
Review of Leases Held by Non-Producing Wells

Ministry of Energy and Resources

Guideline

Effective: April 1, 2004. Revised October, 2019

Governing Legislation:

Act: *The Crown Minerals Act*

Regulation: *The Oil and Gas Tenure Registry Regulations*
Section 9-5(4)(b)(ii)

Leases held by wells that have not reported production for a period of three (3) consecutive years to date, are subject to a non-producing well (Non-Prod) review and may not be continued, pending the outcome of the review. This program relies on industry applying through the Integrated Resource Information System (IRIS) for review of particular leases that meet the necessary criteria.

What leases qualify for Non-Prod review?

- Leases being continued for Drainage Unit (DU) reason and has reported no production in the last three years;
- Leases being continued for Gas Pool (GP) reason and has reported no production in the last three years.
- If lease is continued for production but where a review of the production history for the well shows that an extremely low volume is produced solely for lease continuance purposes.

How to apply for a Non-Prod review

Submissions for a Non-Prod review are sent through IRIS and must include the disposition number and a well completion and/or pool that overlap the lease. Associated Documents are not mandatory for this application; if you have other information pertaining to the application you may attach it. Note that this is not a 'drainage unit by drainage unit' review and that leases are considered in their entirety.

Procedure

The Ministry will conduct a review of these submissions on a first-come, first-served basis. Non-Prod reviews may not be approved between the months of March and April, companies may still submit their application; however, the application may not be reviewed or approved until after April 1. If it is determined that there has not been satisfactory production for the last three (3) years; the lease will undergo a comprehensive review under Section 9-5 of the regulations.

Subsequent to this review, if the lease is not held by another qualifying continuance reason the application will be approved and IRIS will send notification to the Lessee and Confidential Designated Representative (CDR) for the lease and inform them that they have a period of twelve (12) months to provide evidence of production. If, at the expiry of the twelve-month (12) period there is no evidence of production on the lease to the Minister's satisfaction, and if no other continuance provisions prevail, the entire lease will be terminated and the mineral rights may be placed in the next available Public Offering. Please note that the regular lease continuance review process still applies during this period.

EXTENSIONS: One month before the end of the one year notice the Lessee or CDR may request an extension to the Non-Prod review by making application through IRIS for an Extension to Disposition Term.

The following scenarios and the resulting Ministry actions are defined:

Request for an Extension to acquire a licence. A company may be delayed in getting their licence to drill a well approved and request an extension. The licence must be applied for before the end of the non-productivity review notice. The Ministry will grant a thirty-day extension beyond the end date of the notice. For example, if the Non-prod end date is February 28 we will grant an extension to March 28. Once the application is approved the registry record will be amended to extend the end date of the Non-Prod. (Another extension to drill may be required if the subject licence has not been drilled by the extension end date).

Request for an Extension to drill a well. A company may be delayed in drilling their licence and require an extension to the Non-prod end date. Considering a licenced well is a reason for continuance the Ministry will grant a three-month Non-prod end date extension from the last date of the end of the Non-Prod review date. Example: If a Non-prod review ends June 6 an additional three months will be granted extending the end date of the Non-prod review to September 6. If the Non-prod review date was already extended; then the new end date would be three months from the last end date. Example end date is February 28 – extended for licence to March 28. Non-prod review extended for the reason of drilling a well three months past March 28 granting them a Non-prod extension to June 28.

If lease continuance falls within the extension period another Application for Extension to Disposition Term is required in order to extend the term of the disposition so that Lease Continuance will not transact at April 1 and will have a continuance reason of Extended.

Request for an Extension for the reason of Production. A company may have put the well on production but the volumes have not yet been entered into Petrinex and downloaded to IRIS. An extension to the end of the Non-prod review date may be granted for one month. The company is to provide proof of production as part of the extension application in the form of trucking tickets, receipts, or production reports. The Non-prod review will not be met until the volumes are in Petrinex. Example: If Non-prod review end date is August 17 and the company has August production the company must apply for an extension for reason of production because the August production will not show up in IRIS until after September 23.

Wells that the lease operator believes are not producing due to circumstances beyond their control. An extension to the end of the Non-prod review date may be granted for a period determined by the Minister.

Continued Monitoring:

If a lease's Non-Prod review is ended because production is established the lease will continue to be monitored while the lease is active. If at any time the well ceases to report production to the satisfaction of the Minister a sixty-day notice of cancellation of lease may be sent to the Lessee and CDR advising that the lease will expire due to Non-Prod as per Section 9-5(4) (b) (ii), and if the well is not back on production to the satisfaction of the Minister the lease will be terminated at the end of the sixty day notice unless the Lessee has provided evidence that the well is not producing due to circumstances beyond their control.

If the lease is to be terminated, Field Services will be informed of this action and be directed to contact the well operator regarding abandonment procedures.

Rentals are non-refundable upon termination of leases.

For all inquiries and questions, please contact 1-855-219-9373 (toll free)
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