
Crown Disposition Regulation

**THE OIL AND GAS ACT
(C.C.S.M. c. 034)**

**Regulation 108/94
Registered June 6, 1994**

TABLE OF CONTENTS

PART 1 - DISPOSITIONS

SALE OF DISPOSITIONS

1. Definition
2. Public sale of disposition
3. Notice of public sale
4. Offer to purchase disposition
5. Private sale of lease
6. Acceptance of offer to purchase
7. Delegation

EXPLORATION RESERVATION

8. Form of exploration reservation
9. Annual rent
10. Extension of term
11. Conversion to lease

LEASE

12. Form of lease
13. Annual rent
14. Application to renew lease
15. Application to extend lease
16. Division of a lease area
17. Compensatory royalty re: offset area
18. Deferral of offset area drilling

PART 2 - REGISTRATION OF TRANSFERS AND INSTRUMENTS TRANSFERS

19. Form of transfer
20. Application to register
21. Transfer of part of a lease area

INSTRUMENTS

22. Registration
23. Discharge of registration
24. Security given under The Bank Act
25. Discharge of registration
26. Cancellation of registration
27. Repeal
28. Coming into force

Schedule A: Fees and Rentals

Schedule B: Exploration Reservation

Schedule C: Lease

Schedule D: Transfer of Disposition

Schedule E: Transfer of an Undivided Interest in a Disposition

Schedule F: Transfer of Part of a Lease Area

Schedule G: Notice of An Instrument

Schedule H: Discharge of an Instrument

PART 1 - DISPOSITIONS

Sale of Dispositions

Definition

1. In this regulation, "Act" means The Oil and Gas Act.

Minister may hold public sale of disposition

- 2(1). The minister may at any time hold a public sale of a disposition by sealed tender.

Application for public sale of disposition

- 2(2). Any person may make application to the minister to hold a public sale of a disposition by sealed tender.

Content of application

- 2(3). An application to have a disposition offered by public sale must be submitted to the registrar and must include:
 - the name of the applicant;
 - the type of disposition being requested
 - the area and any formation that would be included in the disposition; and
 - any condition to which the applicant requests the disposition be made subject.

Registrar to give notice of public sale

3(1). The registrar shall give notice of a public sale in accordance with the directions of the minister.

Notice to be given to government departments

3(2). Before giving notice of a public sale, the registrar shall forward a list of proposed dispositions and the areas covered to government departments that could, in the opinion of the registrar, be affected by the granting of a disposition.

Content of offer to purchase disposition

4(1). An offer to purchase a disposition shall include:

- (a) the name or names of persons to be shown as the holders, and the percentage interest of each person;
- (b) the application fee set out in Schedule A;
- (c) the rental for the first year of the term of the disposition as set out in Schedule A;
- (d) any bonus offered.

Offer to be in accordance with notice

4(2). No offer to purchase a disposition may be considered unless it is in accordance with the terms and conditions set out in the notice of public sale.

Minister's discretion

4(3). The minister may refuse any or all offers to purchase a disposition.

Private sale of lease to complete interest in spacing unit

5(1). Notwithstanding sections 2 and 3, the minister may, on receiving an offer to purchase a lease, issue a lease for an area that is less than a spacing unit in size where, in the opinion of the minister, the lease is required to complete the applicant's interest in the spacing unit for purposes of subsection 91(2) of the Act.

Content of offer to purchase lease

5(2). An offer to purchase a lease under this section shall include:

the application fee set out in Schedule A;
the rental for the first year of the term of the lease as set out in Schedule A; and
a bonus amount determined by the minister.

Acceptance of offer to purchase

6. A person is entitled to be the holder of a disposition when the person's offer to purchase is accepted by the minister.

Delegation of minister's power

7. The minister's power to issue a disposition under clauses 35(a), (b), and (c) of the Act is delegated to the director.

Exploration Reservation

Form of exploration reservation

8. An exploration reservation shall be in the form set out in Schedule B, or in such other form as may be determined from time to time by the minister, and may include such terms and conditions as the minister considers necessary or advisable.

Annual rent

9. The annual rent for an exploration reservation is set out in Schedule A.

Extension of term

10. An application under subsection 43(3) of the Act for extension of the term of an exploration reservation must be submitted in writing to the director before the expiry of the term of the exploration reservation and must include the annual rent payable for the extension term set out in Schedule A.

Conversion to lease

11(1). An application under subsection 45(1) of the Act may be made in writing to the registrar before the expiry of the term of the exploration reservation and must include:

- (a) description of the requested lease area selected in accordance with subsection (
- (b) the name or names of the persons to be shown as the holders of the lease and the percentage interest of each person; and
- (c) the annual rent set out in Schedule A.

Maximum size of lease area

11(2). The maximum number of quarter sections which the holder may include in an application under subsection (1) shall be determined in accordance with the following formula:

$$L = 8 + ((D - 500) / 60) \text{ (rounded to nearest whole number with 0.5 and greater rounded up)}$$

where:

L is the maximum number of quarter sections for which a holder is entitled to apply to lease, such number not to be less than 8; and

D is the total depth or measured length, in metres, of a well or wells drilled within the reservation area by or on behalf of the holder of the reservation area during the term of the exploration reservation.

Lease

Form of lease

12. A lease shall be in the form set out in Schedule C, or in such other form as may be determined from time to time by the minister, and may include such terms and conditions as the minister considers necessary or advisable.

Annual rent

13. The annual rent for a lease is set out in Schedule A.

Application to renew lease

14. An application under subsection 52(1) of the Act for renewal of a lease must be made to the registrar and must include:

- (a) a description of the lease area the holder wishes to renew;
- (b) a list of all productive spacing units in the lease area indicating the productive formation in each spacing unit; and
- (c) the annual rent set out in Schedule A.

Application by holder for one year extension of lease

15(1). An application under subsection 53(1) of the Act for an extension of the term of a lease must be made to the director before the expiry of the term of the lease and must include:

- (a) a list of all productive spacing units in the lease area indicating the productive formation in each spacing unit;
- (b) a plan of development of the lease area which includes the holder's written commitment to drill the following minimum number of wells:
 - (i) one well where the number of undrilled spacing units is four or less;
 - (ii) one well for every four undrilled spacing units after the first four; and
 - (iii) one well for any remaining undrilled spacing units;
- (c) the annual rent set out in Schedule A; and
- (d) the extension penalty set out in Schedule A.

Effective date of renewal term

15(2). Where the holder of a lease for which the director has granted an extension fails to fulfill the commitment provided under clause (1)(b), any renewal term of the lease is deemed to begin on the effective date of the extension.

Application for division of a lease area

16. An application under section 55 of the Act for division of a lease area must be made to the registrar and must include:

- (a) a description of the lease area of each of the parts that the holder is requesting to have issued as separate leases; and
- (b) the duplicate copy of the lease.

Compensatory royalty in respect of offset area

17(1). The value of a compensatory royalty payable under subsection 58(2) of the Act shall be determined in accordance with the Crown Royalty and Incentives Regulation and shall be based on:

- (a) the production from the most productive laterally adjoining spacing unit to the offset area, as determined by the registrar;
- (b) the Crown royalty calculated from the volumes determined in clause (a) at the new oil rate; and
- (c) the average selling price of production from wells in the area, as determined by the registrar.

Calculation of compensatory royalty

17(2). A compensatory royalty determined under this section shall be calculated from the 91st day after notice is given under subsection 58(1) of the Act until the day:

- (a) the registrar receives the lease from the holder for the purpose of surrendering the offset area; or
- (b) the holder commences the drilling of a well in the offset area.

Deferral of offset area drilling

18. An application under subsection 58(3) of the Act to defer the drilling of a well in an offset area shall include:

- (a) the plans of the holder to develop the area covered by the disposition;
- (b) technical or economic information justifying deferral of drilling; and
- (c) any other information that the director requires.

PART 2 - Registration of Transfers and Instruments

TRANSFERS

Form of transfer

19. A transfer document under subsection 70(1) of the Act shall be in the form set out in Schedule D or E or such other form as is acceptable to the registrar.

Application to register transfer

20. An application under subsection 70(1) of the Act for registration of a transfer must be made to the registrar and must include:

- (a) the transfer document; and
- (b) the duplicate copy of the disposition.

Transfer of part of a lease area

21. An application under subsection 71(1) of the Act to transfer part of a lease area must be made to the registrar and must include:

- (a) a transfer document in the form set out in Schedule F or such other form as is acceptable to the registrar; and
- (b) the duplicate copy of the lease.

Instruments

Registration of instruments

22(1). A person intending to register an instrument against a disposition under section 73 of the Act must submit to the registrar:

- (a) a notice of instrument in the form set out in Schedule G or such other form as is acceptable to the registrar; and
- (b) the fee set out in Schedule A.

Certified copy of instrument

22(2). Where in clause (1)(a) a copy of the instrument is not provided at the time of registration, the registrar may in writing request presentation of a certified copy of the instrument from the registrant.

Cancellation of registration

22(3). Where the registrant fails to provide a certified copy of the instrument as requested in subsection (2), the registrar may cancel the registration.

Discharge of registration

23. A person who registered an instrument against a disposition under section 73 of the Act may discharge the registration by submitting to the registrar a discharge of instrument in the form set out in Schedule H or such other form as may be acceptable to the registrar.

Security given under the Bank Act

24. A bank intending to register an instrument under subsection 74(1) of the Act must submit to the registrar:

- (a) a notice of instrument in the form set out in Schedule G or such other form as may be acceptable to the registrar;
- (b) the fee set out in Schedule A.

Discharge of registration

25. A bank that has registered an instrument against a disposition under subsection 74(1) of the Act may discharge that registration by submitting to the registrar a discharge of instrument in the form set out in Schedule H or such other form as may be acceptable to the registrar.

Cancellation of registration

26. An application under section 75 of the Act by the holder of a disposition to cancel a registration against the disposition shall be made to the registrar and must include details pertinent to the holder's claim that the registration should be cancelled.

Repeal

27. The Petroleum Crown Leasing Regulation, Manitoba Regulation 429/87 R, is repealed.

Coming into force

28. This regulation comes into force on the day The Oil and Gas and Consequential Amendments Act, S.M. 1993, chapter 4, comes into force.

SCHEDULE A

(Sections 4, 5, 9 to 11, 13 to 15, and 21 to 26)

Schedule of Fees and Rentals

FEES

- | | |
|---|-------|
| 1. Application for an exploration reservation or lease: | \$400 |
| 2. Registration of an instrument or an assignment under section 177 of the Bank Act (Canada): | \$25 |

RENTALS

- | | |
|---|---------|
| 1. Annual rent for the initial term or an extension term of an exploration reservation (per hectare): | \$3.50 |
| 2. Annual rent for a lease (per hectare): | \$3.50 |
| 3. Minimum lease rental (per hectare): | \$50.00 |
| 4. Extension penalty on a lease: | |
| (a) first year (per hectare): | \$ 2.50 |
| (b) second year (per hectare): | \$ 5.00 |
| (c) third, fourth, and fifth year (per hectare): | \$12.50 |

**SCHEDULE B
(Section 8)**

**Form of Exploration Reservation
Manitoba
Department of Industry, Trade and Mines
Petroleum Branch**

(Address)

EXPLORATION RESERVATION

Effective date: _____
(mm/dd/yy)

Expiry date: _____
(mm/dd/yy)

This agreement is made, in duplicate, this _____ day of _____, 20_____.

BETWEEN:

Her Majesty the Queen, in the right of the Province of Manitoba, represented by the Minister of Industry, Trade and Mines, referred to in this agreement as "the minister";

and

(name)

referred to in this agreement as "the holder".

Definitions

1. In this agreement,

"Act" means The Oil and Gas Act, and includes any amendment to the Act; (<Loi>)

"regulation" means a regulation made under the Act, and includes any amendment to the regulation; (<règlement>)

"reservation area" means the reservation area described in section 5. (<périmètre de la réserve>)

Meaning of "Crown"

2. For the purpose of this agreement, "Crown" means Her Majesty the Queen in right of the province, and includes any person appointed by the Crown to perform the duties imposed and exercise the powers conferred by this agreement, the Act, and regulations.

Agreement is subject to Act and regulations

3. This agreement is subject to the Act and regulations.

Headings

4. The headings used in this agreement are for convenience only and shall not be considered in its interpretation.

Grant of rights to holder

5. Subject to this agreement, the Act and regulations, and in consideration of the rent paid by the holder, the minister hereby grants to the holder the exclusive right to drill for oil and gas and to test a well to determine whether the well is capable of producing oil and gas within the following reservation area:

(legal description)

Three year term

6. The term of this agreement is three years, commencing on the effective date of this agreement.

No surface rights conveyed

7. This agreement does not convey to the holder any right or interest in the surface of the reservation area.

Holder to comply with law in operations

8. The holder shall comply with the Act and regulations, and any other law applicable to the holder's operations under this agreement.

Amendments to legislation apply

9. The holder acknowledges and agrees that the rights, interests, duties, and obligations under this agreement may be varied in accordance with any amendment or substitution of the Act or regulations, including any such amendment or substitution made after the execution of this agreement or issuance of the exploration reservation, or any renewal, continuation, or substitution of the exploration reservation.

Minister may cancel agreement

10. (1). The holder acknowledges that the minister may cancel this agreement in accordance with section 61 of the Act if the holder fails to comply with this agreement, the Act, or regulations.

Rights of the Crown

10. (2). Any right of the Crown against the holder in respect of a failure to comply with the Act, regulations, and this agreement shall not be prejudiced, lost, or merged by the cancellation of this agreement, and the Crown shall have the same remedies for the recovery of any rent, payment, or damages due or accruing due at the time of cancellation as if this agreement remained in full force and effect.

Service of document

11. A document relating to this agreement may be served in accordance with section 209 of the Act:

(a) in the case of the Crown, upon the Petroleum Registrar at the following address:

Department of Industry Trade and Mines
Petroleum Branch
1395 Ellice Avenue, Suite 360
Winnipeg, MB R3G 3P2

(b) in the case of the holder, at the address provided to the Petroleum Registrar under section 208 of the Act.

Agreement is binding

12. This agreement is binding upon the parties to it, and to the holder's heirs, executors, administrators, successors, and assigns.

Related documents

13. This agreement is subject to the following documents:

_____ (list each document) _____

IN WITNESS of this agreement, the minister and the holder have executed this agreement.

SIGNED, SEALED, AND DELIVERED

Her Majesty the Queen in right of Manitoba

The Director of Petroleum
for The Minister of Industry, Trade and Mines
under the Crown Disposition Regulation

(signature of witness, or seal)

(signature of holder)

**SCHEDULE C
(Section 12)**

Form of Lease

**Manitoba
Department of Industry, Trade and Mines
Petroleum Branch**

(Address)

OIL AND GAS LEASE

Effective date: _____
(mm/dd/yy)

Expiry date: _____
(mm/dd/yy)

This agreement is made, in duplicate, this _____ day of _____, 20____.

BETWEEN:

Her Majesty the Queen, in the right of the Province of Manitoba, represented by the Minister of Industry, Trade and Mines, referred to in this agreement as "the minister";

and

_____ (name)
referred to in this agreement as "the holder".

Definitions

1. In this agreement,

"**Act**" means The Oil and Gas Act, and includes any amendment to the Act;

"**lease area**" means the lease area described in section 5;

"**regulation**" means a regulation made under the Act, and includes any amendment to the regulation.

Meaning of "Crown"

2. For the purpose of this agreement, "Crown" means Her Majesty the Queen in right of the province, and includes any person appointed by the Crown to perform the duties imposed and exercise the powers conferred by this agreement, the Act, and regulations.

Agreement is subject to Act and regulations

3. This agreement is subject to the Act and regulations.

Headings

4. The headings used in this agreement are for convenience only and shall not be considered in its interpretation.

Grant of rights to holder

5. Subject to this agreement, the Act, and regulations, and in consideration of the rent paid by the holder and the royalties reserved to the Crown under section 188 of the Act, the minister hereby grants to the holder the exclusive right to drill for oil and gas within the following lease area and to remove and dispose of any oil and gas produced from the lease area:

_____ (legal description) _____

Five year term

6. The term of this agreement is five years, commencing on the effective date of this agreement, and is renewable in accordance with the Act and regulations.

Royalty

7. The holder acknowledges that this agreement is subject to Part 16 (royalty reserved to Crown) of the Act.

No surface rights conveyed

8. This agreement does not convey to the holder any right or interest in the surface of the lease area.

Holder to comply with law in operations

9. The holder shall comply with the Act and regulations, and any other law applicable to the holder's operations under this agreement.

Amendments to legislation apply

10. The holder acknowledges and agrees that the rights, interests, duties, and obligations under this agreement may be varied in accordance with any amendment or substitution of the Act or regulations, including any such amendment or substitution made after the execution of this agreement or issuance of the lease, or any renewal, continuation, or substitution of the lease.

Minister may cancel agreement

11. (1) The holder acknowledges that the minister may cancel this agreement in accordance with section 61 of the Act if the holder fails to comply with this agreement, the Act, or regulations.

Rights of the Crown

11. (2) Any right of the Crown against the holder in respect of a failure to comply with the Act, regulations, and this agreement shall not be prejudiced, lost, or merged by the cancellation of this agreement, and the Crown shall have the same remedies for the recovery of any rent, payment, or damages due or accruing due at the time of cancellation as of this agreement remained in full force and effect.

Service of a document

12. A document relating to this agreement may be served in accordance with section 209 of the Act:

(a) in the case of the Crown, upon the Petroleum Registrar at the following address:

Department of Industry Trade and Mines
Petroleum Branch
1395 Ellice Avenue Suite 360
Winnipeg, MB R3G 3P2

(b) in the case of the holder, at the address provided to the Petroleum Registrar under section 208 of the Act.

Agreement is binding

13. This agreement is binding upon the parties to it, and to the holder’s heirs, executors, administrators, successors, and assigns.

Related documents

14. This agreement is subject to the following documents:

(list each document)

IN WITNESS of this agreement, the minister and the holder have executed this agreement.

SIGNED, SEALED, AND DELIVERED

Her Majesty the Queen in right of Manitoba

The Director of Petroleum
for The Minister of Industry, Trade and Mines
under the Crown Disposition Regulation

(signature of witness, or seal)

(signature of holder)

**SCHEDULE D
(Section 19)**

Form of Transfer of Disposition

TRANSFER OF DISPOSITION

Between

(name of transferor)
referred to in this document as "the transferor";

and

(name of transferee)
referred to in this document as "the transferee";

1. The transferor, being the holder of
Exploration Reservation _____, or Lease _____
(number) (number)

(Note: If more than one is to be transferred, please list them on a separate document and attach it to this page.)

hereby transfers this disposition to the transferee.

2. The transferee hereby accepts this transfer.
3. This transfer is submitted for registration pursuant to The Oil and Gas Act.
4. The transferee's address for service is:

(address)

Dated this ___ day of _____, _____.
(day) (month) (year)

(signature of witness, or seal)

(signature of transferor)

(signature of witness, or seal)

(signature of transferee)

Note: An affidavit of execution is required unless this document is executed under corporate seal.

**SCHEDULE E
(Section 19)**

Form of Transfer of Undivided Interest in a Disposition

TRANSFER OF AN UNDIVIDED INTEREST IN A DISPOSITION

Between

(name of transferor)
referred to in this document as "the transferor";

and

(name of transferee)
referred to in this document as "the transferee";

1. The transferor, being the holder of a _____ undivided interest in:
Exploration Reservation _____, or Lease _____,
(number) (number)

(Note: If more than one is to be transferred, please list them on a separate document and attach it to this page.)

hereby transfers the interest to the transferee.

- 2. The transferee hereby accepts the transfer.
- 3. This transfer is submitted for registration pursuant to The Oil and Gas Act.
- 4. The transferee's address for service is:

(address)

Dated this ____ day of _____, ____.
(day) (month) (year)

(signature of witness, or seal)

(signature of transferor)

(signature of witness, or seal)

(signature of transferee)

Note: An affidavit of execution is required unless this document is executed under corporate seal.

**SCHEDULE F
(Section 21)**

Form of Transfer of Part of a Lease Area

TRANSFER OF PART OF A LEASE AREA

Between

(name of transferor)
referred to in this document as "the transferor";

and

(name of transferee)
referred to in this document as "the transferee";

1. The transferor, being the holder of Lease _____
(number)
hereby transfers to the transferee a part of the lease area contained in the Lease.

The transferred part is described as follows:

(legal description)

2. The transferee hereby accepts the transfer.
3. This transfer is submitted for registration pursuant to The Oil and Gas Act.
4. The transferee's address for service is:

(address)

Dated this ___ day of _____, _____.
(day) (month) (year)

(signature of witness, or seal)

(signature of transferor)

(signature of witness, or seal)

(signature of transferee)

Note: An affidavit of execution is required unless this document is executed under corporate seal.

**SCHEDULE G
(Sections 22 and 24)**

Form of Notice of Instrument

NOTICE OF INSTRUMENT

1. _____ hereby claims and interest in
(name)

Exploration Reservation _____, or Lease _____,

(a) by virtue of the attached instrument; or

(b) by virtue of the instrument described as follows:

(description)

Note: Include the nature or type of instrument, the parties to the instrument, and its date.

2. This interest affects the following part of the disposition:

(indicate whether all or part of the disposition is affected)

(if only a part is affected, specify the part)

3. The claimant's address for service is:

(address)

Dated this ___ day of _____, ____.

(day) (month) (year)

(signature of witness, or seal)

(signature of claimant)

Note: An affidavit of execution is required unless this document is executed under corporate seal.

**SCHEDULE H
(Sections 23 and 25)**

Form of Discharge of Instrument

DISCHARGE OF INSTRUMENT

_____ hereby withdraws the claim of an interest in the
(name)

Exploration Reservation _____ or Lease _____
(number) (number)

by virtue of the instrument registered against the above-noted disposition as registration

_____ dated _____, in the records of the petroleum registrar.
(number) (date)

Dated this ____ day of _____, ____.
(day) (month) (year)

(signature of witness, or seal)

(signature of person withdrawing claim)

Note: An affidavit of execution is required unless this document is executed under corporate seal.