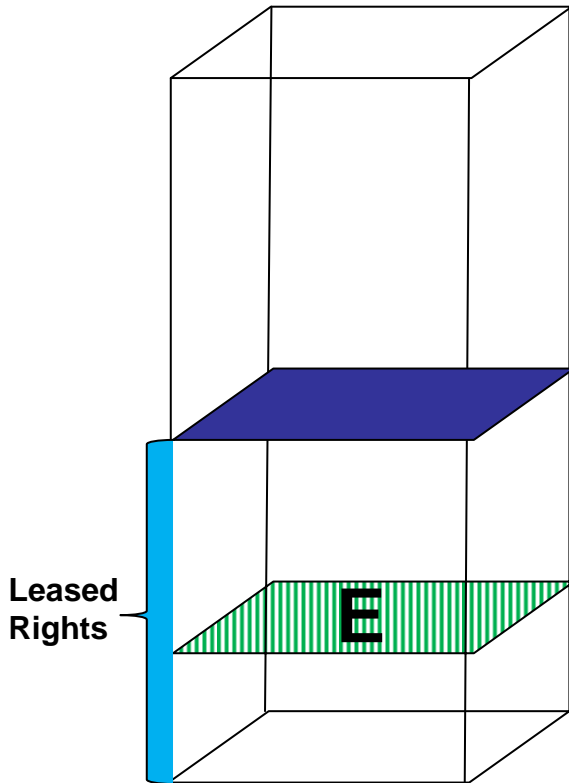


Consolidation Information Letter

- 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

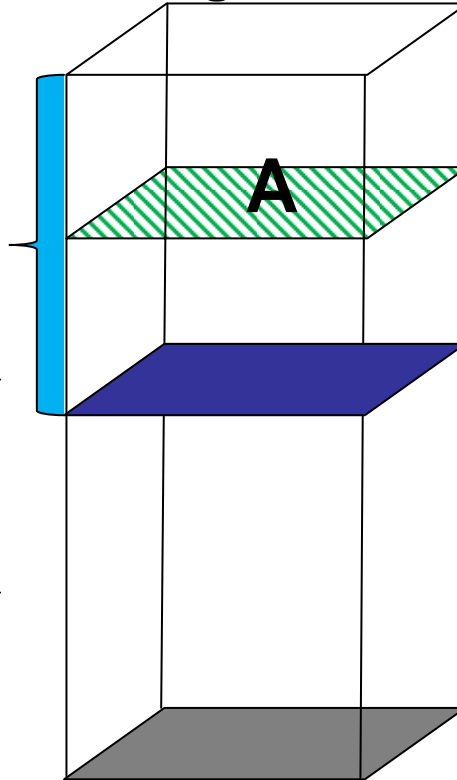
Example of Consolidating Agreements

Deeper agreement



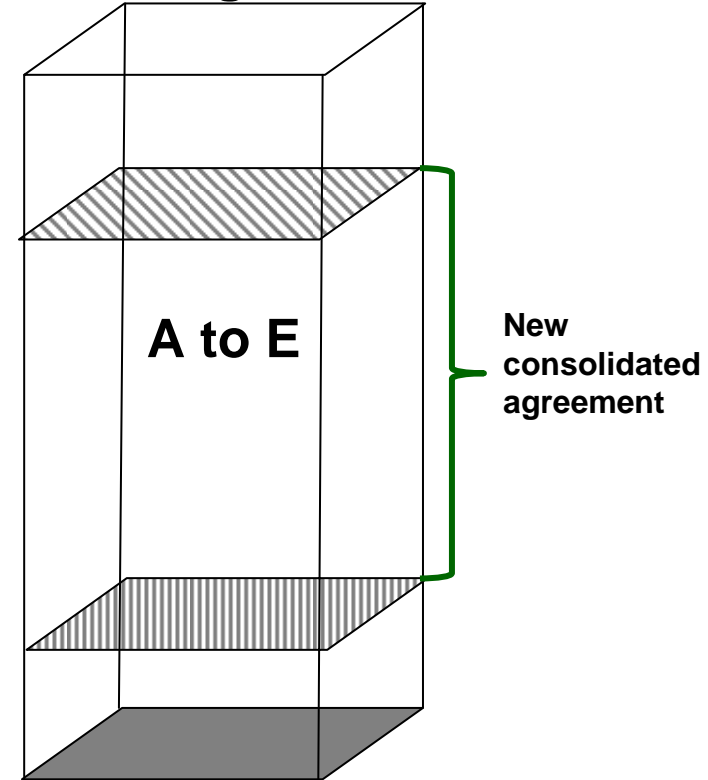
Zone Specific SRR

Shallow agreement



Zone Specific SRR

Consolidated agreement



Multiple Zones SRR

Alberta

Freedom To Create. Spirit To Achieve.

Thank You!

Government
of Alberta

Internal Application Enhancements

Susan Haselgruber and Diane Johnston April 22, 2010

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
- 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

– Susan Haselgruber

Associate Director – Tenure and Administrative Applications

Phone: (780) 415-2126

Fax: (780) 415-2213

E-Mail: Susan.Haselgruber@gov.ab.ca

– Dianne Johnston

Manager – Crown Land Data Support

Phone: (780) 427-7714

Fax: (780) 422-9522

E-Mail: Dianne.Johnston@gov.ab.ca

Alberta

Freedom To Create. Spirit To Achieve.

Thank You!

Government
of Alberta

AMALGAMATIONS

HOW ARE THEY PROCESSED?

Agnes Kilmarnock April 22, 2010

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

AMALGAMATION - Example 1

Company A & B amalgamate into company B and both A & 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

AMALGAMATION - 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

AMALGAMATION - 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
- No new business should be submitted via ETS for **A**
- Client Registry will change the corporate status of **A** to amalgamated
- To process the amalgamation a new code will be created for **B** on PRA & DOE
- Client registry contacts **B** for written address confirmation

AMALGAMATION - Example 2 (cont'd)

- Client registry will complete the amalgamation process and forward the MOR documents to B
- ETS account for A will be inactivated after all outstanding business has been resolved
- ETS 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

AMALGAMATION - Example 3

Company D & company E amalgamate into company Z and 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** on PRA & DOE
- Client registry contacts **Z** for written address confirmation
- Client registry will complete the amalgamation process and forward the MOR documents to **Z**

AMALGAMATION - Example 3 (cont'd)

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

AMALGAMATION - Example 4

Company G (old) & company H amalgamate into company T then T 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

AMALGAMATION - 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

AMALGAMATION - 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

AMALGAMATION - Example 5 (cont'd)

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

Alberta

Freedom To Create. Spirit To Achieve.

Thank You!

Government
of Alberta

Alberta

Freedom To Create. Spirit To Achieve.

Questions

Government
of Alberta