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Petroleum and Natural Gas Act
PETROLEUM AND NATURAL GAS
DRILLING LICENCE REGULATION

Note: Check the Cumulative Regulation Bulletin 2014
for any non-consolidated amendments to this regulation that may be in effect.

[includes amendments up to B.C. Reg. 226/2012, July 19, 2012]

Point in Time

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Interpretation

- 1** In this regulation:

"Act" means the *Petroleum and Natural Gas Act*;

"Crown reserve" means petroleum and natural gas rights reserved to her Majesty by the Act;

"drilling licence" means a title to a parcel of Crown reserve petroleum and natural gas rights granted under this regulation conferring a right to explore for petroleum and natural gas;

"earning well" means a well designated as an earning well under section 3.1.

[am. B.C. Regs. 55/94, s. 1; 189/2005, s. 1; 192/2009, s. 1; 226/2012, s. 1.]

Applications and tenders

- 2** (1) Any person may apply to have a drilling licence offered for disposition by public tender.

(2) No disposition shall be made under subsection (1) until 2 weeks have elapsed after publication in the Gazette.

- (3) An application under subsection (1) must be delivered to the director with a description and map outline of the location for the drilling licence.
- (4) On receipt of an application, the minister may
 - (a) accept the application, subject to the changes the minister directs be made, or
 - (b) refuse the application.
- (5) Every tender must be accompanied by
 - (a) an issuing fee of \$500, and
 - (b) the rental for the first year of the drilling licence calculated at the rate of \$3.50 per ha.
- (6) A drilling licence must be issued to a person whose tender is accepted by the minister.
- (7) The maximum number of
 - (a) units,
 - (b) quarter sections in the Peace River block, or
 - (c) units and quarter sections in the Peace River block combined,must not exceed 144 in an application under this section.
- (8) Repealed. [B.C. Reg. 189/2005, s. 2.]
[am. B.C. Regs. 91/92, s. 1; 55/94, s. 2; 354/98, s. (a); 189/2005, s. 2.]

Drilling licences

- 3** (1) The minister must set the form of a drilling licence.
- (2) A drilling licence may contain only the conditions set out in the tender notice.
- (3) Subject to an extension under subsection (5), (5.1), (5.3) or (7), a drilling licence that describes a location entirely contained in
 - (a) Area 1 of Schedule 2 subsists for 3 years,
 - (b) Area 2 of Schedule 2 subsists for 4 years,
 - (c) Area 3 of Schedule 2 subsists for 5 years,
 - (d) 2 of those areas subsists for the longer of the applicable periods, or
 - (e) 3 of those areas subsists for the longest of the applicable periods.
- (3.1) Subject to subsection (5) (b), the annual rent for a drilling licence is \$3.50 per ha payable before the anniversary date of the drilling licence.
- (3.2) If a licensee does not pay the rental required under this or another section, the licence expires 60 days after the rental was due unless, on or before the 60 days have elapsed, the rental due is paid plus a fee of \$500.
- (3.3) If a licence expires under subsection (3.2), the director may reinstate the licence for the balance of the term that was in effect immediately before its expiry, if
 - (a) the director is satisfied the non-payment of the rental was due to inadvertence or circumstances beyond the control of the licensee, other than financial circumstances,

- (b) there has been no disposition under sections 71 or 72 of the Act of any petroleum and natural gas that was subject to the licence immediately before its expiry, and
 - (c) the licensee submits an application plus, in addition to the amounts set out in the Act, a fee of \$500.
- (4) A drilling licence commences on the date it is issued.
- (5) A drilling licence must be extended once, for a period of one year, if the application
 - (a) is made before the end of the term, and
 - (b) is accompanied by an extension fee of \$500 and rental of \$7 a hectare.
- (5.1) The minister may grant one or more extensions of a drilling licence each for a period of one year or less if
 - (a) an application is made to the director before the end of the current term of the licence and is accompanied by rental of \$3.50 per ha a year,
 - (b) an application to drill an earning well has been made to the commissioner at least 30 days before the end of the current term of the licence, and
 - (c) drilling of an earning well has been delayed pending completion of
 - (i) an environmental or socioeconomic study,
 - (ii) a public hearing, or
 - (iii) a planning or consultation process.
- (5.2) Repealed. [B.C. Reg. 189/2005, s. 3.]
- (5.3) The minister may extend a drilling licence for a period of one year if
 - (a) the drilling licence has previously been extended under subsection (5),
 - (b) the application for the extension is made during the term of a current extension of the licence under
 - (i) subsection (5),
 - (ii) subsection (5.1), or
 - (iii) this subsection,
 - (c) the application for the extension is accompanied by rental of \$3.50 for each hectare, and
 - (d) the drilling licence is included in a scheme approved under section 100 of the Act for the development or production of natural gas from a stratum or strata that mainly contain coal.
- (5.4) An extension under subsection (5.3) must not
 - (a) apply to a zone that does not include the coal-bearing stratum or strata subject to the scheme referred to in subsection (5.3) (d),
 - (b) be given if 5 extensions under subsection (5.3) have been given previously for the same drilling licence, or
 - (c) include land that is not included in the scheme referred to in subsection (5.3) (d).
- (6) A licensee may assign or sublet all or a portion of the licensee's interest in a drilling licence but may not assign or sublet that interest on the basis of all or a portion of any

area in the location.

- (7) The expiry date of a drilling licence is extended to the date the drilling of an earning well is completed if
- (a) the drilling licence would otherwise expire before the drilling of the well is completed,
 - (b) drilling of the well has reached at least 150 metres on the date the drilling licence would otherwise expire,
 - (c) drilling of the well is being diligently conducted, and
 - (d) the drilling licence has previously been extended under subsection (5).
- (8) If an expiry date is extended under subsection (7), no other well may be commenced in the location of the drilling licence after the expiry date that applied immediately before the extension under subsection (7) except as provided under subsection (9).
- (9) If the expiry date of a drilling licence is extended under subsection (7) and drilling of the well must be discontinued for mechanical reasons, a new well may be commenced in its place during the period of the extension under subsection (7).
- (10) The expiry date of a drilling licence that has been grouped, under section 4.1, with another drilling licence extended under subsection (7) is extended to the expiry date of that other drilling licence if the first licence
- (a) would otherwise expire before the drilling of the well is completed, and
 - (b) has previously been extended under subsection (5).

[am. B.C. Regs. 62/92; 91/92, s. 2; 55/94, s. 3; 111/2002; 189/2005, s. 3; 192/2009, s. 2.]

Earning wells

3.1 (1) A licensee may apply to the director to have a well designated as an earning well for a gas spacing area if another well has not been designated as an earning well for that gas spacing area.

- (2) On application under subsection (1), the director may designate a well as an earning well for a gas spacing area if the well
- (a) is drilled in a spacing area all or part of which is in a location described in a drilling licence that is either in effect on the date of designation or that ceased to be in effect not more than 60 days before the date of the designation, or is a well re-drilled in a spacing area formerly described in a
 - (i) permit,
 - (ii) drilling licence, or
 - (iii) leaseno longer in effect, and
 - (b) has generated well reports and well data, as defined in section 14 of the Oil and Gas Activities Act General Regulation, B.C. Reg. 274/2010, that, in the opinion of the director, sufficiently evaluate a zone in the gas spacing area.

[en. B.C. Reg. 226/2012, s. 2.]

Drilling licences and leases

4 (1) A licensee may terminate

- (a) the licensee's drilling licence, or a portion of it, at any time if spacing areas are not split,
- (b) a portion of the licensee's drilling licence if an application is made for a lease based on an earning well, or
- (c) a portion of the licensee's drilling licence if
 - (i) an application is made for a lease, and
 - (ii) the portion is included in a unitization agreement entered into by the minister under section 114 of the Act.

(2) The lease entitlement of an earning well

- (a) must not exceed in size the number of whole gas spacing areas corresponding to the measured wellbore length of the earning well as set out in Schedule 1,
- (b) may extend only to the base of the deepest zone that has been drilled into and evaluated by means of the earning well named in the application,
- (c) may be combined, in whole or in part, with the lease entitlement of another earning well named in the application, and
- (d) may be deferred, in whole or in part, to a later application.

(3) A lease issued after application under subsection (1) (b) must be located entirely in the location described in a single drilling licence.

(4) Zones not included in a lease issued under subsection (1) continue as part of the drilling licence.

(5) Whole gas spacing areas in the location described in a drilling licence may not be split unless, in the opinion of the minister, a petroleum well is located in the area described in the lease.

(6) The maximum number of units or quarter sections that a licensee is entitled to lease for each earning well is to be determined in accordance with Schedule 1.

[en. B.C. Reg. 189/2005, s. 4; am. B.C. Reg. 192/2009, s. 3.]

Grouping of drilling licences

4 . 1 (1) The director, on the written application of the licensees, must approve the grouping of 2 or more drilling licences as one drilling licence if

- (a) one of the licensees has drilled an earning well on one of the drilling licences being grouped,
- (b) the application is submitted to the director on or before the earliest expiry date of the drilling licences being grouped,
- (c) the distance between the locations of the drilling licences being grouped does not exceed 4 kilometres at their closest point, and
- (d) the earning well has not been used previously to group a drilling licence.

(1.1) Repealed. [B.C. Reg. 226/2012, s. 3 (c).]

- (2) Subject to section 4 (3), drilling licences grouped under this section must be treated as one drilling licence for the purposes of a lease application under section 4.
- (3) Despite section 4 (2) (d), deferred lease entitlements of an earning well must not be applied to drilling licences grouped under this section.

[en. B.C. Reg. 189/2005, s. 4; am. B.C. Regs. 192/2009, s. 4; 226/2012, s. 3.]

Leases

- 5 (1) Despite section 4, no lease will be issued under this regulation unless
- (a) the application for it is received by the director within 60 days after the date of expiry of the drilling licence, and
- (b) the application is accompanied by the amounts required by the Act.
- (2) Part 6 of the Act applies to leases issued under this regulation.

[en. B.C. Reg. 189/2005, s. 4.]

Schedule 1

[en. B.C. Reg. 189/2005, s. 5; am. B.C. Reg. 226/2012, s. 4.]

Lease Area Entitlements per Earning Well

(section 4 (2) (a))

Column 1	Column 2	Column 3	Column 4
	Area 1	Area 2	Area 3
Length of Well Bore Metres	Earn Gas Spacing Areas	Earn Gas Spacing Areas	Earn Gas Spacing Areas
less than 1 001	2	2	3
1 001 to 1 300	3	3	4
1 301 to 1 500	4	5	6
1 501 to 1 800	5	6	8
1 801 to 2 100	6	7	9
2 101 to 2 400	7	8	10
2 401 to 2 600	8	9	11
2 601 to 2 800	9	10	12
2 801 to 3 000	10	12	14
3 001 to 3 200	11	13	16
3 201 to 3 400	12	14	18
3 401 to 3 600	13	15	20
3 601 to 3 800	14	16	22
3 801 to 4 000	15	18	24
4 001 to 4 200	16	20	26
4 201 to 4 400	17	22	28
4 401 to 4 800	18	24	30
4 801 to 5 200	18	25	31
over 5 200	18	25	32

Schedule 2

[en. B.C. Reg. 189/2005, s. 5.]

Term of Drilling Licence

(section 3 (3))

Column 1 Prescribed Areas	Column 2 Geographic location
Area 1	Those units contained in the following described Blocks and Groups located in British Columbia:
(a)	Blocks I, J, and K of Group 093-I-16 Blocks A to C (inclusive) and F to K (inclusive) of Group 093-P-01 Blocks A to C (inclusive) and F to L (inclusive) of Group 093-P-07 Groups 093-P-08 to 093-P-16 (inclusive) Groups 094-A-01 to 094-A-08 (inclusive) Blocks A to E (inclusive) and L of Group 094-A-09 Groups 094-A-10 to 094-A-15 (inclusive) Blocks D, E and L of Group 094-A-16 Blocks A, B and G to J (inclusive) of Group 094-B-09 Group 094-B-16 Blocks A to H (inclusive) of Group 094-G-01 Blocks A, B, G and H of Group 094-G-02 Blocks D and E of Group 094-H-03 Blocks A to H (inclusive) of Group 094-H-04
(b)	Groups 092-G-01 and 092-G-02 Blocks A, B and G to K (inclusive) of Group 092-G-03 Blocks G to L (inclusive) of Group 092-G-05 Groups 092-G-06 to 092-G-08 (inclusive) Groups 092-H-04 and 092-H-05
(c)	All of Vancouver Island
Area 2	Those units contained in the following described Blocks and Groups located in British Columbia:
	Blocks F to K (inclusive) of Group 094-A-09 Blocks A to C (inclusive) and F to K (inclusive) of Group 094-A-16 Blocks I to L (inclusive) of Group 094-G-01 Blocks I and J of Group 094-G-02

	Blocks A, B and F to K (inclusive) of Group 094-G-07 Groups 094-G-08 to 094-G-10 (inclusive) Groups 094-G-15 and 094-G-16 Groups 094-H-01 and 094-H-02 Blocks A to C (inclusive) and F to L (inclusive) of Group 094-H-03 Blocks I to L (inclusive) of Group 094-H-04 Groups 094-H-05 to 094-H-16 (inclusive) Groups 094-I-01 to 094-I-16 (inclusive) Groups 094-J-01 and 094-J-02 Groups 094-J-07 to 094-J-10 (inclusive) Groups 094-J-15 and 094-J-16 Groups 094-O-01 and 094-O-02 Groups 094-O-07 to 094-O-10 (inclusive) Groups 094-O-15 and 094-O-16 Groups 094-P-01 to 094-P-16 (inclusive) Fractional portions of Blocks A to D (inclusive) of Groups 095-A-01, 095-A-02, 095-A-03, 095-A-04, 095-B-01 and 095-B-02
Area 3	All land and land covered by fresh water not described in Areas 1 and 2

[Provisions of the [Petroleum and Natural Gas Act](#), R.S.B.C. 1996, c. 361, relevant to the enactment of this regulation: section 133]