



PLEASE NOTE

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CHAPTER O-5

OIL AND NATURAL GAS ACT

PERMIT, LEASE AND SURVEY SYSTEM REGULATIONS

Pursuant to section 11 of the *Oil and Natural Gas Act* R.S.P.E.I. 1988, Cap. O-5, Council made the following regulations:

1. (1) In these regulations
- | | |
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| | Definitions |
| (a) "Act" means the <i>Oil and Natural Gas Act</i> R.S.P.E.I. 1988, Cap. O-5; | Act |
| (b) "anniversary date" means the annual return of the date on which a permit or lease was issued; | anniversary date |
| (c) "bid" means a proposal for exploration or development of provincial lands for oil or natural gas, that was submitted in response to a call for bids; | bid |
| (d) "call for bids" means a request by the Minister for bids on a permit to conduct exploration or development of provincial lands for oil or natural gas; | call for bids |
| (e) "offshore" means the seabed and the subsoil off the shore of the land mass of the province to the limits of the sovereignty of the government of Prince Edward Island and to such limits as may be determined by federal provincial agreement; | offshore |
| (f) "onshore" means the land mass of the province; | onshore |
| (g) "vacant", in relation to lands, means provincial lands that are not subject to a permit, lease or geophysical license under the Act. | vacant |
- (2) Lessees, permittees and bidders shall comply with the Act, the regulations and all other applicable federal or provincial laws and regulations. (EC689/00)
2. (1) Where the Minister receives a written request that provincial lands be submitted in a call for bids, the Minister shall consider the request and reply to it not later than 3 weeks from receipt of the request.
- | | |
|--|---------------|
| | Call for bids |
|--|---------------|
- (2) The Minister may issue a call for bids for an oil and natural gas permit
- | | |
|--|-------------|
| | <i>Idem</i> |
|--|-------------|
- (a) for any provincial lands; or
- (b) for all or part of provincial lands described in a request submitted pursuant to subsection (1).

Publication	(3) A call for bids shall be published in the Gazette and such other publications as the Minister considers appropriate.
Information required	<p>(4) A call for bids shall include the following information:</p> <ul style="list-style-type: none"> (a) the location and description of the provincial lands for which bids are invited; (b) the total area for which bids are invited; (c) the location where the information package for bidders will be available; (d) the address where the Minister will receive bids; (e) the closing date and time for submission of bids; (f) the terms and conditions required to be met by a bidder; (g) the manner in which a bid is to be submitted; (h) the criteria to be applied for acceptance of bids; and (i) other information as the Minister considers appropriate. (EC689/00)
Information on bid	<p>3. A bid for an oil and natural gas permit shall be on the prescribed form and include the following information:</p> <ul style="list-style-type: none"> (a) the type of work proposed by the bidder, including geological work, geophysical exploration, exploratory drilling and other activities specified in the call for bids or proposed by the bidder; (b) a description of the work plan and the time period in which it is to be carried out; (c) the monetary value of the work plan; and (d) any other information specified by the Minister in the call for bids. (EC689/00)
Bid criteria	<p>4. (1) A bid shall not be accepted by the Minister unless the bid</p> <ul style="list-style-type: none"> (a) satisfies the terms and conditions and acceptance criteria of the call for bids; and (b) is submitted in the prescribed form and in manner specified in the call for bids.
Late bids not considered	(2) No bid received after the stated closing time for submissions of bids shall be considered by the Minister in issuing a permit.
Late bids returned	(3) All bids received after the stated closing date and time for submission of bids shall remain sealed and shall be returned to the bidder. (EC689/00)
Minister may decline bids	5. (1) Notwithstanding any other provision of these regulations, the Minister may decline to accept any bids.
Subsequent call for bids	(2) The Minister may, at any time after the closing date of a call for bids for which no bids were received or for which all bids were rejected, request a call for bids for the same provincial lands on the basis of the

same or different terms and conditions as set out in the original call for bids. (EC689/00)

6. (1) Within 15 days of being notified that a bid has been accepted, a bidder shall post with the Minister, Security

- (a) performance security payable to the Minister in accordance with subsection (2) with a value of 25% of the total monetary value of the bid; and
- (b) the required permit and rental fees.

(2) Performance security shall be in the form of a performance bond from a company acceptable to the Minister, or such other substitute security as may be acceptable to the Minister, to ensure the proper performance of the permit by the permittee. (EC689/00) Form of security

7. (1) Where the successful bidder complies with section 6, the Minister shall issue an oil and gas permit Permit

- (a) on the terms and conditions of the call for bids and the bid, including the work plan described in the bid; and
- (b) on such other terms and conditions as the Minister considers necessary.

(2) Where the successful bidder fails to comply with section 6, the Minister If no security

- (a) shall declare that bid null and void; and
- (b) may consider other bids submitted in response to the call for bids or disregard all bids and declare the lands vacant.

(3) A permit shall only be issued in respect of contiguous areas. (EC689/00) Contiguous areas

8. The term of an onshore permit shall be 6 years and the term of an offshore permit shall be 9 years. (EC689/00) Term of permit

9. (1) A permittee shall complete the work described in the work plan which is described in the permit and shall comply with and fulfil all of the terms and conditions of the permit. Permittee to complete work, comply with permit

(2) All work shall be completed in the year in which it is scheduled in the work plan set out in the permit. Work to be done in year scheduled

(3) Notwithstanding subsection (2), where a permittee has, in any preceding year, completed and recorded an excess of any scheduled work required by the permit, the excess work may be carried forward to fulfil future work obligations of the permit. Carry forward excess work

Minister may vary work schedule	(4) Notwithstanding subsections (1) and (2), the Minister may vary the schedule for the implementation of a work plan as the Minister considers necessary. (EC689/00)
Annual report	10. A permittee shall submit to the Minister, on or before 10 days from the anniversary date, (a) evidence of expenditures made for work done and completion dates; (b) reports and maps showing the geological or geophysical examinations, aerial photographs, detailed logs, well history reports and all information obtained respecting the presence of water, coal, salt, gravel, sand and other potentially useful substances; and (c) such other information as the Minister may require, on the prescribed form. (EC689/00)
Revocation of permit	11. (1) In the event that a permittee fails to comply with subsection 1(2), section 9 or section 10, the Minister may revoke the permit, declare the permit area to be vacant, and declare as forfeit all or part of the performance security submitted pursuant to section 6.
Amount determined by Minister	(2) The amount forfeit in accordance with this section shall be determined by the Minister. (EC689/00)
Security returned after expiry	12. Except where all or part of a performance security is forfeit, a performance security shall be returned to a permittee after expiry of the period in which coverage is bound by the security. (EC689/00)

EXPLORATORY WELLS

No well within 500m, onshore	13. (1) No person shall drill an exploratory well within 500 metres of the boundary of an onshore permit.
Lease for additional well	(2) Where, in the Minister's opinion, an existing well in an onshore permit area may be capable of commercial production of oil or natural gas, the permittee shall not drill another well unless the permittee has applied for a lease and been issued a lease of the area for which the new well is proposed. (EC689/00)
No well within 1 km, offshore	14. (1) No person shall drill an exploratory well within 1 kilometre of the boundary of an offshore permit.
Lease for additional well	(2) Where, in the opinion of the Minister, an existing well in an offshore permit area may be capable of commercial production of oil or natural gas, the permittee shall not drill another well unless the permittee has applied for a lease and been issued a lease with respect to the area proposed for a well. (EC689/00)

OIL AND NATURAL GAS PRODUCTION LEASE

- 15.** (1) Except as provided in section 94 of the Act, no person shall produce any oil or natural gas from an onshore well, without a lease of the oil and natural gas rights issued for the area in which the well is located, issued in accordance with the Act or these regulations. No gas, oil production without lease
- (2) A lease of oil and natural gas rights derived from an onshore permit area shall be for a term not exceeding 20 years, and subject to such terms and conditions as the Minister may consider necessary. 20 year term, onshore
- (3) A lease of oil and natural gas rights derived from an offshore permit area shall be for a term not exceeding 25 years, and subject to such terms and conditions as the Minister may consider necessary. 25 year term, offshore
- (4) A lessee shall comply with the terms and conditions of a lease. Compliance with lease
- (5) The allocation of a lessee's share of the oil and gas from the spacing area pursuant to clause 61(5)(c) of the Act shall be on a hectare basis. (EC689/00) Allocation on hectare basis
- 16.** (1) A lessee may, at any time, surrender a lease upon giving 90 days written notice to the Minister. Surrender of lease
- (2) Notwithstanding any surrender or cancellation or expiration of any lease, the lessee remains liable for any act, matter or thing for which at the date of surrender or cancellation or expiration the lessee was liable under this Act, the regulations or under the terms of the surrendered or cancelled or expired document. (EC689/00) Liability continues
- 17.** (1) In the event that a lessee fails to comply with subsections 1(2) or 15(4), or fails to pay the royalty as required by the Act and regulations, the Minister may cancel the lease upon first giving 90 days notice to the lessee stating the reasons for the intended cancellation. Cancellation of lease
- (2) If, within 90 days of the receipt of a notice under subsection (1), the lessee remedies the reason for the intended cancellation, the Minister may revoke the intended cancellation. (EC689/00) Cancellation may be revoked
- 18.** Where a lease is cancelled or surrendered or has expired, the Minister may require the lessee to transfer to the province, or the province's nominee, all production and transportation facilities that may be required for continued production from the lease area, at fair market value, as agreed by the parties, or failing such agreement, by arbitration pursuant to section 19. (EC689/00) Transfer production and transportation facilities
- 19.** (1) Where a permittee or lessee disputes a decision made pursuant to section 11 or 17, or there is a failure to reach an agreement on market Arbitration

value pursuant to section 18, the dispute shall be referred to arbitration by three arbitrators, one to be appointed by the Minister, one to be appointed by the permittee or lessee, and a chairperson to be appointed by the other two arbitrators.

Arbitration Act
applies

(2) The *Arbitration Act* R.S.P.E.I. 1988, Cap A-16, applies to any arbitration held under this section. (EC689/00)

SURVEY SYSTEM

Grid areas

20. (1) All areas shall be divided into grid areas.

Grid measurements

(2) Grid areas shall be bounded on the east and west sides by successive meridians of longitude of the series 61 degrees 00'00", 61 degrees 15'00", 61 degrees 30'00", 61 degrees 45'00", 62 degrees 00'00", which series may be extended by the Minister, as required.

Idem

(3) Grid areas shall be bounded on the north and south sides by straight lines joining the points of intersection of the east and west boundaries with successive parallels of latitude of the series 46 degrees 00'00", 46 degrees 10'00", 46 degrees 20'00", 46 degrees 30'00", 46 degrees 40'00", 46 degrees 50'00", 47 degrees 00'00", which series may be extended by the Minister, as required.

Northeast corner as reference

(4) A grid area shall be referred to by the latitude and longitude of its northeast corner.

Area of grid areas

(5) The area for each grid area set out in Schedule C is calculated on the basis of the Universal Transverse Mercator plane from the Clarke 1866 Ellipsoid.

Conversion,
hectares to acres

(6) The relationship between hectares and acres shall be established by multiplying the area in hectares by 1/2.4710387.

Schedule C

(7) The area for each grid area at a latitude as set out in Schedule C shall be the same at any longitude. (EC689/00)

100 sections per
grid area

21. (1) Every grid area shall be divided into 100 sections.

East/west
boundaries

(2) Sections shall be bounded on the east and west sides by meridians spaced at intervals of one-tenth of the interval between the east and west boundaries of the grid area.

North/south
boundaries

(3) Sections shall be bounded on the north and south sides by straight line drawn parallel to the north and south boundaries of the grid areas and spaced at intervals of one-tenth of the interval between the north and south boundaries of the grid area and sections shall be numbered as illustrated in Diagram A of Schedule B.

- (4) The area for each section in a row across a grid area shall correspond to the area of the section in the first column of the grid areas as set out in Schedule C. (EC689/00) Section areas
- 22.** (1) Every section shall be divided into 16 units. 16 units per section
- (2) Units shall be bounded on the east and west sides by meridians spaced at intervals of one quarter of the interval between the east and west boundaries of the section. East/west boundaries
- (3) Units shall be bounded on the north and south by straight lines drawn parallel to the north and south boundaries of the section and spaced at intervals of one-quarter of the interval between the north and south boundaries of the section and units shall be lettered as illustrated in Diagram B of Schedule B. (EC689/00) North/south boundaries
- 23.** All latitudes and longitudes used in these regulations shall be determined according to the North American Datum of 1927. (EC689/00) North American Datum as standard
- 24.** The survey, division and subdivision of any onshore area and the definition and description of those areas, permits and leases shall be done in conformity with the *Land Survey Act* R.S.P.E.I. 1988, Cap. L-2.1. (EC689/00) *Land Survey Act* applies
- 25.** The survey, division and subdivision of any offshore area and the definition and description of those areas shall be consistent with the *Lands Surveys Act* (Canada). (EC689/00) *Land Surveys Act* (Canada) applies
- 26.** Schedules A, B and C are prescribed. (EC689/00) Schedules
- 27.** Every application under the Act or these regulations, or request for a service for which a fee is payable, shall be accompanied by the prescribed fee. (EC689/00) Fees

SCHEDULE A

FORM 1
Bid Documents

Lands specified in Call for Bid No.Total Area:.....Ha

Bidder:

Address for Service:

.....

.....

Amount of Bid: \$.....

Amount of Deposit: \$.....

FORM 2
Bid Documents

Work Plan

Year	Description of Work	Value (\$)	Cumulative Value (\$)
1			
2			
3			
4			
5			
6			
7 (offshore only)			
8 (offshore only)			
9 (offshore only)			

signature:

name:

title:

company:

date:

phone:

fax:

SCHEDULE B

SURVEYS

Diagram A - Sections within a Grid Area

100	90	80	70	60	50	40	30	20	10
					49				
					48				
					47				
					46				
					45				
					44				
					43				
					42				
91	81	71	61	51	41	31	21	11	1

Diagram B - Units within a Section

M	N	O	P
L	K	J	I
E	F	G	H
D	C	B	A

SCHEDULE C
Grid Areas in Hectares

Latitude of Northeast Corner of Grid Area	45 10'	45 20'	45 30'	45 40'	45 50'	46 00'
Entire Grid Area	36,459	36,354	36,248	36,142	36,036	35,930
East or West Half	18,230	18,177	18,124	18,071	18,018	17,965
South Half	18,242	18,190	18,138	18,084	18,031	17,980
North Half	18,217	18,164	18,110	18,058	18,005	17,950
Section: 1	365	364	363	362	361	360
2	365	364	363	362	361	360
3	365	364	363	362	361	360
4	365	364	363	361	361	360
5	365	363	363	361	361	359
6	365	363	363	361	360	359
7	365	363	362	361	360	359
8	364	363	362	361	360	359
9	364	363	362	361	360	359
10	364	363	362	361	360	359
Latitude of Northeast Corner of Grid Area	46 10'	46 20'	46 30'	46 40'	46 50'	47 00'
Entire Grid Area	35,823	35,717	35,609	35,501	35,393	35,285
East or West Half	17,912	17,858	17,805	17,751	17,697	17,643
South Half	17,925	17,872	17,819	17,764	17,710	17,656
North Half	17,898	17,845	17,790	17,737	17,683	17,629
Section: 1	359	358	357	356	354	353
2	359	358	357	355	354	353
3	359	357	356	355	354	353
4	358	357	356	355	354	353
5	358	357	356	355	354	353
6	358	357	356	355	354	353
7	358	357	356	355	354	353
8	358	357	356	355	354	353
9	358	357	356	355	354	353
10	358	357	356	355	353	352
Latitude of Northeast Corner of Grid Area	47 10'	47 20'	47 30'	47 40'	47 50'	48 00'
Entire Grid Area	35,177	35,068	34,959	34,849	34,740	34,630
East or West Half	17,589	17,534	17,480	17,425	17,370	17,315
South Half	17,602	17,548	17,494	17,439	17,385	17,329
North Half	17,575	17,520	17,465	17,410	17,355	17,301
Section: 1	352	351	350	349	348	347
2	352	351	350	349	348	347
3	352	351	350	349	348	346
4	352	351	350	349	348	346
5	352	351	350	349	348	346
6	352	351	350	348	347	346
7	352	351	349	348	347	346
8	352	350	349	348	347	346
9	351	350	349	348	347	346
10	351	350	349	348	347	346

(EC689/00)