

# Continuation Changes

## Quick Reference

### Section 16 Continuations

All Section 16 continuations are for a period of six months. This includes each “rolling” 16.

Up to nine sections per qualifying well can be selected per qualifying well. The configuration of the nine sections selected is dependent upon where the well is drilled in relation to the agreement(s) being continued, as is the current practice. (see examples below.)

There is no provision for mapping because of the conclusion that the new process, on balance, offered a much more favourable outcome to industry in practice.

Horizontal wells will increase the eligible area in which to choose nine sections per qualifying well. (See diagrams in 1(d))

1. The following three scenarios illustrate how to apply to continue single or multiple agreements under Section 16, with one qualifying well, depending on where the well is drilled in relation to the agreements:
  - a. **Continuation of a single agreement:** If the well is drilled on a single agreement containing nine or more sections, a maximum of any nine sections can be selected to continue without the requirement that the selected lands be adjacent to the section on which the qualifying well is drilled.

- Any nine sections can be selected to continue, if the lands being selected are all contained in the agreement the qualifying well was drilled on

- ☛ Qualifying well drilled on section 15
- Agreement boundary
- ✓ Sections eligible to be selected

31	32	33	34		
		✓		✓	✓
		✓			24
18			☛	✓	13
7			✓	✓	12
6			✓	✓	1
31					36
30					25
19	20	21	22		24

- b. **Continuation of multiple agreements:** The section containing the qualifying well must be selected if rig release is after expiry. The remaining, up to eight selected sections, must touch or corner the section containing the qualifying well.

Each section being selected to continue must adjoin the section with the well or are, at their closest points, less than one section from the section containing the qualifying well

- ☛ Qualifying well drilled on section 15
- Separate PNG Leases
- Area of eligibility
- ✓ Sections eligible to be selected
- ✗ Sections **not** eligible to be selected

31	32	33	34	✗	✗
✗	✗	✗		✗	✗
✗	✗	✓	✓	✓	24
18		✓	☛	✓	13
7		✓	✓	✓	12
6			✗	✗	1
31	✗	✗	✗		36
30	✗	✗	✗		25
19	✗	✗	✗		24





- c. **Continuation of Both Single and Multiple Agreements:** This is a combination of 1a and 1b. Up to the maximum of nine sections can be selected within: any sections in the agreement the well is drilled on and for those agreements that do not contain the qualifying well, any sections that touch or corner the section the qualifying well is drilled on.

Any section(s) from within the agreement the qualifying well is drilled on, up to a maximum of nine, may be selected. If nine are not selected, others within the qualifying area may be selected to bring the total to nine

- ✳ Qualifying well drilled on section 15
- Agreement Boundaries
- ✓ Sections eligible to be selected
- ✗ Sections **not** eligible to be selected

31	32	33	34		
✗	✗	✗			✓
✗	✗	✓			24
18		✓	✳		13
✗	✗	✓	✓	✓	12
✗	✗	✗	✓	✓	1
✗	✗	✗			36
30					25
19	20	21	22		24

- d. **Continuation of Both Single and Multiple Agreements using a Horizontal Well:** This diagram demonstrates how a horizontal well increases the qualifying area that can be continued. Here we have a qualifying well bore that is drilled on an agreement and off location of an agreement, so both distance criteria apply. Eligible sections are depicted with a check mark on this diagram. If horizontal well bore has or will have open perforations for production, the sections the well bore goes through must be chosen. The horizontal well may be producing and could qualify for indefinite continuation under section 15 and since the well is also a qualifying well under section 16, a combination of section 15 and section 16 continuation could occur. For example, the sections the well bore goes through could be continued under a section 15 and the other eligible section 16 sections could continue under a section 16. In this diagram four sections could continue section 15 and another nine sections could continue under section 16 for a total of 13 sections being continued.

- If the well bore is not on the agreement being continued, each section being selected to continue must adjoin the section with the well or are, at their closest points, less than one intervening section from the section containing the qualifying well
  - If the well bore is on the agreement being continued, any sections may be selected
  - A maximum of nine sections with qualifying one well
-  Qualifying horizontal well drilled on Sections 33, 4, 9, 10 and 15  
 Separate PNG Leases  
 Sections eligible to be selected  
 Sections **not** eligible to be selected

31	32	33	34		
					24
18					13
7					12
6					1
31					36
30					25
19					24

## Section 17 Continuations

Up to nine sections are continued for one year to the base of an adjacent producing, productive or potentially productive well.

There is no provision for mapping.

Production or oil and gas tests must be obtained during the term of all agreements being continued. Horizontal wells increase the eligible area in which to choose nine sections. (in the same manner as section 16s)

Shallow rights reversion will not apply until expiry of the Section 17 term, if a section 15 was being applied for at that time.

## VERTICAL GAS WELL:

- Up to nine sections that adjoin, or at their closest point, are less than one intervening section from the section that contains a producing, productive or potentially productive well can continue for one year under Section 17
- No mapping provision

31	32	33	34	35	36
30					25
19		✓	✓	✓	24
18		✓	● 6-15	✓	13
7		✓	✓	✓	12
6					1

Productive gas well on location of the agreement

31	32	33	34	35	36
30					25
19		✗	✗	✗	24
18		✗	✗	✗	13
7		✓	✓	✗	12
6		● 6-04			1

Productive gas well off-location of the agreement

## VERTICAL OIL WELL:

- Oil and gas tests must be obtained during the term of all the agreements being continued using that well
- The spacing unit containing a producing well must be continued pursuant to section 15, whereas the section containing a potentially productive well may be continued pursuant to section 17

31	32	33	34	35	36
30					25
19		✓	✓	✓	24
18		✓	● 6-15	✓	13
7		✓	✓	✓	12
6					1

Productive OIL well on location of the agreement





31	32	33	34	35	36
30					25
19		✗	✗	✗	24
18		✗	✗	✗	13
7		✓	✓	✗	12
6		● 6-04			1






























Productive OIL well off-location of the agreement

**The quarter section that the productive oil well is drilled on would receive a section 15 continuation and the balance of that section would get a section 17 continuation.**

## HORIZONTAL WELL

- Sections with producing wells must be continued pursuant to section 15
- Sections selected for a section 17 must adjoin, or at their closest points, be less than one intervening section from the section containing the producing well bore
- A maximum of nine sections with one well

-  Producing horizontal well drilled on Sections 33, 4, 9, 10 and 15
-  Separate PNG Leases
-  Sections eligible to be selected
-  Sections not eligible to be selected

31	32	33	34		
					
					24
18					13
7					12
6					1
31					36
30					25
19					24

## Finalizing Agreements

If industry receives an offer from Tenure, in response to their continuation application, industry can choose to have their agreement finalized before the one month offer period expires, as long as the agreement has expired.

Their decision, in writing, cannot be reversed.

## Late Applications

Section 15 late applications are no longer considered for gas tests, only for producing wells.

## Transition of Section 16 Continuations Currently Existing under the Old Rules to New Rules

The rig release date of a qualifying well determines whether the new rules or old rules are applied with regard to the number of sections that may qualify for continuation and the length of term.

Upon effect of the new rules, previously continued lands under section 16 remain in their current configuration, i.e. number of sections continuing, and retain the original length of continued term. If these lands are already under a three month "rolling" section 16 continuation, the three months will not turn into six months.

If these "rolling" section 16 lands expire once the new rules come into effect and gain a subsequent section 16 continuation, these lands will continue for an additional six months and they will be eligible to continue to roll in six month intervals, as is, until they are either continued under section 15 or allowed to expire.

The additional qualifying wells drilled must be drilled within the rolling lands and the lands cannot be reconfigured or added to, the same as today's rules.