

PNG Sales and

On this page

- [PNG Sales and Registrations](#)
- [Continuations](#)
- [Well Administration and Undisposed Rights](#)
- [Units, Offsets & Trespass](#)
- [Freehold Mineral Tax](#)

Registrations

The department issues Crown petroleum and natural gas agreements in two ways:

Public Offering

As the result of exploration and development, industry clients submit requests to the department for parcels of land to be included in the public offering process. Public offerings (or sales) of petroleum and natural gas rights are held every two weeks. After each sale, Crown petroleum and natural gas rights are issued in the form of licences or leases to the highest bidder on each parcel.

Direct Purchase

If very specific requirements are met, clients may also apply for a direct purchase, or private sale, of petroleum and natural gas rights.

The interest in an agreement can be transferred to a registered corporation or to an individual over the age of 18 years.

Transfers

The holder of an agreement may sell some or the entire share of an agreement at any time in the life of the agreement. The lessee may also sell part of the location of an agreement. This is called a partial transfer.

Encumbrances may be registered against a mineral agreement.

Builders' Liens

Builders' Liens may be registered against Crown agreements pursuant to the Builders' Lien Act. The lien will expire within 180 days from the date of registration unless legal action is commenced and a Certificate of Lis Pendens is filed in respect of the lien.

Certificate of Lis Pendens

A Certificate of Lis Pendens indicates that proceedings have commenced in Court in relation to the Builders' Lien. A withdrawal of the Certificate of Lis Pendens is signed by the clerk of the court when the amount due on the lien has been paid. The registration of the withdrawal discharges the Builders' Lien and the Lis Pendens.

Security Notices

Financial institutions or individuals may register security notices against Crown agreements. The

agreement is used as collateral for the debt owing.

Court Orders

The Department receives Court Orders directing the Ministry of Energy to register a transfer and discharge a Builders' Lien or a Security Notice.

Continuations

Licence and lease continuation and validation is the process of fulfilling requirements to evaluate or prove productivity of petroleum and natural gas rights in order to continue to hold those rights. There are three key components:

Validation of Initial Term Licence

A petroleum and natural gas licence has an initial term of two, four, or five years, depending on the region of the province. Rights in an initial term licence are validated by drilling a well on the licence or by using sections earned by validating wells on licences that fall within a certain established criteria. The area and sections earned depends on depth drilled within a region and geological zones evaluated. Validated rights are continued under a five year intermediate term.

Licence and Lease Continuation

Licence and lease continuation is the system that allows productive petroleum and natural gas rights in agreements to be held past the expiry date. At the end of the five year intermediate (licences) or primary (leases) term, productive rights are continued indefinitely. Temporary continuation may be granted if rights are potentially productive or drilling is conducted shortly before or over expiry.

Notice of Non-Productivity

The department monitors continued agreements to ensure productivity of rights. If there is no longer a valid basis for continuation, the department serves a one year notice allowing the lessee to prove the rights productive.

Activities which may occur any time in the life of the Crown mineral agreement, include:

Rental and Royalty Default Notices

If the holder of an agreement fails to pay royalties or annual rental, a notice is served by the department. If payment is not made the agreement may be cancelled, and the rights returned to the land bank for future acquisition.

Surrenders

The holder of an agreement may surrender all or part of an agreement upon request to the department. Surrendered rights are returned to the land bank for future sale.

Well Administration and Undisposed Rights

The department ensures all wells licensed by the Alberta Energy and Utilities Board and/or put on production have the corresponding petroleum and natural gas or oil sands rights and ties these wells to the correct agreement to enable the accurate collection of royalty. The department also grants authorization to a company for the purpose of re-entering an existing wellbore and the

appropriate use of undisposed Crown lands.

Units, Offsets & Trespass

Units

On behalf of the Crown as a mineral rights (royalty) owner, the department negotiates a variety of unit-type agreements, which includes Gas Storage Unit Agreements in order to ensure the Crown and the freeholder receive their fair share of royalty.

Offsets

The department ensures Crown lands are not being drained by freehold wells without compensation, in order to ensure the Crown collects its fair share of royalty. Where an offset is identified, Crown lessee must either pay offset compensation, drill and produce a well from the offset zone, surrender the offending rights or prove non-drainage. The department also bills and collects the compensation payments.

Trespass

A company should not gain a monetary benefit or unfair advantage by obtaining information that deprives Albertans of the speculative value of Crown minerals. The department monitors any unauthorized activities within undisposed Crown rights and rights within road allowances. Trespass on Crown minerals is a serious offence which may result in a penalty of \$50,000.

Amended Agreements

The department analyzes zone problems in petroleum and natural gas agreements to ensure the rights held by either the lessee or the Crown are correctly recorded. When a change is necessary, the Amended Agreements area amends agreements to ensure accurate zone identification which is critical to Tenure business such as the posting, sale and continuation of Crown rights, linking wells, serving offsets and identifying trespass. An incorrect zone description can also cause errors in royalty and freehold mineral tax collection.

Freehold Mineral Tax

The department administers collection of a freehold mineral tax on production of petroleum and natural gas not owned by the province. The tax ensures mineral owners contribute to Alberta's infrastructure and regulatory costs. [Read More](#)