

Date: June 27, 2012

MINERAL RIGHTS INFORMATION BULLETIN 2012-03

SUBJECT: April 12, 2012 Alberta Tenure Information Exchange

The Canadian Association of Petroleum Land Administration (CAPLA) together with Alberta Energy hosted the Alberta Tenure Information Exchange

Dear Session Participants:

Thank you to everyone who participated in the April 12, 2012 Information Exchange. Approximately 230 individuals attended the second day of the Alberta Tenure Exchange. Questions, answers and detailed feedback are available on the Alberta Energy website at www.energy.alberta.ca under "Our Business" → "Tenure" → "Publications & Maps".

Topics presented included:

Undisposed Crown Approvals

Undisposed Crown rights refer to petroleum and natural gas (PNG) and Oil Sands mineral rights that are not included in a PNG Lease or Licence or an Oil Sands Lease or Permit. The rights are available for acquisition at a land sale.

There are three types of application forms for undisposed Crown rights:

1. Request For Authorization to conduct operations in undisposed Crown mineral rights
2. Request for well re-entry authorization
3. Request for authorization to access Crown mineral rights within a statutory road allowance

These forms can be found on the Alberta Energy website at www.energy.alberta.ca under "Our Business" → "Tenure" → "Forms and Reporting".

Overhole Coring

Information Letter 2012-06, published in February 2012, outlined changes to the authorization for coring of undisposed Crown mineral rights. The Information Letter stated that drilling to a maximum depth of 15 metres below the base of the terminating zone or zones indicated on the well licence would receive automatic authorization. Details on submitting data to the Energy

Resource Conservation Board and the consequences of non-compliance (e.g., trespass charges) was shared with attendees.

Pore Space – Crown Indemnification

Changes made to the Mines and Minerals Act in December 2010 detailed that the Crown owns all pore space in Alberta. Authorization to dispose in these rights requires indemnification to the Alberta Crown for:

- for loss and damage suffered by any party in respect of anything done by us or on our behalf in the exercise or purported exercise of the use of Crown pore space in the well.
- in respect of any claims made by or against a company in the process of accessing rights

Use of Crown pore space always required an indemnification. The difference now is that we also require it for use of pore space formerly occupied by Freehold minerals.

An indemnification template is available on the Alberta Energy website at <http://www.energy.alberta.ca> under “Our Business”→“Tenure”→“About Tenure”→“Tenure FAQs”→under “Wells”→under “Pore Space”.

Land Sales

Tenure shared strategies and guidelines with attendees to assist with the Petroleum & Natural Gas Sales process. Information on the Electronic Transfer System (ETS) included: available searches; how accounts are administered; land posting and bidding.

It is expected that requestors will only post lands they will be bidding on and will bid on all parcels they have posted. Information on the requirement for accurate banking information and sufficient funds was included. If money is not available in the account the Department has been advised to access at the close of the sale (and until the department retrieves the money) a three percent interest charge will apply.

In-Situ Coal Gasification (ISCG)

Coal and Mineral Development and Tenure provided information on In Situ Coal Gasification. ISCG is a process that creates and recovers synthetic gas from underground coal seams. Currently there are no specific ISCG agreements. However, there is one pilot project underway (Swan Hills Synfuels) and the Crown has created a one of a kind agreement for this pilot. Expressions of interest have been made by other companies, some international, to possibly pursue an ISCG project. Because ISCG is unique, in that it requires the proponent to hold both Petroleum & Natural Gas and Coal rights to proceed with gasification, Tenure is investigating creating a new document type to properly administer this activity.

Tenure Business Process Review (BPR)

The Discovery and Review phases of the BRP have concluded and the proposed changes were provided to participants including a brief description of the topics and the results of the survey. We are now moving into Phase 3 where Tenure and the BPR Committee will analyze feedback and consider for implementation.

The E-Continuations project is underway and although very early in the process, Tenure shared samples of screen design with participants.

Oil Sands Tenure Update

Oil Sands Tenure provided an overview to participants. They highlighted recent changes identified in Information Bulletin 2011-08 and 2012-04.

Information Bulletin 2011-08 details the following:

- A one-zone standard for minimum level of evaluation drilling and coring done between December 1, 2010 and April 30, 2011
- An option to extend for 2 years certain agreements expiring between December 1, 2010 and December 1, 2013, and
- As of May 1, 2011, a temporary relaxation of drilling density and coring density requirements in section 3(2)(a) and 3(2)(c)

Information Bulletin 2012-04 details the following:

- If an oil sands agreement (permits and leases) has not been continued by the date of the IB it will be eligible for a 3 year term extension.
 - Agreements that received or are eligible to receive a 2 year term extension under IB 2011-08 and have not been continued will receive an additional 3 year term extension
 - Lessees must apply within 6 months from the date of the IB: (Aug 23, 2012)

We sincerely appreciate your attendance and feedback. Thanks again to CAPLA for hosting another successful event.

Please note: this information will only be available on our website for two years.

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