

PNG Licence Validation Guide

Use this guide to help complete the Licence Validation Application, for validation of petroleum and natural gas (PNG) licences at the end of their initial term in the Electronic Transfer System (ETS) under PNG Continuation. This guide **does not** apply to PNG leases or intermediate term licences.

General Information

Use the Licence Validation Application to apply for validation under Sections 9, 11 and 11.1 of the Petroleum and Natural Gas Tenure Regulation (PNG Tenure Regulation) validate an initial term licence into its five year intermediate term. At the expiry of the intermediate term the licence is subject to the same continuation requirements as a primary term lease.

Sections in the application and this guide refer to the *PNG Tenure Regulation*, unless otherwise specified.

This application is also used to apply for extension of the term of an initial term licence, under Section 26 of the *PNG Tenure Regulation* or Sections 8(1)(h) or 8(1)(g) of the *Mines and Minerals Act*. Alberta open government has a listing of [Energy legislation](#).

Resources

See the [Tenure](#) section on Alberta.ca for guides, regulations and other information.

If you have any questions regarding regulations or legislation, please phone 780-427-7425 and ask for

PNG Continuation.

If you have any questions regarding the ETS-PNG Validation on-line process, please phone the PNG Continuation Helpdesk at 780-644-2300.

For additional information regarding the application process also refer to our [on-line training](#).

Validation Application Information

An application for validation must be submitted to Alberta Energy through ETS on or before expiry date of the initial term of a licence, but no sooner than 3 months before expiry.

Do not mail, fax, e-mail or drop off your applications.

Always complete the Admin, Licence and Wells tabs of the application. You will need to complete the Data tab if applicable.

Submit a separate validation application for each expiring licence.

Only one validation application per licence will be considered by Alberta Energy.

Well logs are required with each validation application. The success of your application may be affected if all relevant data is not submitted.

Well logs cannot be submitted electronically and they must be received by Alberta Energy within 5 business days of your application being submitted. Data can be dropped off, or mailed or couriered either the Edmonton or Calgary office.

Ensure you are authorized to submit the validation application.

- Your company must be the designated representative or obtain authorization from the designated representative, for each licence you are validating, prior to submission.
- Your company must be the well licensee or obtain authorization from the well licensee, for each well you are using to validate your licence, prior to submission.
- Rental payment is not required at the time of application. Alberta Energy provides notification of rental owing after the validation decision is finalized.

Status of the Licence

Once Alberta Energy receives your application, your validation application will have a status of "Intermediate Term Applications = Yes" on the Agreement Detail report until Alberta Energy finalizes the validation decision.

- Lands not applied for at expiry revert to the Crown.
- Do not assume validation is granted until you receive final confirmation from Alberta Energy.

Validation of the Licence

If Alberta Energy agrees with the validation application, a letter of validation and amended appendix (if applicable) for the agreement are sent electronically through ETS-PNG Continuation to the designated representative and to the applicant. Upon validation, the licence enters into a five year intermediate term.

Licences are subject to severance of deeper rights at the end of their initial term. Validation is based on the deepest zone evaluated. An evaluated zone must be fully penetrated, or penetrated by more than 15 meters, by a validating or earning well.

Lands and rights not validated are deleted and revert to the Crown.

Offer and Request for Review (Appeal)

If Alberta Energy does not agree with the application, the applicant will receive a validation offer electronically through ETS-PNG Continuation. The ETS Request status will be at Offer. You can then respond to Alberta Energy's validation offer.

Alberta Energy will validate the licence based on the offer unless the applicant submits additional data prior to the agreement expiry or requests a review before the offer expiry date.

- Only the company who submitted the application can request a review of Alberta Energy's validation offer.

A Request for Review can only be made on land, zones or rights that were originally applied for.

Following a review, Alberta Energy will finalize the validation.

Application Tabs in ETS

Administrative Information Tab

Company Name: Select the name of the company applying for validation.

Applicant File Number (Optional): If it is useful for your company, enter the company's file number (or file name) on this line (Examples: M12345; 2.10.103; M-17850). This file number or name will be referenced in Alberta Energy's correspondence to the applicant resulting from this application.

Comment: You can add a comment for your reference. This is optional and will not be seen by Alberta Energy.

Contact Information: Enter the applicant contact information.

Technical Contacts: Provide the name, title, phone number and email address for at least one technical contact. This is not required but suggested.

Save your request. ETS will assign an ETS Request number for the application. Note, your application has not been submitted.

Licence Tab

Licence Agreement Number: Click the Add Agreement button, a Search Agreements screen will display. Enter the 10 digit Crown Agreement number, (e.g., 5405060101) and select Search. The agreement will display. You must check the agreement check box and select OK. The expiry date will populate once the agreement has been selected.

Selecting Lands: Click Select Lands to Validate. Check off the lands you wish to validate and select OK. All lands chosen in the Licence tab must be accounted for in the Wells Tab.

Requesting an extension: An extension may be applied for if additional time is required beyond the expiry date of an agreement to continue operations.

- Select the type of extension you wish to apply for. Indicate the date you want the

agreement to be extended until. Click on Browse to select the extension document(s) you want to attach to your application. Once selected you must then click on the Add Document button.

- An extension may be applied for under Sections 26 of the PNG Tenure Regulation or under Section 8(1)(h) or Section 8(1)(g) of the Mines and Minerals Act. The circumstances for extensions are generally considered at the time of expiry; therefore, you should apply for a Section 8(1)(h) extension close to agreement expiry.

Section 26: an agreement that is subject to Section 26 may be eligible for an extension if there are mechanical or other issues encountered when drilling a well.

Section 8(1)(h) Extension Request (under the Mines and Minerals Act): an agreement that is not eligible for continuation or extension under the Regulation may be eligible for an extension if more time is required due to non-economic extenuating circumstances beyond the company's control.

- An extension under this section is very restrictive. The Crown must be of the opinion that the extension is in the public interest prior to it being granted and there is no guarantee that application under this section will result in an extension.
- This type of extension is considered for licences expiring from an initial or intermediate term, leases expiring from a primary term, and both licences and leases expiring from a Section 17 continuation.
- When a Section 8(1)(h) extension is granted, the agreement status is the same as it was under the former expiry date.

Section 8(1)(g): an agreement that is subject to Section 8(1)(g) may be eligible for an extension if more time is need to apply or respond to Alberta Energy.

To qualify for an extension under one of the above Sections in the Act or PNG Tenure Regulation, the following must be demonstrated:

- Circumstances were unforeseeable, non-economic and beyond the company's control (i.e., not related to business decisions such as a late farm-in)

- The company or operator demonstrated diligent effort, where feasible, to address the circumstances.

Extension Documents are required for an extension request. Attach a detailed explanation of the circumstances and efforts to overcome them. Provide a chronology of events and your plan for completing work if the extension is granted. Where available, attach supporting documentation (e.g., a letter or e-mail from a drilling company that has run into drilling problems; correspondence from the AER regarding a well licence application; letters of objection from surface owners or stakeholders.)

If Additional Extension Data is being sent by courier or mail, check this box. Please reference the PNG Agreement Number on all data or correspondence. This data must be received within 5 business days of application submission.

Alberta Energy may request additional information upon reviewing the extension request.

Wells Tab

From the drop down choose the well type you wish to validate your licence with (e.g., Validating, Earning and/or Multi- Leg)

- Enter the 16 character well event id (e.g.100/01-01-001-01W4/00) and select Add.

Well Authorization: If the applicant is not the same as the well licensee, authorization from the well licensee to use the well must be provided prior to application submission.

Refer to the Authorization Guide, see the [Tenure](#) section on Alberta.ca for guides, regulations and other information, or visit the Authorization training module under [PNG Continuation](#) in online learning for ETS screen captures.

ALL DATA IS HELD CONFIDENTIAL. This data is not made available to anyone else, unless authorized to do so by the party who provided the data. No information submitted for validation is used for any other application, even if it directly relates to another agreement.

Well logs must be submitted to determine the rights evaluated by the deepest validating well.

Electronic data is not accepted. Logs must be submitted in print format with formations clearly marked.

All relevant data should be included with your application. Note that data submitted to the AER is not available to Alberta Energy, with the exception of well information, production data and test data that is non-confidential. Data that has been released from confidential status for less than three months, and data that has only recently been submitted to the AER (eg: recent test or production data), may not be available.

"Zone" is defined in the PNG Tenure Regulation as a stratum or series of strata considered by the Minister to be a zone for the purposes of this Regulation. In many cases zones may be geological formations, but in some instances they are larger and include more than one formation (e.g., the Mannville zone includes numerous formations).

Validating Well Section 9 of the Petroleum and Natural Gas Tenure Regulations

Validating Well ID: The well event that earns the right to validate a specified number of sections from the initial term of the licence into the intermediate term of the licence.

Note: A horizontal well is considered one well and it increases the eligible area in which to select sections to validate.

Drilling over Expiry: Check this box if the validating well is drilling over agreement expiry.

Re-Entry Well: Check this box if the well has been re-entered. Ensure the well has a new spud date and rig release date.

Sections Earned: Calculated based on Schedule 2 of the PNG Tenure Regulation. Optionally enter sections earned by the well.

Licence No.: Assigned by AER when a well licence is approved. The licence number will be auto populated once the well id is entered.

Lands: Select Customize. Choose which section(s) of land you would like to validate using that particular well and click OK. All sections of land chosen under the Licence tab must be accounted for under the Wells tab.

Only one well per spacing unit can be used for validation (excludes a tracted spacing unit).

Zone: The deepest zone that was penetrated and evaluated >15m.

- Click the Select Zone button. Choose a zone and click Select.
- To navigate, either use the scroll bar or click inside the Select Zone box and enter the first letter of the zone you are searching for, this will take you to the first zone starting with that particular letter. From here you may need to use the scrollbar if necessary.

Data Provided: Alberta Energy requires well logs with a validation applications to confirm the deepest zone evaluated, unless previously submitted data is selected. Production Data may be required to validate a productive spacing unit. A Directional Survey may be required when validating with a horizontal or multi-lateral well.

- **Well Logs, Directional Survey, and Production Data:** At least one of these options must have a method of delivery chosen (Sent by Courier or Mail/Sent Previously).
- **Sent by Courier or Mail:** Select this option if technical data will follow separately. Data sent separately must be received by the Alberta Energy within 5 business days of the application submission date.
- **Sent Previously:** **Select this option if technical data was previously submitted** with another application within the last 12

months. Add the agreement number that the data was previously submitted for.

Earning Well Section 11.1 of the Petroleum and Natural Gas Tenure Regulations

Earning Well ID: A earning well earns a certain number of section based on the meterage of a validating well. Any sections not used maybe banked for use at a later expiry.

Drilling over Expiry: Check this box if the earning well is drilling over agreement expiry.

Re-Entry Well: Check this box if the well has been re-entered. Ensure the well has a new spud date and rig release date.

Source Agreement: The agreement number the well is located on. This is an optional field.

Licence No.: Assigned by AER when a well licence is approved. The licence number will be auto populated once the well id is entered.

Lands: Select Customize. Choose which section(s) of land you would like to validate using that particular well and click OK. All sections of land chosen under the Licence tab must be accounted for under the Wells tab.

Only one well per spacing unit can be used for validation (excludes a tracted spacing unit).

Zone: The deepest zone that was penetrated and evaluated >15m.

- Click the Select Zone button. Choose a zone and click Select.
- To navigate, either use the scroll bar or click inside the Select Zone box and enter the first letter of the zone you are searching for, this will take you to the first zone starting with that particular letter. From here you may need to use the scrollbar if necessary.

Data Provided: Alberta Energy requires well logs with a validation application to confirm the deepest zone evaluated, unless previously submitted data is

selected. Production Data may be required to validate a productive spacing unit. A Directional Survey may be required when validating with a horizontal or multi-lateral well.

- **Well Logs, Directional Survey, and Production Data:** At least one of these options must have a method of delivery selected from the drop down box (Sent by Courier or Mail/Sent Previously).
- **Sent by Courier or Mail:** Select this option if technical data will follow separately. Data sent separately must be received by the Alberta Energy within 5 business days of the application submission date.
- **Sent Previously: Select this option if technical data was previously submitted** with another application within the last 12 months. Add the agreement number that the data was previously submitted for.

Multi-Leg Well Section 11 of the Petroleum and Natural Gas Tenure Regulations

Multi – Leg Well ID: A multi – leg well is for assigning the deepest zone only if different from the validating or earning well. Only one leg can be used to calculate sections earned.

Drilling over Expiry: Once drilling over expiry for the corresponding validating and/or earning well is selected, the multi- leg drilling over expiry box will automatically be selected.

Re-Entry Well: Check this box if the well has been re-entered. Ensure the well has a new spud date and rig release date.

Licence No.: Assigned by AER when a well licence is approved. This populates upon entering the well and it must match that of the validating and/or earning well(s).

Zone: The deepest zone that was penetrated and evaluated >15m.

- Click the Select Zone button. Choose a zone and click Select.

- To navigate, either use the scroll bar or click inside the Select Zone box and enter the first letter of the zone you are searching for, this will take you to the first zone starting with that particular letter. From here you may need to use the scrollbar if necessary.

Data Provided: Alberta Energy requires well logs with a validation applications to confirm the deepest zone evaluated, unless previously submitted data is selected. Production Data may be required to validate a productive spacing unit. A Directional Survey may be required when validating with a horizontal or multi-lateral well.

- **Well Logs, Directional Survey, and Production Data:** At least one of these options must have a method of delivery chosen (Sent by Courier or Mail/Sent Previously).
- **Sent by Courier or Mail:** Select this option if technical data will follow separately. Data sent separately must be received by the Alberta Energy within 5 business days of the application submission date.
- **Sent Previously: Select this option if technical data was previously submitted** with another application within the last 12 months. Add the agreement number that the data was previously submitted for.

Data Tab

New data submitted by another company: select Add Company. Enter the client name or the client id of the company submitting the data and select Find. Choose the company by clicking Select.

If you wish your data to be used in support of another company's application, you must authorize Alberta Energy to do so. Authorization must be submitted electronically through ETS-PNG Continuation-Authorizations.

Be sure to request and receive concurrence for all the necessary authorizations to allow Alberta Energy to use the data to support your application.

Refer to the Authorization Guide, see the [Tenure](#) section on Alberta.ca for guides, regulations and other information, or visit the Authorization training module under [PNG Continuation](#) in online learning for ETS screen captures.

Verify/Submit an Application

- To verify your application you may select the Verify button at the bottom of the ETS screen. This will verify your application entries against Alberta Energy's information. This does not submit your application.
- To submit an application, select the Submit button at the bottom of the ETS screen. Your application will be verified again and if there are no deficiencies it will be submitted to Alberta Energy.

For any deficiencies in your application, an error or warning message will be displayed at the top left corner of the application. An email notification is also sent. Any errors must be corrected before you will be permitted to submit your application. Although warnings do not prevent your application from being submitted, they are designed to identify areas where you may wish to incorporate additional information to your application.

If the applicant and designated representative are different, authorization is required **prior** to application submission.

The ETS Request status will change to Processing (Submitted) once the application has been successfully received by Alberta Energy.

Amending an Application

You can only amend a Processing (Submitted) application that was previously submitted with the drilling over expiry box checked for either a validating or earning well.

Once the agreement has expired you can amend your application by clicking the Amend button in ETS. Once your ETS Request has a status of Amendment in Progress, Alberta Energy's review of your application stops.

A warning message will then appear: You have up to 1 month from the rig release date to amend this application. If the amendment is not submitted within the required timeframe, your application will be processed as previously submitted.

You will be able to amend lands, sections earned, zones and data information for the well(s) drilling over expiry. If applicable, a multi-leg well(s) can also be added.

Once an amendment has been completed, click submit to send the application back to Alberta Energy. Your ETS Status will become Processing (Amended).

Please ensure the spud date and rig release date of the validating/earning well(s) are updated in AER records as soon as possible. Alberta Energy cannot validate the licence until these dates are confirmed in the AER system.

If no amendment is needed your application will be processed as is.

Client Withdrawn

If something is missed in the original agreement application, and it is prior to expiry, you must withdraw the application and resubmit. To do this you click the **Withdraw** button. Once completed the ETS status will become **Client Withdrawn**.

Note:

- Withdrawing an application will remove it from Alberta Energy's records. Any offers made by Alberta Energy on the agreement are also rescinded.
- When submitting a new application for the agreement, you must apply for all lands and/or zones that you want reviewed.

Once Application is Submitted Validation Response Times

ETS Requests or applications are electronically time stamped with a submission date. This date allows us

to determine if the application is received on time or if it is subject to a late application penalty.

If a client indicates on their submission that technical data is being sent by mail or courier, we wait five business days before processing the application. As PNG Continuation has established response times, if the supporting data is not received within five business days, the application is reviewed without it.

Please note that PNG Continuation response times start once a completed application is received. Therefore, response times could begin as early as the application submission date (if no data is being submitted), the date technical data is received or after the fifth business day from the submission date.

Pending vs. Processing for Offer

ETS Requests have many statuses to guide applicants/clients through the review process so they know where their request is at.

Once a request has a status of **Offer** you may review the **Offer Options** and decide if you are going to Accept, Decline, Request for Review (after agreement expiry)/Additional Data (before agreement expiry) or Customize Alberta Energy's Offer. Every Offer has an **Offer Expiry Date** displayed near the top of the screen.

After you have made a selection and saved for each Offer Option, you have **two** choices:

1. You may click the **Submit button only**. This will change the status of your request to **Offer Response Pending**. This status indicates that you have made your decision for the Offer Response but it has not been submitted to Alberta Energy.

Note:

Once the Offer Expiry Date is past, ETS will automatically send your Offer Response to Alberta Energy. Once Alberta Energy receives the response, the status will change to **Processing (Offer Response Submitted)**.

When the status is at Offer Response Pending, the client can make any required changes save and submit again. Changes can be made up until the

Offer Expiry Date but you must remember to always **Submit** again.

2. You may **check off the box at the bottom of the Offer screen authorizing Alberta Energy to finalize the agreement prior to the Offer Expiry Date AND click the Submit button**. This will change the status of your request to **Processing (Offer Response Submitted)**. After expiry you are not able to make any changes to your response. If you are submitting additional data or requesting a review, you will want to check this box so your response is actioned once the data is received.

Note: By checking off the box to surpass the Offer Expiry Date, it will not flag your agreement as a rush. It simply means that your agreement will be placed into the offer response work list sooner. Alberta Energy has one month from the Offer Response received date to process.

Early Response Checkbox for Offers

After agreement expiry:

- If the Early Response checkbox is checked you **CANNOT** make any changes to your offer response if after agreement expiry. Your response is final and cannot be revoked. If you are submitting additional data or requesting a review you will want to check off this box so that we can action your response once the data is received.

Prior to agreement expiry:

- If you wish to change your Offer Response decision only, contact Alberta Energy to have the Offer returned to you. The Offer will be returned and the ETS status will return to Offer.
- If you wish to add a Section of Act, lands, zones and/or wells, you must withdraw your application and submit a new complete application.

Notification Emails for PNG Continuation Clients'

PNG Continuation Email notifications include where to locate the ETS Request (e.g., Work in Progress, Authorization or Request Status). To assist you, a

guide containing the email messages and the intent of the message is available see the [Tenure](#) section on Alberta.ca for guides, regulations and other information.

Note: Although an email may be sent from ETS informing your company's contact that documents are available for review and/or action these email notification are considered a courtesy and should not be relied on to track PNG Validation Applications in ETS.

No Applications

In those instances where no application for validation is made, and we determine there is an obligation under the PNG Tenure Regulation, Alberta Energy will initiate the process by creating an application, offer or final through our internal system. The system generated application will have a request number assigned and the Designated Representative name populated. Some of the agreements that you receive a final cancellation letter for may also appear on the monthly Agreement Cancellation Report.

An email will be sent from ETS informing your company's site administrator that an application has been created and action is required.

You may review the offer, and if it is satisfactory, accept or decline the offer by completing the offer response and submitting it. The offer can also be declined by not providing a response before the Offer Expiry Date. Please note that "Request for Review" is not available as an offer response option.

Note: Contact Information must be provided in order to submit a No Application Offer.

The following information can be edited for a No Application: Contact Information, Technical Contact Information, Lands, Data Provided for the existing validation well and if the well is drilling over expiry. You may also edit the Data Tab and/or add a multi-leg well(s) if applicable.