



Energy Operations
PNG Tenure Operations Branch
Petroleum Plaza - North Tower
9945 - 108 Street
Edmonton, Alberta
Canada T5K 2G6

April 2, 2020

MINERAL RIGHTS INFORMATION BULLETIN 2020-01

SUBJECT: Offset Obligations for Crown Petroleum and Natural Gas (PNG) Agreements

The PNG Tenure Operations Branch has received questions regarding the timing of an offset obligation and the practice of not advising of potential offset obligations in the Public Offering Notice (PON).

Offset obligations are a regular part of the oil and gas business in Alberta. An offset obligation exists any time a producing freehold well could potentially be draining an adjacent PNG Crown mineral agreement where there is no offsetting producing Crown well in the same zone. At any point from the issuance of a PNG Crown mineral agreement through to the agreement's expiry, an offset obligation may exist. In situations where a freehold well potentially may be draining Crown rights, an offset notice may be served to the adjacent Crown lessee(s).

Mineral Rights Information Letter 2000-06 (the "IL") was issued to notify industry of a variety of processes that were being discontinued. It included notification that PONs, from that time onward, would no longer identify situations where an offset obligation might exist upon leasing the mineral rights. The IL served its purpose and, as such, was no longer required to be posted to the continually active section of Alberta Energy's website. As a result, in 2013 the IL was archived to the legacy portion of our website to be available for historical reference – but it was not rescinded nor superseded. As such, the process communicated in IL 2000-06 always remained in place.

Alberta Energy includes notifications in its PON when there are Crown imposed restrictions regarding a potential lessee's ability to fully access the offered PNG rights. The PON is not an appropriate instrument for informing industry about specific obligations which exist within Alberta's legislative framework. Potential bidders are expected to thoroughly research the area and geology within the posted rights, and make appropriate business decisions based upon their findings.

Additional information regarding offset wells can be found in the [Offset Guide](#) or through the ETS user [training modules](#).

Contact:	Ramona Lofgren Manager, Crown Equity (780) 427 8950	Donna Crawford Manager, PNG Sales and Registrations (780) 427 8933
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Approved by:	Steve Tkalcic Executive Director, PNG Tenure Operations
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