

Guide for Petroleum and Natural Gas (PNG) Agreement Sales

Posting, Bidding and Direct Purchase

(See Information Letter 2017-21)

Also PNG Sales and Direct Purchase options on Metis Settlements

Posting Land-Public Land Sale

A parcel of land may be posted by submitting a request through ETS. In order to have the ability to post land through ETS, the "Posting Request" form type must be included in a client's ETS account. The Online Learning Module for [postings](#) shows actual screen captures from the system including how to submit a posting.

If a posting needs to be **withdrawn or changed**, an email must be sent to Postings.energy@gov.ab.ca. This must be done no later than the Wednesday, one week prior to the publication date of the sale requested. No changes are able to be processed after that.

Determining availability or restrictions

- This may be accomplished by conducting a query by map or query by land through ETS. A land search is also available.
- Only available lands or rights can be posted. If an agreement already exists and is expired and "under review", there is the functionality to enter the agreement number in an ETS application to be notified by email when the status changes.

Parcel Size

- **Minimum:** The minimum size for most lease parcels is the spacing unit (1/4 section) for an oil well. A licence parcel in the Northern or Foothills Region must contain at least one full section of land and in the Plains Region a minimum of six full sections of land must be posted.
- **Maximum:** The maximum number of sections of land that can be posted for a lease or licence parcel is 15 sections in the Plains Region, 32

In order to accomplish these tasks, you will need to have an [Electronic Transfer System \(ETS\)](#) account. Please see the ETS set up form for more information. [Subscriptions](#) are available for sales and results.

sections in the Northern Region and 36 sections in the Foothills Region. Crown lands to be included in each parcel must be laterally or diagonally contiguous except where freehold and entirely disposed Crown rights intervene.

Alberta Energy posting limits:

- Alberta Energy reserves the right to limit a company's posting requests to a maximum of 20 per cent of the parcels at any one Public Offering.
- Only 10 parcels are allowed per posting and they must be of the same type (lease or licence) and fall within a 3X3 township and range grid.

Once a posting request is submitted through ETS, it is processed and an automatic email is sent to the requester advising them to access ETS to view what rights are actually available. . It is the requester's responsibility to check the updated file in ETS to verify that the rights available are acceptable. The requesting company is expected to bid on the parcel they posted. Failure to do so, incurs a no bid penalty of \$625.00 if no one else bids on the parcel.

Sales are normally held every two weeks. The cycle for a posting request is 17 weeks as follows:

- A two week posting request acceptance period.
- Seven weeks for internal processing, at the end of which the Public Offering Notice is published and;
- Eight weeks after publication of the Public Offering Notice is the sale.

The sales notice is available electronically by subscription. (See the orange box on the first page of this guide.)

Bidding at the Public Land Sale

ETS must be used to bid on parcels for sale. In order to have the ability to bid, the form type of “Bidding on Public Offering and Oil Sands” must be included in an ETS account. The Online Learning Module for bidding shows actual screen captures from the system including how to submit a bid, the ETS client that submits the bid is the bid payor.

Bidding Rules

- Any parcel of land may be bid on.
 - The requester is expected to bid on their parcel, or incur a \$625.00 no bid penalty (plus GST), if no other bids are received. This penalty applies to each parcel posted with no bid.
 - The mandatory payment method is by electronic funds transfer (EFT). To register for EFT, an authorization letter and void cheque must be emailed to Postings.energy@gov.ab.ca.
 - Only Alberta registered companies and individuals, with a Canadian bank account will be granted access to the bidding feature in ETS.
 - The bid amount is debited from the bank account of the company who submits the bid, regardless of who the designated representative or lessee will be. If you work for several clients and have access to more than one ETS account, you must take care to ensure that you submit the bid using the correct account.
 - The minimum bonus bid is \$2.50 per hectare for a lease and \$1.25 per hectare for a license. Bid requests include the \$625.00 agreement issuance fee and the first year’s agreement rental of \$3.50 per hectare or \$50.00 (whichever is greater).
- The sale closes at 12:00 pm (noon) the day of the sale. No bids can be submitted after that time.
 - Sales results are available on our website at approximately 3:30 pm on sale day. Only the successful lessees and bonus paid for each parcel are published in the results. You may subscribe to receive email notifications for the sales results.
 - Bids for leases and licences can be submitted together in the same bid request. Bids for PNG and Oil Sands parcels can be included in the same bid request.
 - The designated representative is the company or land agent appointed to receive all correspondence and notices issued by Alberta Energy pertaining to the agreement.
 - The confidential rental payor pays the rent for the balance of the agreement term. To qualify the payor must already be signed up with Alberta Energy for the monthly statement process for paying rent. If the field is left blank the designated representative will be responsible for paying the rent.

Agreement Numbering System

Agreement numbers are 10 digits i.e.

05 18 09 0231

- The first two digits are the agreement type
 - o Lease: Plains (04) Northern (05) or Foothills (06)
 - o Licence: Plains (53) Northern (54) or Foothills (55)
- Digits three and four are the year of issuance
- Digits five and six are the month of issuance
- The last four identify the parcel number from the sale

Agreement Documents

- Ten days following the public offering, agreement documents are posted on the Electronic Transfer System. The designated representative for the agreement is responsible for picking up the documents electronically, see both sample documents under additional data

Direct Purchase of PNG Agreements

Direct purchase requests must be submitted through ETS by choosing the "Posting Requests" folder. The Online Learning Module for direct purchase shows actual screen captures from the system including how to submit a posting.

There are three types of Direct Purchases as follows:

□ Portions of Land

A portion of Crown rights in a spacing unit may be acquired through a direct purchase where the petroleum and natural gas rights in a spacing unit are part Crown and part freehold, with the Crown portion comprising less than 50 percent of the smallest applicable spacing unit. Alberta Energy allows the party who owns or holds an interest in the freehold rights by virtue of a freehold lease, to acquire the Crown rights by direct purchase. Proof of ownership or control of the freehold rights is required. This is accomplished by the submission of a statutory declaration which indicates the substance and zone(s) you own or hold a controlling interest in. (A Farm Out Agreement or Letter of Intent does not mean that you control the freehold rights in the spacing unit.) In some circumstances the Alberta Energy Regulator (AER) designates smaller special spacing units. The Crown lease will be issued with the available corresponding mineral rights.

NOTE: When a Land Agent holds the freehold agreement for a third party, and the Agent does not wish to facilitate the direct purchase, the Agent can advise the Crown of their client's name and provide authorization to the Crown to deal directly with their client. The bonus, fee and rent will be requested from the client and the agreement will be issued in the Land Agent's name.

□ Single Substance

Where an agreement grants the rights to a single substance (natural gas or petroleum) the agreement holder may acquire the rights to the other substance. The newly acquired rights are consolidated with the existing rights into a single agreement to prevent future separation.

NOTE: A Land Agent may authorize their client (for the existing agreement) to facilitate the purchase.

□ Complementing Rights in an Oil Sands Area

A designated representative or lessee of an active petroleum and natural gas or oil sands agreement may request a direct purchase of the corresponding oil sands or natural gas rights within the oil sands zone, as long as the existing agreement is not due to expire within six months.

NOTE: A Land Agent may authorize their client (for the existing oil sands or PNG agreement) to facilitate the purchase. The new agreement will be issued in the name of the Land Agent. The bonus to purchase a **portion** of land is \$500.00 per hectare with a minimum bonus of \$2,000.00.

- The bonus to purchase a single substance is calculated at 75 per cent of the regional price per hectare based on the average of the prices bid in the region (Plains, Northern or Foothills) for the last six petroleum and natural gas sales held immediately prior to the date the request is received.
- The bonus to purchase complementing rights in an oil sands area is calculated at 125 per cent of the regional price per hectare based on the average of the prices bid in the region (Plains, Northern or Foothills depending on where the requested land is located) for the last six petroleum and natural gas sales held immediately prior to the date the request is received.
- The regional price is posted Friday after each public sale.

- A \$625.00 **agreement issuance fee** is payable for all direct purchases.
- The first year's rent of \$3.50 per hectare or the minimum \$50.00 (whichever is greater) is charged for portions or complementing rights. This is not applicable when purchasing a single substance. This is because the existing agreement will be amended to include the additional substance and the area, therefore rent does not change.

It takes about two months to process a direct purchase. If a parcel of Crown rights does not qualify for a direct purchase or the applicant finds the direct purchase terms unsuitable, the parcel may be posted in the first available public sale. If a client declines a direct purchase price they cannot submit another direct purchase for that same land. It can only be acquired through the public sale.

If there are questions concerning direct purchases of Crown petroleum and natural gas rights, please call 780-644-2300 or email

Postings.Energy@gov.ab.ca

PNG Public Land Sale and Direct Purchase options on Metis Settlements

(See Information Letter 2013-17)

Direct Purchase

The types of direct purchase are the same for Metis Settlement areas as other areas of the province. The difference is that the option of purchasing land in this manner is limited to **corporations wholly owned by the settlement**. It is not available to other Metis owned corporations, or to any other corporations with a partial Metis interest. The Online Learning Module for [Metis Direct Purchase](#) shows actual screen captures from the system

Public Land Sale

Companies may choose to submit bids through a land agent to maintain their confidentiality. When a bidder acts solely as an agent and acquires rights for a third party, the third party will be considered the eligible bidder. The eligible bidder is required to sign a Development Agreement with the Metis Settlement for rights where they are the successful bidder. However, Alberta Energy will continue to accept the Land Agent as the designated representative or Address for Service for the mineral agreement. Alberta Energy requires the agent to disclose the identity of its client to confirmation they are an eligible bidder/purchaser, or Alberta Energy will not accept the bid.

An ETS account is required to bid on Metis parcels in the public sale. The form type of "Bidding on Public Offering and Oil Sands" must be included in the ETS account. A **Benefits Proposal** is required to complete the bid. ETS will not accept your bid without it.

Metis Settlements Benefits Proposal

The General Terms and Conditions are included as an addendum to the Public Offering Notice, the General Terms and conditions contain negotiated commitments. The Benefits Proposal identifies the benefits a Bidder is willing to provide to the Metis Settlements General Council and the Affected Settlement Council.

The Affected Settlement Council receives all eligible proposals at the same time, and evaluates these proposals to select the successful bidder. Information on completing a Benefits Proposal and the document template are available from the [Metis Settlement General Council](#) or contact the Oil & Gas Coordinator at 780-822-4096 or e-mail oilgas@msgc.ca.