



OIL



December 12, 2008

INFORMATION LETTER # OGC 08-14

Subject: Well Authorization Timelines

To: Industry Clients

Regarding the OGAA Implementation: All necessary regulations, documents and background information on OGAA can be found at www.ogc.gov.bc.ca/OGAA/

For any questions pertaining to the status of this document, please contact the Commission representative listed below.

Background:

The BC Oil and Gas Commission (Commission) has reviewed the total number and the status of well authorizations (WAs) on record with the Commission. This review identified in excess of 1,700 “dated” (greater than two years from the date of issuance) WAs that have not been drilled, have not commenced drilling, or have either not been withdrawn nor cancelled by the company. Some of these WAs date as far back as 1979, however, the vast majority of the authorizations date between 2000 and 2005.

The Commission has reviewed pertinent legislation in respect to the timing of the drilling requirements of a well from the date of issuance of the authorization.

Section 86(a) of the *Petroleum and Natural Gas Act* states the following:

A well authorization (WA) may be cancelled by the commission

- a) if the drilling of the well for which the authorization was issued is not begun within 90 days of the date of issue of the authorization,

The Commission has not readily enforced this piece of legislation as the timeline stated above is not necessarily reasonable for the vast majority of approved WAs. In light of our consultation process agreements with First Nations and to better serve our clients, stakeholders, and the public it is incumbent upon the Commission to establish reasonable timelines for industry to exercise the WAs that have been issued to them.

Requirement:

In an effort to clean up the backlog, WAs approved prior to January 1, 2006 (where the Commission has no record of any drilling activity) will be cancelled effective January 1, 2009.

All WAs approved between January 1, 2006 and February 28, 2007 (where there is no record of any drilling activity as of August 31, 2009) will be cancelled effective September 1, 2009.

For all WAs approved from March 1, 2007 onward and all subsequent WAs issued, applicants will have the opportunity to submit an extension request of one year provided the request is submitted to the Commission before the second year anniversary date of the

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OIL AND GAS COMMISSION

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issuance of the authorization. This extension request must include a projected spud date and the extension request fee. Failure to submit an extension request will result in the cancellation of the WA the day following the second year anniversary date.

Each company affected by the immediate cancellation of their WAs will be notified in writing and provided with a list of the applicable WAs to be cancelled. There will be no refund of the original application fee for any wells that will be cancelled. If the company wishes to re-apply for a well, a new application complete with the appropriate application fee will be required.

If you have any questions regarding the above, please contact:

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