

**SCHEDULE 3****CLASSIFICATION OF A WELL'S RISK POTENTIAL**

During the classification of a well's risk potential, if a well meets the criteria of the various levels of risks, the highest risk must take precedence.

<b>Classification of the wells</b>	<b>Type of well</b>	<b>Geology</b>	<b>Status before the temporary closure</b>
Low risk	Gas well < 28,000 m <sup>3</sup> /day	Non-problematic geological formations	Non-problematic well Well whose pressures are controlled
	Oil well without flow and without H <sub>2</sub> S		
	Tube well with a content in H <sub>2</sub> S < 5%, non-perforated		
Moderate risk	Gas well ≥ 28,000 m <sup>3</sup> /day	Problematic geological formations example: karsts)	Problems documented and not controlled (example: communication between adjacent wells)
	Oil well without flow and with a content in H <sub>2</sub> S ≥ 5%		
	Oil well with flow		
	Injection well		
High risk	Well containing gas with a content in H <sub>2</sub> S ≥ 5%	Not applicable	Not applicable
	Sour gas well		

103532

**Draft Regulation**

Petroleum Resources Act  
(chapter H-4.2)

**Petroleum exploration, production and storage licences, and pipeline construction or use authorization**

Notice is hereby given, in accordance with sections 10 and 11 of the Regulations Act (chapter R-18.1), that the Regulation respecting petroleum exploration, production and storage licences, and the pipeline construction or use authorization, appearing below, may be made by the Government on the expiry of 45 days following this publication.

The draft Regulation sets the terms and conditions for auctioning and the conditions for awarding an exploration, production and storage licence, and determines the

conditions of exercise. It also sets out the conditions for the granting and exercise of a pipeline construction or use authorization. It determines the documents and information to be sent to the Régie de l'énergie for examination as part of a petroleum production or storage project or a pipeline construction or use project. In addition, the draft Regulation sets the amount up to which a licence or a pipeline construction or use authorization holder is required, irrespective of fault, make reparation for any injury arising out of or in the course of the holder's activities, according to the environment in which the project is situated. The draft Regulation contains the terms and conditions of the Mining Act (chapter M-13.1) and the Regulation respecting petroleum, natural gas and underground reservoirs (chapter M-13.1, r. 1) concerning the petroleum and gas royalties that will apply until the adoption of a new petroleum taxation regime. Lastly, the draft Regulation takes into account the concerns, comments and observations received following the first publication period.

Study of the matter shows that this draft Regulation will have an impact on enterprises currently holding rights to explore for and produce petroleum and gas or operate an underground reservoir that will become licence holders and who will have to provide proof that they are solvent up to the amount for which they are liable for the purposes of the system, irrespective of fault. If the enterprises are responsible for an existing pipeline, they will have to prove their solvency for the amount up to which they are liable for the purposes of the no-fault regime relating to that pipeline. They will also have to pay a higher annual fee in addition to contending with greater accountability, in particular in respect of the information sent to the Minister of Energy and Natural Resources.

In addition, to foster social acceptability of the projects, licence holders will have to establish monitoring committees and send notices to municipalities, regional county municipalities and the public on the basis of the terms and conditions set in this draft Regulation. The additional requirements may impose, in certain cases, a significant burden. The impact on the public is limited to the notices that it will receive from licence holders, in particular where licences or pipeline construction or use authorizations are awarded.

Further information on the draft Regulation may be obtained by contacting Marie-Eve Bergeron, Director, Bureau des hydrocarbures, Ministère de l'Énergie et des Ressources naturelles, 5700, 4<sup>e</sup> Avenue Ouest, bureau A-422, Québec (Québec) G1H 6R1; telephone: 418 627-6385, extension 8131; toll free: 1 800 363-7233, extension 8131; fax: 418 644-1445; email: marie-eve.bergeron@mern.gouv.qc.ca.

Any person wishing to comment on the draft Regulation is requested to submit written comments within the 45-day period to Luce Asselin, Associate Deputy Minister for Energy, Ministère de l'Énergie et des Ressources naturelles, 5700, 4<sup>e</sup> Avenue Ouest, bureau A-407, Québec (Québec) G1H 6R1.

PIERRE MOREAU,  
*Minister of Energy and  
Natural Resources and  
Minister responsible for the Plan Nord*

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## Regulation respecting petroleum exploration, production and storage licences, and the pipeline construction or use authorization

Petroleum Resources Act

(chapter H-4.2, ss. 11, 2nd par., 17, 20, 2nd par., 25, 4th par., 27, 2nd par., 28, 4th and 5th pars., 29, 31, 1st and 3rd pars., 36 to 38, 39, 1st par., 40, 1st par., 44, 48, 1st par., 51, 2nd and 5th pars., 54, 2nd par., 57, 61, 1st par., 62, 2nd par., 63, 64, 1st par., 65, 2nd par., 66, 67, 117, 118, 2nd par., 119, 1st par., 121, 1st par., 122, 4th par., 123, 124, 126, 2nd par., 128, 1st and 3rd pars., 150, 2nd par., 152, 191, 207, pars. 1 and 4 to 6, and 287)

### CHAPTER I GENERAL

**1.** This Regulation establishes the conditions of exercise of the exploration for petroleum or underground reservoirs, the production or storage of petroleum and the construction or use of a pipeline, while ensuring the safety of persons and property, environmental protection, and optimal recovery of the resource.

**2.** In this Regulation,

“drill stem test” means an operation for collecting samples of fluids contained in rock to determine flow characteristics and measure reservoir pressures using drill stems as flow pipe in the wellbore and dedicated equipment; (*essai aux tiges*)

“isobath” means the contour line connecting points of equal depth on a geological surface defined in relation to a reference horizontal surface; (*isobathe*)

“qualified reserves evaluator” means a natural person who is a member of a professional order recognized by law in a territory of Canada, having the required professional qualifications and experience appropriate for the estimation, evaluation and review of geological, hydraulic, petrophysical and economic data relating to reserves, of the information on the resources and related information; (*évaluateur de réserves qualifié*)

“wellhead value” means the average retail sale price of the substance extracted, excluding any tax and deduction of the transportation average costs from the well to the places of delivery, measuring costs and, if applicable, purification costs. (*valeur au puits*)

**3.** All documents that must be sent to the Minister under this Regulation, except bids following an auction, must also be sent in an electronic version, in PDF.

The electronic version of the following documents must also be sent:

- (1) well log raw data, in ASCII files or an equivalent version;
  - (2) data produced by a geographical information system software, in a shapefile.
- 4.** The measurement units in the documents required under this Regulation must be expressed according to the International System of Units (SI).

## CHAPTER II

### SPECIFIC PROVISIONS APPLICABLE TO PETROLEUM EXPLORATION, PRODUCTION AND STORAGE LICENCES

#### DIVISION I

##### NOTICE TO OWNERS OR LESSEES, LOCAL MUNICIPALITIES AND REGIONAL COUNTY MUNICIPALITIES

**5.** The licence awarding notice provided for in sections 29 and 57 of the Petroleum Resources Act (chapter H-4.2) must contain

- (1) the holder's name and contact information;
- (2) the licence number, date of awarding and expiry date;
- (3) the date and registration number of the licence in the public register of real and immovable petroleum rights;
- (4) the steps taken to establish the monitoring committee provided for in section 28 of the Act;
- (5) the local municipalities and the regional county municipalities in which the territory subject to the licence is located; and
- (6) the name and contact information of the person to be contacted to obtain additional information.

The holder sends the notice by mail to the owner or the lessee of the land subject to the licence. The holder also sends the notice by registered mail to the local municipalities and regional county municipalities.

**6.** The notice must be accompanied by a plan to scale sufficient to show the boundaries of the territory subject to the licence, those of the local municipalities and those of the regional county municipalities.

#### DIVISION II

##### MONITORING COMMITTEE

**7.** A member of the monitoring committee is deemed not to be independent

(1) if the member has direct or indirect relations or interests of a financial or commercial nature with the licence holder;

(2) if the member is or was, during the 2 years preceding the date of appointment, employed by the holder or by one of the holder's wholly-owned subsidiaries, or if the member is related to a person holding such employment;

(3) if the member is employed by the Ministère de l'Énergie et des Ressources naturelles or by the Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques; and

(4) if the member is an employee or a commissioner of the Régie de l'énergie.

For the purposes of this section, "related person" means persons connected by blood relationship, marriage, civil union, *de facto* union or adoption.

**8.** The term of a committee member is 2 years and may be renewed.

**9.** The holder must provide to the committee a copy of

(1) the holder's licence and, where applicable, acts relating to its renewal, transfer, surrender, suspension, revocation or expiry;

(2) in the case of an exploration licence, the summary of the work planned during the term of the licence provided to the Minister in accordance with paragraph 4 of section 33;

(3) in the case of a production or storage licence, the petroleum production or storage plan;

(4) the acts and the documents referred to in subparagraphs 2 to 4 of the first paragraph of section 150 of the Act and any other act or document registered in the public register of real and immovable petroleum rights;

(5) a summary of the safety and community involvement programs provided for in the Regulation respecting petroleum exploration, production and storage on land, made by Order in Council (*insert the number and the date of the Order in Council*), or the Regulation respecting petroleum exploration, production and storage in a body of water, made by Order in Council (*insert the number and the date of the Order in Council*), as the case may be;

- (6) the notices sent under sections 29 and 57 of the Act;
- (7) the notices sent under sections 63, 67, 89, 93 and, if applicable, those sent under sections 119 and 123; and
- (8) the authorizations, permits and certificates obtained by the holder and issued by an authority other than the Minister.

**10.** The holder provides the technical support needed by the committee, including the recourse to external expertise where required.

The holder puts at the disposal of the committee a website reserved for the committee's activities and presenting the holder's project to the local community.

**11.** The committee must meet at least once a year.

Not later than 15 days after each meeting, the committee sends a report of the meeting to the holder. The holder publishes the report on the website within 15 working days following its receipt.

**12.** Every request for information or documents by the committee to the holder must be made in writing and must concern data needed by the committee to fulfill its mandate.

Within 15 days following the receipt of the request, the holder must provide the information and documents or give reasons for refusal to do so.

**13.** All expenses related to the operation of the committee are assumed by the holder.

At the request of the committee and on presentation of vouchers, the holder reimburses the travel and accommodation expenses of the committee members.

**14.** The committee must in particular revise the holder's plan for communication with local communities.

**15.** The holder must publish an annual report of the committee's activities and expenses corresponding to the holder's fiscal year on the website and send it to the Minister before 30 June of each year.

The committee must draw up the portion of the report concerning its activities and send it to the holder at least 15 working days before the deadline for publishing the report.

The holder must produce the other portion of the report concerning the committee's expenses.

**16.** The holder of a licence who is awarded another licence is not required to establish a new monitoring committee if the territories subject to the licences are adjacent. The holder must, within 30 days following the awarding of the new licence, submit its work program to the existing monitoring committee.

The first paragraph applies up to a maximum of 5 licences.

### CHAPTER III EXPLORATION LICENCE

#### DIVISION I AUCTION

##### §1. *Process*

##### §§1. *List of qualified persons*

**17.** To submit a bid as part of an auction, a person must be registered on the list of qualified persons.

The list is published on the department's website.

**18.** To establish the list of qualified persons, the Minister publishes a notice of opening of the list on the department's website. The notice may also be published in specialized magazines and newspapers.

The notice contains the eligibility requirements, the place where additional information may be obtained, the place chosen for receiving applications for registration and the date and time before which they must be received.

**19.** A person is registered on the list where the person

(1) provides the Minister with his or her name and contact information;

(2) meets the eligibility requirements provided for in the notice;

(3) provides an undertaking to prove, if the person is a successful bidder, that he or she is solvent to the amount provided for in section 160; and

(4) pays the fee of \$75.

**20.** A person is ineligible for the list if, in the 5 years preceding the date of his or her application for registration, a licence which the person held or for which the person held a share has been revoked.

A person registered on the list is removed from it if a licence he or she holds or for which the person holds a share is revoked.

**21.** The list is valid for 5 years.

**22.** A person not registered on the list may, during an auction process, submit an application for registration to be able to submit a bid. Sections 19 and 20 apply, with the necessary modifications.

The registration is effective for the remaining period of validity of the list.

**§§2.** *Auction documents and submission of a bid*

**23.** The Minister sends a notice of auction of an exploration licence to the persons registered on the list of qualified persons and publishes it on the department's website. The notice may also be published in specialized magazines and newspapers.

The notice is part of the auction documents and contains, in particular,

(1) a brief description of the licence and the territory subject to it;

(2) the designated place and date and time of the beginning of the period for receiving bids;

(3) the bid closing date and time; the period must not be less than 150 days from the beginning of the period for receiving bids;

(4) the place where the auction documents may be obtained and the time at which they will be available;

(5) the place where additional information may be obtained;

(6) the indication that the auction will be won by the person who submitted the highest eligible bid; and

(7) the conditions and rules applicable to an application for registration on the list of qualified persons during the auction process.

**24.** At the beginning of the period for receiving bids, the auction documents are published on the department's website. They include, in particular,

(1) a copy of the licence to be awarded;

(2) the description of the territory subject to the licence and its geology;

(3) the eligibility and compliance requirements of the bids;

(4) the procedure for opening the bids;

(5) the eligible form of the auction guarantee;

(6) the amount and the eligible form of the proof of solvency provided for in section 165 that will have to be given to the Minister before awarding the licence;

(7) the list of documents exigible from the successful bidder before the awarding of the licence; and

(8) the indication of the required fee.

**25.** The bidder must provide, with the bid, an auction guarantee of \$10,000 and pay a fee of \$154.

**26.** The eligibility and compliance requirements must specify the cases that will entail automatic rejection of a bid including, in particular,

(1) non-compliance of the bid closing date and time, failure to pay the required fee and non-compliance of the place designated for receiving bids; and

(2) the furniture of a guarantee not complying with the required form and requirements.

The compliance requirements must also indicate that the submission, by a person, of several bids for a same auction entails the automatic rejection of all the person's bids. For the purposes of this paragraph, the sending of a same bid by electronic means and on paper is deemed to be the submission of several bids.

**27.** The Minister may amend the auction documents by means of a supplementary agreement sent to the persons concerned by the auction and published on the department's website.

The supplementary agreement must be sent and published at least 30 days before the bid closing date; if that period is not complied with, the bid closing date must be postponed by as many days as necessary for meeting the minimum period.

**§2.** *Selection and awarding*

**§§1.** *Selection of successful bidder*

**28.** The Minister takes cognizance of the eligible bids in the presence of a witness on the bid closing date and time.

The Minister then examines them by verifying their compliance.

**29.** If the Minister rejects a bid because it is ineligible or non-compliant, the Minister informs the bidder by mentioning the reason for the rejection not later than 15 days after the publication of the name of the successful bidder.

**30.** The auction is won by the bidder that submitted the highest eligible bid.

In case of a tie, the successful bidder is selected by random draw.

**31.** The Minister informs the successful bidder that the bidder has been selected and publishes the bidder's name and the amount of the bid on the department's website.

**32.** A licence may not be awarded to a bidder who made a false or misleading statement.

#### *§§2. Awarding of licence*

**33.** Not later than 45 days after having been informed of the selection, the successful bidder must provide to the Minister

- (1) the amount tendered for the licence;
- (2) the proof of solvency provided for in section 165;
- (3) the process for appointing members of the monitoring committee or, if the bidder is not required to establish a new committee under section 16, identify the monitoring committee that will be consulted for that licence;
- (4) a summary of the anticipated exploration work for the term of the licence specifying the objectives, nature and scope; and
- (5) the payment of the annual fee payable under section 42 for the first year of the licence.

**34.** The Minister awards a licence when the successful bidder provides the Minister with the elements referred to in section 33 and approves the process for appointing the members of the monitoring committee.

If the successful bidder fails to provide those elements, the Minister may select a new bidder. Section 30 applies to that new selection.

**35.** The fee for awarding an exploration licence is \$10,000.

The auction guarantee provided by the successful bidder is kept by the Minister and is used to pay the licence awarding fee.

**36.** Within 30 days after the awarding of a licence, the Minister returns the guarantee to the bidders who have not won the auction.

**37.** The Minister may keep the auction guarantee where the successful bidder refuses to conclude the licence agreement.

#### **DIVISION II** **MINIMUM WORK**

**38.** The amount for the minimum work that an exploration licence holder must perform each year is,

- (1) for the first year of the term of the licence, \$100 per km<sup>2</sup> or \$6,000, whichever is greater;
- (2) for the second year of the term of the licence, \$200 per km<sup>2</sup> or \$12,000, whichever is greater;
- (3) for the third year of the term of the licence, \$300 per km<sup>2</sup> or \$18,000, whichever is greater;
- (4) for the fourth year of the term of the licence, \$400 per km<sup>2</sup> or \$24,000, whichever is greater;
- (5) for the fifth year of the term of the licence, \$500 per km<sup>2</sup> or \$30,000, whichever is greater; and
- (6) from the first renewal of the licence made pursuant to section 49, \$500 per km<sup>2</sup> or \$40,000, whichever is greater.

**39.** The work connected with the following activities are eligible for the calculation of the amount of minimum work:

- (1) geophysical or geochemical surveying;
- (2) stratigraphic survey;
- (3) well drilling or reentry;
- (4) completion of a well;
- (5) fracturing of a well;
- (6) reconditioning of a well;
- (7) petroleum extraction tests or using an underground reservoir;

- (8) temporary closure of a well;
- (9) permanent closure of a well or a reservoir;
- (10) restoration of a site; and
- (11) economic evaluation of a pool or a reservoir.

**40.** The work report referred to in the second paragraph of section 31 of the Act must contain

(1) a detailed description of the work performed during the year and the amounts broken down attributable to the work allowing to distinguish what is eligible and what is not;

(2) the result of the work and its impact on the continuation of the activities;

(3) where applicable, the amount of eligible work exceeding the amount of the required minimum work of the previous years that is carried over to the current year; the holder must identify the year in which the excess was made;

(4) where applicable, the amount of eligible work exceeding the amount of required minimum work performed in the territory of another licence that the holder wishes to apply to the licence for the current year; the holder must identify the licence from which comes the excess;

(5) where applicable, the amount of eligible work exceeding the amount of required minimum work that the holder wishes to apply to one or more other licences for the current year; the holder must identify the licences to which it wishes to apply the excess and detail the allocation between the licences;

(6) where applicable, the amount of eligible work exceeding the amount of minimum work required for the current year that could be carried over to a subsequent year; and

(7) where applicable, the amount of required minimum work that the holder should have performed in the current year and the amount paid in accordance with section 32 of the Act.

The breakdown of the amounts for the work must allow to assign a direct cost to each of the activities provided for in section 39, where applicable.

**41.** The report provided for in section 40 must be certified by an independent chartered professional accountant auditor.

The holder must provide the Minister, at the Minister's request, with the supporting documents for the eligible work performed during the year.

### **DIVISION III** ANNUAL FEE

**42.** The annual fee payable by the exploration licence holder is,

(1) for the first period of the term of the licence, \$51.50 per km<sup>2</sup>;

(2) from the first renewal of the licence under section 49, \$103 per km<sup>2</sup>; and

(3) from the renewal of the licence under section 50, \$257.50 per km<sup>2</sup>.

### **DIVISION IV** ANNUAL REPORT

**43.** The annual report provided for in section 37 of the Act must contain

(1) a summary of the work performed, signed and sealed by a geologist or an engineer;

(2) a summary of the exploration expenses incurred in the territory subject to the licence during the year;

(3) a statement in terms of exploration and evaluation assets held by the holder since the issuance of the licence in the territory subject to the licence, certified by an independent chartered professional accountant auditor;

(4) a summary of the new knowledge acquired during the year in the territory subject to the licence;

(5) where a notice of a significant or commercial discovery has been registered in the public register of real and immovable petroleum rights, the updating of the estimation of the petroleum reserves and contingent resources present in the territory subject to the licence, established in accordance with the Canadian Oil and Gas Evaluation Handbook (COGEH) by an independent qualified reserves evaluator, if it has been carried out; and

(6) the status of the wells and the amount of guarantees furnished in accordance with section 103 of the Act.

Any supporting or reference document must be sent with the annual report.

**44.** The annual report must be accompanied by a map showing the perimeter of the area of the geophysical surveying and the geochemical surveying, the survey lines, traverses and sources of energy for the geophysical surveying, the perimeter of the area of the surveying and the sampling points for the geochemical surveying, stratigraphic surveys and drillings carried out in the territory subject to the licence, and the equipment and installations in place.

#### **DIVISION V** **DISCOVERY NOTICE**

**45.** The notice of significant discovery provided for in section 38 of the Act must contain

- (1) the name and contact information of the holder and the licence number;
- (2) the well name and number;
- (3) the depth interval and a description of the bearing geological formations and discovery areas;
- (4) the location of the discovery;
- (5) a longitudinal section of the discovery drilling indicating its position;
- (6) a description of the petroleum and its relation with the bearing geological formations;
- (7) the data and analyses justifying the area of petroleum accumulation;
- (8) the depth of the tests conducted;
- (9) an estimation of the discovered petroleum resources established in accordance with the Canadian Oil and Gas Evaluation Handbook (COGEH) by an independent qualified reserves evaluator and the data and the analyses that allowed the establishment of that estimation; and
- (10) the results of the extraction tests.

**46.** The notice of commercial discovery provided for in section 39 of the Act must contain

- (1) the name and contact information of the holder and the licence number;
- (2) the name and the number of the wells that allowed the discovery and the delineation of the commercial discovery area;

(3) the depth interval and a description of bearing geological formations and discovery areas;

(4) the vertical projection, on the surface, of the top of the pool and isobaths of the top of the pool using sea level as a reference;

(5) a longitudinal section of the wells referred to in paragraph 2 indicating their positions;

(6) a description of the petroleum and its relation with the bearing geological formations;

(7) the data and analyses justifying the area of accumulation of the petroleum;

(8) the depth of the tests conducted; and

(9) the results of the extraction tests.

**47.** The notice of commercial discovery must also contain an estimate of the contingent resources and, where applicable, the petroleum reserves established in accordance with the Canadian Oil and Gas Evaluation Handbook (COGEH) by an independent qualified reserves evaluator and the data and analyses that allowed the establishment of the estimate. The notice of commercial discovery must explain the nature of the contingencies that do not allow to qualify contingent reserve resources and steps that must be carried out to lift the contingencies. Should there be a calculation of the reserves, the notice of commercial discovery will have to give the risked net present value of future net revenue in accordance with Parts 1 to 3 of Form 51-101F1 of Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities (chapter V-1.1, r. 23), with the necessary modifications, determined by an independent qualified reserves evaluator.

**48.** Where an exploration licence holder sends to the Minister a notice of a significant or commercial discovery, the holder sends by registered mail a copy of the notice to the local municipalities and regional county municipalities situated in the territory subject to the licence and a summary of the notice containing the information referred to in paragraphs 1, 2, 4 and 9 of section 45 or paragraphs 1, 2 and 9 of section 46.

#### **DIVISION VI** **RENEWAL**

**49.** The Minister renews an exploration licence for 1 year, not more than 5 times, provided that the holder

- (1) applies for the renewal before the end of the previous term;



- (2) pays the annual fee payable under section 42;
- (3) has complied with the Act and its regulations during the previous term;
- (4) sends a summary of the work planned for the following term specifying its objective, nature and scope, signed and sealed by an engineer; and
- (5) has a notice of significant discovery registered in the public register of real and immovable petroleum rights before the end of the previous term or justifies the relevance of continuing the exploration work.

**50.** After the fifth renewal, the Minister renews the exploration licence for a period of 8 years, provided that the holder

- (1) applies for the renewal before the end of the previous term;
- (2) pays the annual fee payable under section 42 for the first year of renewal;
- (3) has a notice of commercial discovery registered in the public register of real and immovable petroleum rights before the end of the previous term;
- (4) has complied with the Act and its regulations during the previous term; and
- (5) sends a summary of the work planned for the following term specifying its objective, nature and scope, signed and sealed by an engineer.

On the expiry of the 8-year period, the Minister may authorize the extension of the licence for the period necessary for receiving the decision and authorizations provided for in the first paragraph of section 48 of the Act and the issuance of the production or storage licence.

## CHAPTER IV PRODUCTION LICENCE

### DIVISION I AWARDING OF A PRODUCTION LICENCE

#### *§1. Awarding to an exploration licence holder*

**51.** The Minister awards a production licence where the holder of an exploration licence sends to the Minister

- (1) the proof of solvency provided for in section 165;
- (2) a copy of the authorizations obtained in accordance with section 48 of the Act;

(3) the payment of the annual fee payable under section 68 for the first year of the licence; and

(4) the payment of the licence awarding fee of \$10,000.

**52.** The holder of an exploration licence sends the elements referred to in section 51 not later than 45 days after receiving the last authorization or favourable decision provided for in section 48 of the Act.

#### *§2. Awarding by auction*

**53.** Where a production licence is awarded by auction, sections 17 to 32 apply, with the necessary modifications.

**54.** In addition to informing the successful bidder in accordance with section 31, the Minister also informs the bidder having submitted the second highest bid.

The Minister returns the auction guarantee to the other bidders.

**55.** The successful bidder and the bidder having submitted the second highest bid must submit their production project to the Régie de l'énergie not later than 45 days after having been notified by the Minister in accordance with sections 31 and 54.

The Board takes cognizance of the project of the bidder having submitted the second highest bid only if the successful bidder does not receive a favourable decision for its project.

**56.** The bidder having submitted the second highest bid may, at all times, withdraw from the process by notifying the Minister and the Régie de l'énergie, in writing. The Minister then returns that bidder's auction guarantee.

**57.** Not later than 45 days after having received the last authorization or favourable decision provided for in section 48 of the Act, the successful bidder or, as the case may be, the bidder having submitted the second highest bid must

- (1) pay the amount tendered for the licence;
- (2) provide the proof of solvency provided for in section 165;
- (3) provide a copy of the authorizations obtained in accordance with section 48 of the Act;
- (4) provide the process for appointing the members of the monitoring committee or, if the bidder is not required to establish a new monitoring committee under the first paragraph of section 16, identify the monitoring committee that will be consulted for that licence; and

(5) pay the annual fee payable under section 68 for the first year of the licence.

**58.** The Minister awards a production licence where the Minister receives the elements referred to in section 57 and approves the process for appointing the members of the monitoring committee, where applicable.

**59.** The production licence awarding fee is \$10,000.

The auction guarantee furnished by the person to whom the licence is awarded is kept by the Minister and is used to pay the licence awarding fee.

**60.** Within 30 days after the awarding of the licence, the Minister returns the auction guarantee to the bidder who has not obtained the licence.

**61.** The Minister may keep the auction guarantee where the successful bidder or, where applicable, the bidder having submitted the second highest bid refuses to conclude a licence agreement.

## DIVISION II EXAMINATION OF THE PROJECT BY THE RÉGIE DE L'ÉNERGIE

### §1. Application

**62.** A person who wishes to obtain a production licence must send to the Régie de l'énergie the following documents and information so that the Board may rule on the production project:

(1) a general presentation of the production project including, in particular,

- (a) the history of the activities already performed;
- (b) the date of registration of the notice of commercial discovery in the public register of real and immovable petroleum rights;
- (c) the partners, their respective interests and their technical and financial capabilities to carry out the project;
- (d) a map showing the vertical projection, on the surface, of the pool and the equipment and installations required to carry out the production project;
- (e) a topographic map at a scale sufficient to show

i. the perimeter of the territory that will be subject to the licence;

ii. the municipalities in the territory that will be subject to the licence;

iii. the roads included in the territory that will be subject to the licence;

iv. the public and private lands; and

v. the land and bodies of water;

(f) the schedule of the anticipated work;

(g) a general description of the progress of the installations over time;

(h) the list of the technical documents and data used in the preparation of the production project;

(i) if the project is submitted after an auction process, the summary of how any financial liabilities attributable to the anticipated activities will be resolved by specifying the means that will be taken to obtain the necessary funds and the time at which the funds will be raised;

(j) the list of permits, licences and authorizations required to carry out the project; and

(k) if applicable, a description of the amendments made to the project following conditions imposed by other departments or bodies;

(2) a report containing, in particular,

(a) an overview of the regional geology;

(b) the structural geology and the geology of the reservoir;

(c) a petrological analysis of the reservoir and the country rocks;

(d) a geophysical analysis on the geophysical data available, in particular, seismic surveys and well logs, and whose objective is to characterize the geometry of the pool and the country rocks and their physical properties;

(e) a geological modeling of the pool;

(f) a reservoir petrophysical analysis allowing in particular to establish a volumetric model that takes into account the porosity, permeability and water saturation as well as the methodology selected and the raw data used for the analysis;

(g) the results of the drill stem tests;

(h) the properties of the fluids in the reservoir;

(i) the pressures, volumes and temperatures in the reservoir; and

(j) a demonstration that the spacing of the wells allows an adequate delineation of the pool;

(3) an evaluation of the contingent resources and, where applicable, the petroleum reserves established in accordance with the Canadian Oil and Gas Evaluation Handbook (COGEH) by an independent qualified reserves evaluator;

(4) a petroleum production plan including

(a) the detailed chronology of the activities planned during the development of the pool;

(b) the situation of the wells in order to encompass the production of the pool in its entirety;

(c) the list of factors that may affect the production project, in particular, the physical constraints and geo-technical aspects;

(d) a description of the production and transportation installations;

(e) the presentation of the technical management approach concerning contractors, suppliers and subcontracting;

(f) the pool dry-off method including, if applicable, an assisted recovery plan;

(g) the pool management and petroleum marketing strategy;

(h) a production simulation model; and

(i) the strategy for the closure of wells, dismantling of equipment and installations and restoration of the work sites;

(5) an emergency preparedness plan compliant with CSA-Z731 Standard, Emergency Preparedness and Response, published by the Canadian Standards Association;

(6) an operation and maintenance plan establishing the pool management objectives and the usual operational considerations, in particular, the tests, analyses, performance control and monitoring of the pool;

(7) an economic evaluation of the project including, in particular,

(a) the expenses incurred prior to the preparation of the production project for installations that will be used in the production phase;

(b) the preparation costs of the production project;

(c) an estimate of the costs in principal of the development project, in particular, the costs for drilling, completing and fracturing wells, the cost of the installations for extraction, purification, fracturing, liquefaction, compression, measurement and transportation to the place of delivery, the closure, dismantling and site restoration costs, and indirect costs;

(d) an estimate of the operating and maintenance costs, in particular, administrative and technical support and the costs for operation, extraction, purification, fracturing, liquefaction, compression, measurement and transportation to the place of delivery and indirect costs;

(e) a presentation of production scenarios and revenue projections;

(f) an evaluation of the recovery in the pool;

(g) the contingency factors affecting the potential recovery of discovered, non-recoverable petroleum;

(h) a scenario for the royalties to be paid;

(i) an economic sensitivity analysis; and

(j) in the case of petroleum reserves, the risked net present value of future net revenue, in accordance with Parts 1 to 3 of Form 51-101F1 of Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities (chapter V-1.1, r. 23), with the necessary modifications, determined by an independent qualified reserves evaluator;

(8) a local and regional benefit plan presenting, in particular, the projections of the expenses made in the environment, the tax implications and the related employment as well as the negative financial impact;

(9) a summary of the public consultations carried out prior to the submission of the project; and

(10) a description of the mitigation measures anticipated to harmonize the use of the territory and minimize disruptions for the local communities and on the environment.

The document required under subparagraph 2 of the first paragraph must be signed and sealed by a geologist or an engineer and the documents required under subparagraphs 4 to 6 must be signed and sealed by an engineer.

**63.** As soon as the application has been submitted to the Régie de l'énergie, the person who wishes to obtain a production licence sends a notice to the Minister containing

(1) the person's name and contact information and, if the person holds an exploration licence, the licence number; and

(2) the date of filing the application with the Board and the file number.

**64.** During the examination of the project, the Régie de l'énergie must take into account, in particular,

(1) job creation;

(2) the estimate of the revenues for the State;

(3) the positive and negative economic impact of the project; and

(4) the project completion probability.

**65.** Where the Régie de l'énergie renders its decision, it must in particular rule on the overall economic relevance of the project.

### *§2. Amendments to the production project*

**66.** A licence holder who wishes to amend its production project must first submit the amendment to the Régie de l'énergie .

It must contain, in particular,

(1) the presentation of the amendments to the project;

(2) an update of the documents already submitted;

(3) the difference in the costs of the project and the proportion of those costs in relation to the costs of the most recent version of the project that received a favourable decision from the Board; and

(4) the justification of any change to the nature of the most recent version of the project that received a favourable decision from the Board because of a technical change, or the reasons for which the amendment does not result in such change.

**67.** As soon as the holder has submitted an amendment to the Régie de l'énergie, the holder notifies the Minister.

The notice must be accompanied by the presentation of the amendments to the production project and it must include the Board's file number.

### **DIVISION III** ANNUAL FEE AND ROYALTIES

**68.** The production licence holder pays an annual fee of \$361 per km<sup>2</sup>.

**69.** The royalties that the production licence holder must pay monthly are set according to the quantity of petroleum extracted declared in the monthly report provided for in section 71.

The royalties are,

(1) on petroleum extracted from the territory subject to the licence,

(a) where the average daily production per production well is 7 m<sup>3</sup> or less, 5% of the wellhead value;

(b) where the average daily production per production well is greater than 7 m<sup>3</sup> and less than 30 m<sup>3</sup>,

i. 5% of the wellhead value on the first 7 m<sup>3</sup>; and

ii. 10% of the wellhead value on the excess;

(c) where the average daily production per production well is greater than 30 m<sup>3</sup>,

i. 8.75% of the wellhead value on the first 30 m<sup>3</sup>; and

ii. 12.5% of the wellhead value on the excess; and

(2) on the gas extracted from the territory subject to the licence,

(a) where the average daily production per production well is greater than 84,000 m<sup>3</sup>, 10% of the wellhead value;

(b) where the average daily production per production well is greater than 84,000 m<sup>3</sup>,

i. 10% of the wellhead value on the first 84,000 m<sup>3</sup>; and

ii. 12.5% of the wellhead value on the excess.

**70.** The royalties must be paid in cash, or by cheque or postal money order, payable to the order of the Minister of Finance.

## DIVISION IV REPORTS

### §1. *Monthly report*

**71.** The production monthly report provided for in section 62 of the Act must contain, in particular,

- (1) the name and contact information of the holder and the licence number;
- (2) a summary of the activities in the wells and installations and of the production operations;
- (3) the nature and volume of petroleum produced daily by each well and the monthly and annual accumulation of that volume;
- (4) the amount of the royalties payable on the petroleum produced, by type of petroleum, including, in particular,
  - (a) the monthly volume of each type of petroleum produced by all the wells in the territory subject to the licence;
  - (b) the monthly production revenues for each type of petroleum;
  - (c) the measurement, transportation and purification costs;
  - (d) the monthly average well head value for each type of petroleum; and
  - (e) the total monthly amount of royalties for the petroleum produced during the year concerned.

The report must be sent within the first 20 days of the following month.

### §2. *Annual report*

**72.** The annual report provided for in section 64 of the Act must include, in particular,

- (1) the name and contact information of the holder and the licence number;
- (2) a summary of
  - (a) the activities in the wells and installations in the territory subject to the licence;
  - (b) production operations; and
  - (c) the activities of the monitoring committee;

(3) a description of the equipment and installations used on the surface and in the wells;

(4) a technical analysis concerning the production characteristics and the annual monitoring data of those characteristics that includes, in particular,

- (a) the results of verifications and checks carried out on the equipment and wells;
- (b) the flow, type of substance and volume of the fluids and petroleum produced from or injected into the wells;
- (c) the results of production tests, pressure surveys and analyses of fluids and petroleum;
- (d) a description of petroleum refining processes on the production site;
- (e) a copy of production loggings recorded before ceasing operation of a producing well, where applicable; and
- (f) the results of other tests, measurements and well logs carried out;

(5) a description of the transactional meters for measuring for invoicing purposes and their specifications and a map locating them;

(6) the date of the last calibration of the transactional meters for measuring for invoicing purposes;

(7) the results of the shut-in pressure measurements, which must be carried out at least once a year for each well in production during the year;

(8) the nature and volume of petroleum produced daily per well and the monthly and yearly accumulation of that volume;

(9) the annual volume of each type of petroleum produced by all the wells in the territory subject to the licence;

(10) historical production data for each producing well, in the form of a curve indicating the monthly flow and the declining pressure;

(11) the annual production revenues for each type of petroleum, including the sale price, the volume sold and the person involved in the transaction;

(12) the total monthly amount of the royalties for the petroleum produced during the year concerned;

(13) the result of the annual re-evaluation of the petroleum reserves and contingent resources prepared in accordance with the Canadian Oil and Gas Evaluation Handbook (COGEH) by an independent qualified reserves evaluator; and

(14) the annual review of the economic evaluation of the project submitted to the Régie de l'énergie.

Any supporting reference document must be sent with the annual report.

**73.** The annual report must be accompanied by a map showing the perimeter of the area of the geophysical surveying or the geochemical surveying, the survey lines, traverses and sources of energy for the geophysical surveying, the perimeter of the area of the surveying and the sampling points for the geochemical surveying, stratigraphic surveys and drillings carried out in the territory subject to the licence, and the equipment and installations in place.

#### DIVISION V RENEWAL

**74.** The Minister renews a production licence for a 10-year period, not more than 5 times, provided that the holder

(1) pays the fee payable under section 68 for the first year of the renewal;

(2) has complied with the Act and its regulations during the previous term;

(3) demonstrates that the holder has produced petroleum for at least 24 months during the 5 years preceding the renewal application; and

(4) demonstrates that the pool development approach allows for an optimal and safe recovery of the petroleum.

After those periods, the Minister may authorize the extension of the licence term for the period the Minister determines, where the holder has applied for it in accordance with the first paragraph and demonstrates the economic relevance of the pool for the extension period.

The renewal application must be sent at least 120 days before the end of the previous term failing which the holder is liable to the monetary administrative penalty provided for in paragraph 1 of section 187 of the Act.

**75.** If the holder has not applied for renewal on the date of expiry of the licence, the holder must send to the Minister the annual report the holder was required to send to the Minister under section 72.

#### CHAPTER V STORAGE LICENCE

##### DIVISION I PROTECTIVE PERIMETER

**76.** For delimiting the territory subject to a storage licence provided for in section 11 of the Act, the protective perimeter corresponds to 10% of the maximum width of the area of the vertical projection, on the ground, of the reservoir measured at its largest point.

##### DIVISION II AWARDING OF A STORAGE LICENCE

###### §1. *Awarding to the exploration or production licence holder*

**77.** The Minister awards a storage licence to the holder of an exploration or production licence where the holder sends to the Minister

(1) the proof of solvency provided for in section 165;

(2) a copy of the authorizations obtained in accordance with section 48 of the Act;

(3) the payment of the annual fee payable under section 97 for the first year of the licence; and

(4) the payment of the licence awarding fee of \$10,000.

**78.** The holder of an exploration or production licence sends the elements referred to in section 77 not later than 45 days after having received the last authorization or favourable decision provided for in section 48 of the Act.

###### §2. *Awarding by auction*

**79.** Where a storage licence is awarded by auction, sections 17 to 32 apply, with the necessary modifications.

**80.** In addition to informing the successful bidder in accordance with section 31, the Minister also informs the bidder having submitted the second highest bid.

The Minister returns the auction guarantee to the other bidders.

**81.** The successful bidder and the bidder having submitted the second highest bid must submit their storage project to the Régie de l'énergie not later than 45 days after having been notified by the Minister in accordance with sections 31 and 80.

The Board takes cognizance of the project of the bidder having submitted the second highest bid only if the successful bidder does not receive a favourable decision on its project.

**82.** The bidder having submitted the second highest bid may, at all times, withdraw from the process by notifying the Minister and the Régie de l'énergie, in writing. The Minister then returns its auction guarantee.

**83.** Not later than 45 days after receiving the last authorization or favourable decision provided for in section 48 of the Act, the successful bidder or, where applicable, the bidder having submitted the second highest bid, must

- (1) pay the amount tendered for the licence;
- (2) provide the proof of solvency provided for in section 165;
- (3) provide a copy of the authorizations obtained in accordance with section 48 of the Act;
- (4) provide the process for appointing the members of the monitoring committee or, if the bidder is not required to establish a new monitoring committee under the first paragraph of section 16, identify the monitoring committee that will be consulted for that licence; and
- (5) pay the annual fee payable under section 97 for the first year of the licence.

**84.** The Minister awards a storage licence where the Minister receives the elements referred to in section 83 and approves the process for appointing the members of the monitoring committee, where applicable.

**85.** The storage licence awarding fee is \$10,000.

The auction guarantee furnished by the licensee is kept by the Minister and is used to pay the licence awarding fee.

**86.** Within 30 days after awarding a licence, the Minister returns the guarantee to the person who did not obtain the licence.

**87.** The Minister may keep the auction guarantee where the successful bidder or, where applicable, the bidder having submitted the second highest bid refuses to conclude the licence agreement.

### DIVISION III EXAMINATION OF THE PROJECT BY THE RÉGIE DE L'ÉNERGIE

#### §1. Application

**88.** A person who wishes to obtain a storage licence must submit to the Régie de l'énergie the following documents and information so that the Board may rule on the storage project:

(1) a general presentation of the storage project including, in particular,

(a) the history of the activities already performed, which includes, in particular, in the case of an underground reservoir resulting from the drying-up of a pool, a history of the development carried out and the production;

(b) the partners, their respective interests and their technical and financial capabilities to carry out the project;

(c) a map showing the vertical projection, on the surface, of the reservoir and the equipment and installations required to carry out the storage project;

(d) a topographic map at a scale sufficient to show

i. the perimeter of the territory that will be subject to the licence;

ii. the municipalities in the territory that will be subject to the licence;

iii. the roads included in the territory that will be subject to the licence;

iv. the public and private lands; and

v. the land and bodies of water;

(e) the schedule of the anticipated work;

(f) a general description of the progress of the installations over time;

(g) the list of the technical documents and data used in the preparation of the storage project;

(h) if the project is submitted after an auction process, a summary of how any financial liabilities attributable to the anticipated activities will be resolved by specifying the means that will be taken to obtain the necessary funds and the time at which the funds will be raised;

(i) the list of permits, licences and authorizations required to carry out the project; and

(j) if applicable, a description of the amendments made to the project following conditions imposed by other departments or bodies

(2) a report containing, in particular,

(a) an overview of the regional geology;

(b) the structural geology and the geology of the reservoir;

(c) a petrological analysis of the reservoir and the country rocks;

(d) a geophysical analysis on the geophysical data available, in particular, seismic surveys and well logs, and whose objective is to characterize the geometry of the reservoir and the country rocks and their physical properties;

(e) a geological modeling of the reservoir;

(f) a reservoir petrophysical analysis allowing, in particular, to establish a volumetric model that takes into account the porosity, permeability and water saturation as well as the methodology selected and the raw data used for the analysis;

(g) the results of the drill stem tests;

(h) the properties of the fluids in the reservoir;

(i) the pressures, volumes and temperatures in the reservoir;

(j) a reservoir integrity study;

(k) an estimate of the commercial volumetric capacity of the reservoir including the methodology justifying that calculation;

(l) a fluid behaviour modeling;

(m) the approach allowing to maintain pressure and production capacities; and

(n) the daily maximum injection and withdrawal rates;

(3) in the case of an underground reservoir resulting from the drying-up of a pool, a history of the production of indigenous petroleum along with an evaluation of the resource in place prior to the storage project, established

in accordance with the Canadian Oil and Gas Evaluation Handbook (COGEH) by an independent qualified reserves evaluator;

(4) a petroleum storage plan including, in particular

(a) the storage management strategy;

(b) the detailed chronology of the activities planned during the development of the storage reservoir and the installations and equipment required;

(c) a description of the injection and withdrawal, and transportation installations;

(d) the list of factors that may affect the storage project, in particular, the physical constraints and geotechnical aspects;

(e) the presentation of the technical management approach concerning contractors, suppliers and subcontracting;

(f) a description of the targeted market along with a storage simulation model showing the monthly volumes injected and withdrawn based on the targeted market and the anticipated income over the life of the project; and

(g) the strategy for closing wells, dismantling equipment and installations and restoration of work sites;

(5) an emergency preparedness plan compliant with CSA-Z731 Standard, Emergency Preparedness and Response, published by the Canadian Standards Association;

(6) an operation and maintenance plan including the reservoir management objectives and the usual operational considerations, in particular, the tests, analyses, performance control and monitoring of the reservoir;

(7) an economic evaluation of the project including, in particular,

(a) the expenses incurred prior to the preparation of the storage project for installations that will be used in the storage project;

(b) the preparation costs of the storage project;

(c) an estimate of the costs in principal of the development project, in particular, the costs for drilling, completing and fracturing wells, the cost of the installations for injection and withdrawal, purification, fractionation,



liquefaction, compression, measurement and transportation to the place of delivery, the closure, dismantling and site restoration costs, and indirect costs;

(d) an estimate of the operating and maintenance costs, in particular, administrative and technical support, and for injection and withdrawal, purification, fractionation, liquefaction, compression, measurement and transportation to the place of delivery and indirect costs;

(e) a presentation of injection, storage and withdrawal scenarios and revenue projections;

(f) a scenario of the duties to be paid on substances withdrawn; and

(g) an economic sensitivity analysis;

(8) a local and regional benefit plan presenting in particular the projections of the expenses made in the environment and related employment as well as the negative financial impact;

(9) a summary of the public consultations carried out prior to the submission of the project; and

(10) a description of the mitigation measures anticipated to harmonize the use of the territory and minimize disruptions for the local communities and on the environment.

The document required under subparagraph 2 of the first paragraph must be signed and sealed by a geologist or an engineer and the documents required under subparagraphs 4 to 6 must be signed and sealed by an engineer.

**89.** As soon as the application has been submitted to the Régie de l'énergie, the person who wishes to obtain a storage licence must send a notice to the Minister containing

(1) the person's name and contact information and if the person holds an exploration or production licence, the licence number; and

(2) the date on which the application was filed with the Board and the file number.

**90.** When examining the project, the Régie de l'énergie must in particular take into account

(1) job creation;

(2) the estimate of the revenues for the State;

(3) the positive and negative economic impact of the project; and

(4) the project completion probability.

**91.** Where the Régie de l'énergie renders its decision, it must in particular rule on the overall economic relevance of the project.

## **§2. Amendments to the storage project**

**92.** A licence holder who wishes to amend the storage project must first submit the amendment to the Régie de l'énergie.

It must contain, in particular,

(1) the presentation of the modifications to the project;

(2) an update of the documents already submitted;

(3) the difference in the costs of the project and the proportion of those costs in relation to the costs of the most recent version of the project that received a favourable decision from the Board; and

(4) the justification of any change to the nature of the most recent version of the project that received a favourable decision from the Board because of a technical change, or the reasons for which the amendment does not result in such change.

**93.** As soon as the holder has submitted an amendment to the Board, the holder notifies the Minister.

The notice must be accompanied by the presentation of the modifications to the storage project and must include the Board's file number.

## **DIVISION IV SPECIAL OBLIGATIONS OF A STORAGE LICENCE HOLDER**

**94.** A storage licence gives the holder the right to use an underground reservoir to store in it and withdraw natural gas.

**95.** A licence holder may not withdraw from the underground reservoir a quantity of substance greater than the quantity injected except during the permanent closure of an underground reservoir and its wells.

**96.** A storage licence holder must immediately notify the Minister of any change to the characteristics of the underground reservoir.

## DIVISION V ANNUAL FEES AND DUTIES ON THE SUBSTANCES WITHDRAWN

**97.** A storage licence holder pays an annual fee of \$361 per km<sup>2</sup>.

**98.** The duties on the substances withdrawn that a storage licence holder must pay monthly are fixed according to the quantity of withdrawn substances declared in the monthly report provided for in section 100.

The duties are

(1) \$258 per million cubic metres on the first 50 million cubic metres withdrawn in the year;

(2) \$515 per million cubic metres on the volumes between 50 and 100 million cubic metres withdrawn in the year;

(3) \$772 per million cubic metres on the volumes between 100 and 250 million cubic metres withdrawn in the year;

(4) \$1,074 per million cubic metres for the remainder.

However, for each year, the total of the duties on the substances withdrawn may not be less than \$10,074. The last monthly payment must be adjusted upward if the total of the sums paid is lower.

**99.** Payment of the duties on the substances withdrawn must be in cash, or by cheque or postal money order payable to the order of the Minister of Finance.

## DIVISION VI REPORTS

### *§1. Monthly report*

**100.** The injection and withdrawal monthly report provided for in section 65 of the Act must contain, in particular,

(1) the name and contact information of the holder and the licence number;

(2) a summary of the activities in the wells and the installations and of the injection and withdrawal operations;

(3) the nature and volume of substances injected and withdrawn monthly per well and the annual accumulation of that volume;

(4) the amount of the duties payable on the substances withdrawn that includes, in particular,

(a) the monthly volume of substances withdrawn from all the wells in the territory subject to the licence;

(b) an estimate of the volume of substances that should be withdrawn in the current year;

(c) the monthly amount of the duties paid on the substances withdrawn during the month concerned; and

(d) the total amount of the duties paid on the substances withdrawn for the current year.

The report must be sent within the first 30 days following the last day of each month.

**101.** The report must be accompanied, in particular, by the daily injection and withdrawal reports and the records of the official transactions with third persons concerning those activities.

### *§2. Annual report*

**102.** The annual report provided for in section 67 of the Act must contain, in particular,

(1) the name and contact information of the holder and the licence number;

(2) a summary of

(a) the activities in the wells and installations in the territory subject to the licence;

(b) the injection and withdrawal operations; and

(c) the activities of the monitoring committee;

(3) a description of the transactional meters used for measuring for invoicing purposes and their specifications and a map locating them;

(4) the date of the last calibration of the transactional meters used for measuring for invoicing purposes;

(5) the nature and volume of the substances injected and withdrawn daily per well and the monthly and yearly accumulation;

(6) the amount of the duties payable on the substances withdrawn including, in particular,

(a) the annual volume of the substances withdrawn for all the wells in the territory subject to the licence;

(b) the monthly amounts of the duties paid on the substances withdrawn for the year concerned; and

(c) the adjustment of the duties payable on the substances withdrawn on the basis of the real annual volume withdrawn by all the wells in the territory subject to the licence; and

(7) a projection of the substance injection and withdrawal activities for the coming year.

Any supporting or reference document must be sent with the annual report.

**103.** The annual report must be accompanied by a map showing the perimeter of the area of the geophysical surveying or the geochemical surveying, the survey lines, traverses and sources of energy for the geophysical surveying, the perimeter of the area of the surveying and the sampling points for the geochemical surveying, stratigraphic surveys and drillings carried out in the territory subject to the licence, and the equipment and installations in place.

#### DIVISION VII RENEWAL

**104.** The Minister renews a storage licence for a period of 10 years, not more than 5 times, provided that the holder

(1) pays the fee payable under section 97 for the first year of the renewal;

(2) has complied with the Act and its regulations during the previous term;

(3) demonstrates that the holder has injected, stored or withdrawn petroleum for at least 24 months during the last 5 years of the previous term; and

(4) demonstrates that the reservoir use approach allows the injection, storage and withdrawal of the petroleum in an optimal and safe manner.

After those periods, the Minister may authorize the extension of the licence term for the period the Minister determines, where the holder applies for it in accordance with the first paragraph and demonstrates the economic relevance of the operation of the underground reservoir for the extension period.

The renewal application must be sent at least 120 days before the end of the previous term failing which the holder is liable to the monetary administrative penalty provided for in paragraph 1 of section 187 of the Act.

**105.** If the holder has not applied for renewal on the date of expiry of the licence, the holder must send to the Minister the annual report the holder was required to send to the Minister under section 102.

#### CHAPTER VI SURRENDER, REVOCATION AND TRANSFER OF A PETROLEUM EXPLORATION, PRODUCTION OR STORAGE LICENCE

##### DIVISION I SURRENDER

**106.** A licence holder who wishes to surrender all or part of its right must apply to the Minister and must have obtained the declaration of satisfaction provided for in section 114 of the Act with respect to all the wells or reservoirs for which the holder is responsible situated in the territory to be surrendered.

The application must be accompanied by the payment of the fee of \$250.

**107.** In the case of an application for the partial surrender of an exploration right, the holder must send to the Minister an update of the summary of the exploration work filed under paragraph 4 of section 33.

**108.** In the case of an application for partial surrender of a production or storage right, the area of the territory to be surrendered must not be less than 2 km<sup>2</sup>.

##### DIVISION II REVOCATION

**109.** A holder whose licence has been revoked by the Minister must, within 6 months of the date on which the revocation is enforceable, have permanently closed the wells for which the holder is responsible in the territory subject to the licence, in accordance with the permanent well or reservoir closure and site restoration plans.

In the case of an underground reservoir having a storage licence and its wells, the period is 24 months.

The Minister may grant an additional period if the holder demonstrates the need therefor.

Sections 297 to 314 of the Regulation respecting petroleum exploration, production and storage on land and sections 266 to 287 of the Regulation respecting petroleum exploration, production and storage in a body of water, as the case may be, apply to the closure and restoration work, with the necessary modifications.

### DIVISION III TRANSFER

#### §1. *General*

**110.** A licence holder who wishes to transfer all or part of the licence must not have failed to fulfill the holder's obligations under the Act and its regulations.

**111.** A person may not obtain, by transfer, a licence or a share of the licence's right, if a licence the person holds has been revoked in the last 5 years.

#### §2. *Transfer of licence*

**112.** A licence transferee must apply for the transfer to the Minister, in writing.

The application must be accompanied by an update of the proof of solvency provided for in section 165 and an update of the summary of the exploration work filed under paragraph 4 of section 33, if the licence transferred is an exploration licence.

**113.** For each well on the land subject to the licence and that is not permanently closed, the transferee must also apply for the drilling authorization provided for in the Regulation respecting petroleum exploration, production and storage on land or the Regulation respecting petroleum exploration, production and storage in a body of water, as the case may be.

**114.** A transferee who wishes to modify the process for the appointment of the members of the monitoring committee must first submit a new process to the Minister for approval.

**115.** Once the licence transferred, the transferee must notify the owners or lessees, the local municipalities and the regional county municipalities of the transfer according to the terms and conditions provided for in section 5, with the necessary modifications.

#### §3. *Transfer of a share of the exploration, production or storage right*

**116.** A transferee of a share of the exploration, production or storage right must apply for the transfer to the Minister, in writing.

The application must be accompanied by

(1) the most recent annual financial statement audited by an independent auditor, if the transferee is a legal person;

(2) an update of the proof of solvency provided for in section 165, if the transferee acquires the majority of shares in the exploration, production or storage right; and

(3) the designation of a representative with the Minister.

**117.** A designated representative works for the Minister as mandatary for all the holders of shares. The representative's name and contact information are registered in the public register of real and immovable petroleum rights. Each holder of a share is bound by the acts and omissions of the designated representative in the carrying out of the representative's mandate.

### CHAPTER VII PIPELINE CONSTRUCTION OR USE AUTHORIZATION

#### DIVISION I EXAMINATION OF THE PROJECT BY THE RÉGIE DE L'ÉNERGIE

##### §1. *Application*

**118.** A person who wishes to obtain a pipeline construction or use authorization must submit the following documents and information to the Régie de l'énergie, for its ruling on the pipeline construction or use project:

(1) a detailed description of the project and the context justifying it;

(2) for a construction project, a pipeline construction technical program, signed and sealed by an engineer, concerning, in particular, the equipment, tools, assembly materials and the measurement, control and safety systems;

(3) a topographic map at a scale of 1:10,000 showing the actual or anticipated installations, including all its elements, the real or proposed route of the pipeline, and compliance with the distances provided for in section 131;

(4) the criteria used to determine the proposed route;

(5) a description of the location and area of the temporary work areas;

(6) the work schedule for the construction, use, maintenance and temporary or permanent shutdown of the pipeline, including, in particular, a detailed description of each activity planned;

(7) a demonstration, signed and sealed by an engineer, that the design of the pipeline, including, in particular, the construction, use, maintenance and temporary or permanent shutdown work, complies with the standards provided for in section 132 and that it ensures the safety of persons and property, and environmental protection;

(8) a broken down estimate of the construction, use, maintenance and temporary or permanent shutdown work, and the income anticipated for the use of the pipeline;

(9) the list of the permits, licences and authorizations required to carry out the project;

(10) the list of the exploration, production and storage licences in force in the territory covered by the pipeline project and, where applicable, the business relationship between their holders;

(11) the partners, their respective interests and their technical and financial capacities to carry out the project;

(12) a summary of the public consultations carried out prior to the submission of the project; and

(13) a description of the mitigation measures anticipated to harmonize the use of the territory and minimize disruptions for the local communities and on the environment.

If required and based on the environments crossed by the pipeline route, the person who wishes to obtain an authorization may, for the purposes of subparagraph 3 of the first paragraph, submit a number of types of maps including a topographic map and a bathymetric map.

**119.** As soon as the application has been submitted to the Régie de l'énergie, the person who wishes to obtain an authorization sends a notice to the Minister containing

- (1) the person's name and contact information; and
- (2) the date of filing the application with the Board and the file number.

**120.** During the examination of the project, the Régie de l'énergie must take into account, in particular,

- (1) the project completion probability;
- (2) the positive and negative economic impact;
- (3) the pipeline design, including, in particular, the construction, use, maintenance and temporary or permanent shutdown work; and

(4) the needs for the petroleum gathering and transportation in the territory covered by the project.

**121.** Where the Régie de l'énergie renders its decision, it must, in particular, rule on the overall economic relevance of the project, and its compliance with the generally recognized best practices.

## **§2.** *Amendments to a project*

**122.** The authorization holder who wishes to amend a project must first submit the amendment to the Régie de l'énergie.

It must contain, in particular,

- (1) the presentation of the amendments to the project;
- (2) an update of the documents already submitted;
- (3) the difference in the costs of the project and the proportion of those costs in relation to the costs of the most recent version of the project that received a favourable decision from the Board; and

(4) the justification of any change to the nature of the most recent version of the project that received a favourable decision from the Board because of a technical change, or the reasons for which the amendment does not result in such change.

**123.** As soon as the holder has submitted an amendment to the Régie de l'énergie, the holder notifies the Minister.

The notice must be accompanied by the presentation of the amendments to the project and must include the Régie de l'énergie's file number.

## **DIVISION II** **AWARDING OF AND AMENDMENT** **TO AN AUTHORIZATION**

**124.** Not later than 120 days after having obtained the last authorization necessary or the favourable decision from the Board, a person who wishes to obtain a pipeline construction or use authorization must apply to the Minister in writing.

**125.** The application must contain

- (1) the name and contact information of the applicant;
- (2) the proof of solvency provided for in section 165;

(3) the following documents, signed and sealed by an engineer:

(a) an integrity management program complying with CSA Standard Z662, Oil and Gas Pipeline Systems, including its appendices, published by the Canadian Standards Association;

(b) a safety and loss management program complying with Appendix A of CSA Standard Z662, Oil and Gas Pipeline Systems, published by the Canadian Standards Association;

(c) a security management program complying with CSA Standard Z246.1, Security management for petroleum and natural gas, industry systems, including its appendices, published by the Canadian Standards Association;

(d) an emergency management program complying with CSA Standard Z662, Oil and Gas Pipeline Systems, CSA Standard Z731, Emergency Preparedness and Response, and CSA Standard Z246.2, Emergency preparedness and response for petroleum and natural gas industry systems, including their appendices, published by the Canadian Standards Association;

(e) a damage prevention program for the protection of underground infrastructures complying with CSA Standard Z247, Damage prevention for the protection of underground infrastructures, including its appendices, published by the Canadian Standards Association;

(f) a plan for the restoration of temporary work areas for the pipeline;

(g) a program related to pipeline inspections before and after the start-up concerning, in particular, the pressure tests, non-destructive inspections, destructive tests and visual examinations;

(h) a monitoring and control program ensuring, in particular, the safety of persons, property and pipeline, and environmental protection;

(i) a construction, use and maintenance manual including, in particular, the methods for promoting the safety of persons and property, environmental protection and the pipeline performance; and

(j) a detailed plan for crossing watercourses complying with the standards provided for in section 132 and including, in particular, the techniques planned for each watercourse;

(4) a safety and community involvement program detailing the elements likely to have an impact on the safety or persons and property including, particular, a description of the mitigation measures to be implemented to take into account the harmonization of the use of the territory and minimize disruptions for the local communities and on the environment;

(5) the list of references consulted, in particular, the standards from recognized organizations and guidelines from other Canadian jurisdictions; and

(6) any other information or document deemed necessary by the Minister.

It must be accompanied by the documents submitted to the Régie de l'énergie for the examination of the project under section 118 and payment of the fee of \$1 per linear metre of pipeline anticipated.

Subparagraphs *a*, *b*, *c*, *d* and *e* of subparagraph 3 of the first paragraph do not apply to a construction or use application for

(1) a pipeline of less than 2 km;

(2) a pipeline located in an existing right of way used for the same purpose; and

(3) a pipeline for gathering or transporting natural gas of less than 30 cm in diameter for a pressure less than 4,000 kPa.

**126.** In the case of a modification to the project, as soon as the authorization holder receives a favourable decision from the Régie de l'énergie on the modification to the project submitted under section 122, the holder must provide to the Minister an update of the documents already submitted with the authorization application. It must be accompanied by the payment of the fees for the additional pipeline anticipated.

### **DIVISION III** NOTICE TO OWNERS OR LESSEES, LOCAL MUNICIPALITIES AND REGIONAL COUNTY MUNICIPALITIES

**127.** The notice for the awarding of a pipeline construction or use authorization provided for in section 124 of the Act, must contain

(1) the name and contact information of the holder;

(2) the number, date of awarding and expiry date of the authorization;

(3) the date and registration number of the authorization in the public register of real and immovable petroleum rights;

(4) the local municipalities and regional county municipalities crossed by the pipeline; and

(5) the name and contact information of the person to be contacted to obtain additional information.

The holder sends the notice by mail to the owner or the lessee of the land crossed by the pipeline. The holder also sends the notice to the local municipalities and regional county municipalities according to the terms and conditions provided for in section 5, with the necessary modifications.

**128.** The notices must be accompanied by topographic or bathymetric maps at a scale sufficient to show the route of the pipeline, the limits of the territory of the local municipalities and that of the regional county municipalities crossed by the pipeline.

#### DIVISION IV CONDITIONS OF EXERCISE

##### *§1. Time periods and notice of the start of the work*

**129.** The authorization holder must start the pipeline construction work not later than 12 months after obtaining the last authorization necessary or the favourable decision from the Régie de l'énergie.

The Minister may grant an additional period for starting the construction work if the holder demonstrates the need therefor.

**130.** The authorization holder must, at least 7 days before, notify the Minister of the start of the following work:

- (1) the layout of the temporary work areas;
- (2) the placing of a pipe or any pipe network in the ground, and the elements contained in a pipe;
- (3) the start-up of the pipeline;
- (4) the start of the use of the pipeline;
- (5) the carrying out of an inspection of the pipeline;
- (6) the temporary or permanent shutdown of the pipeline.

Where the holder cannot comply with the date, the holder must as soon as possible notify the Minister, in writing, indicating the reasons justifying the delay. The holder must also notify the Minister, in writing, of the new expected date for the start of the work if the date is expected within 7 days of the first notice of delay or of the holder's intent not to proceed.

##### *§2. Design, construction, use, maintenance and shutdown*

**131.** The authorization holder who designs and constructs a pipeline may not place it at less than 100 m from a national park or a protected area registered in the register of protected areas provided for in section 5 of the Natural Heritage Conservation Act (chapter C-61.01)

**132.** The authorization holder who designs, constructs, uses, maintains or temporarily or permanently ceases to use a pipeline must ensure to comply with CSA Standard Z662, Oil and Gas Pipeline Systems, CSA Standard Z246.1, Security management for petroleum and natural gas, industry systems, CSA Standard Z246.2, Emergency preparedness and response for petroleum and natural gas industry systems, CSA Standard Z731, Emergency Preparedness and Response, and CSA Standard Z247, Damage prevention for the protection of underground infrastructures, including their appendices, published by the Canadian Standards Association.

However, in the case of a pipeline used to gather or transport petroleum for underground storage, the holder must ensure to do so in accordance with CSA Standard Z341, Storage of hydrocarbons in underground formations, including its appendices, published by the Canadian Standards Association.

**133.** During the pipeline construction work, the authorization holder must ensure that the persons present in the temporary work areas are informed of the practices and procedures to follow to ensure their safety.

**134.** The authorization holder must keep a copy of the construction, use and maintenance manual on the temporary work areas. It must be accessible at all times.

**135.** Pressure tests must be supervised by an engineer who is not employed by the enterprise that carried out the construction work.

**136.** The authorization holder must inspect the conduct of the construction work to ensure the safety of persons and property, and environmental protection.

The holder keeps and maintains, until the end of the construction work, a register of those inspections. The holder enters in the register, in particular, any incident involving the construction of the pipeline and the corrective measures taken or planned and their schedules.

**137.** The authorization holder ensures that the pumping or compression stations are

(1) designed so that their access is safe for the personnel;

(2) designed to allow access only to authorized persons; and

(3) provided with installations used to confine, handle and dispose of waste materials resulting from their use.

**138.** The authorization holder must inspect annually the pipeline to ensure the safety of persons and property, and environmental protection.

The holder keeps and maintains, until the end of the period of validity of the authorization, a register of those inspections. The holder enters in the register, in particular, cases of non-compliance and the corrective measures taken or planned and their schedules.

**139.** The authorization holder must, within 24 hours, notify the Minister of any incident related to the pipeline that triggers the emergency preparedness plan. The holder submits to the Minister, within 7 days of the incident, a detailed report including, in particular, the corrective measures taken or planned and their schedules.

**140.** The authorization holder must immediately notify the Minister of any spill or leak from the pipeline and immediately take the measures indicated in the emergency management program submitted to the Minister under subparagraph *d* of subparagraph 3 of the first paragraph of section 125.

**141.** After having received an incident notice under section 139 or 140, the Minister may request a detailed event report on, in particular, the causes of the incident. The authorization holder must entrust the preparation of the report to an expert who is not employed by the authorization holder.

**142.** The authorization holder must regularly inspect joints and structural elements of any equipment used to control the pressure to ensure the safe operation of the equipment.

The holder keeps and maintains a register of those inspections until the permanent shutdown of pipeline.

**143.** After a temporary shutdown, the authorization holder must send an annual report, signed and sealed by an engineer who is not employed by the authorization holder, that shows that the shutdown, the corrosion control program and the other maintenance activities comply with CSA Standard Z662, Oil and Gas Pipeline Systems, including its appendices, published by the Canadian Standards Association.

### §3. Restoration

#### §§1. End of construction work

**144.** The authorization holder must ensure that, 90 days after the end of the pipeline construction work, the temporary work areas are restored to a state allowing for the harmonization of the site with the use of the territory.

On request, the Minister may grant an additional period for the restoration if the holder demonstrates the need therefor. The holder must, at least 30 days before the end of the 90-day period, notify the Minister, in writing, of the reasons preventing the restoration within the prescribed period.

**145.** The authorization holder sends to the Minister, within 60 days after the end of the restoration of the temporary work areas, a report describing the activities carried out on the site, signed and sealed by an engineer who is not employed by the enterprise that carries out the restoration work. The report must be accompanied by photographs of the entire site before its layout for the construction work, during the placing of the pipe or any pipe network in the ground and after its restoration.

#### §§2. Permanent shutdown

**146.** The authorization holder must permanently shut-down the pipeline before the end of the period of validity of the authorization provided for in sections 153 and 154.

**147.** The authorization holder must ensure that, 12 months after the permanent shutdown of the pipeline, the site on which this pipeline is located is restored allowing its harmonization with the use of the territory.

On request, the Minister may grant an additional period for the restoration if the holder demonstrates the need therefor. The holder must, at least 30 days before the end of the 12-month period, notify the Minister, in writing, of the reasons preventing the restoration within the prescribed period.

**148.** The authorization holder must send to the Minister within 60 days following the end of the restoration work, a report showing that the restoration complies



with CSA Standard Z662, Oil and Gas Pipeline Systems, including its appendices, published by the Canadian Standards Association, signed and sealed by an engineer who is not employed by the enterprise who carries out the shutdown.

**DIVISION V**  
DAILY REPORT, COMPLETION REPORT AND ANNUAL REPORT

**149.** The authorization holder must prepare a daily report of the construction work and keep it in the temporary work areas.

The daily report must contain all the elements applicable to the declared day including, in particular,

- (1) the name and contact information of the holder and the authorization number;
- (2) the number of welds carried out;
- (3) the number of portions of lines installed and the elements contained therein;
- (4) the result of the inspections carried out;
- (5) the operational problems encountered and the corrective measures taken or planned;
- (6) the indication of any event that disrupted the planned progress of the work; and
- (7) any other information or document deemed necessary by the Minister.

**150.** The authorization holder must send to the Minister, every Tuesday, the daily reports of the preceding week until the end of the construction work. If the Tuesday is a holiday, the report is sent on the first working day that follows.

**151.** The authorization holder must, within 90 days following the end of the construction work, send to the Minister a completion report signed by an engineer including, in particular,

- (1) the name and contact information of the holder and the authorization number;
- (2) a summary of the work carried out according to the chronological order;
- (3) a technical description of the condition of the pipeline after the construction work;

(4) a demonstration that the construction work has been carried out in accordance with the standards provided for in section 132 and the generally recognized best practices;

(5) the results of the pipeline inspection program, in particular, those of the pressure and leak tests, non-destructive inspections, destructive tests and visual examinations;

(6) photographs, after the construction work, of all the land subject to the work; and

(7) a topographic map at a scale of 1:10,000 showing all the elements of the pipeline.

If required and based on the environments crossed by the pipeline, the holder may, for the purposes of subparagraph 7 of the first paragraph, submit a number of types of maps including a topographic map and a bathymetric map.

**152.** The authorization holder must send, within 90 days of the anniversary of the granting of the authorization, an annual report including, in particular,

- (1) the name and contact information of the holder and the authorization number;
- (2) a summary of the operations;
- (3) the results of the pipeline inspection program, in particular, those of the pressure and leak tests, non-destructive inspections, destructive tests and visual examinations;
- (4) the average and maximum daily flow per type of substance and the daily, monthly and annual volume of any petroleum gathered or transported;
- (5) a description and the specifications of the various meters intended for the measurement for petroleum gathering or transportation; and
- (6) a financial summary of the project.

Any justification or reference document must be sent with the annual report.

**DIVISION VI**  
PERIOD OF VALIDITY AND RENEWAL

**153.** The period of validity of a pipeline construction or use authorization is 20 years.

**154.** The Minister renews a pipeline construction or use authorization for 5-year periods provided that the holder

- (1) pays renewal fees of \$0.50 per linear metre of pipeline constructed;
- (2) complied with the Act and its regulations during the previous validity period; and
- (3) shows that the holder has gathered or transported petroleum during the last 60 months of the previous validity period.

The renewal application must be sent at least 120 days before the end of the previous validity period failing which the holder is liable to the monetary administrative penalty provided for in paragraph 1 of section 187 of the Act.

#### **DIVISION VII** REVOCATION AND TRANSFER OF A PIPELINE CONSTRUCTION OR USE AUTHORIZATION

##### *§1. Revocation*

**155.** The holder whose authorization is revoked by the Minister must, within 12 months from the date on which the revocation becomes executory, have carried out the permanent shutdown of the pipeline and the restoration of the site in which it is located.

The Minister may grant an additional period if the holder demonstrates the need therefor.

The holder then sends a report showing the shutdown complies with CSA Standard Z662, Oil and Gas Pipeline Systems, including its appendices, published by the Canadian Standards Association, signed and sealed by an engineer who is not employed by the enterprise carrying out the shutdown.

##### *§2. Transfer*

**156.** The holder who wishes to transfer the pipeline construction or use authorization must not be in default of complying with the obligations incumbent on the holder under of the Act and its regulations.

**157.** A person may not obtain by transfer a pipeline construction or use authorization, if the person held an authorization that has been revoked in the last 5 years.

**158.** The transferee must apply to the Minister, in writing, for the transfer.

The application must be accompanied, with the necessary modifications, by an update of the documents and information provided for in the first paragraph of section 125.

**159.** Once the authorization has been transferred, the transferee must notify the owners or the lessees, the municipalities and the regional county municipalities of the transfer according to the conditions set out in section 127, with the necessary modifications.

#### **CHAPTER VIII** NO-FAULT LIABILITY REGIME

##### **DIVISION I** AMOUNT OF THE SOLVENCY REQUIRED FOR THE PURPOSES OF THE NO-FAULT LIABILITY REGIME

##### *§1. Petroleum exploration, production or storage licence*

**160.** The amount up to which the holder of a petroleum exploration, production or storage licence is liable for the purposes of the no-fault liability regime is

- (1) 10 million dollars where the territory subject to the licence is situated on land;
- (2) 25 million dollars where the territory subject to the licence is situated in a body of water, except a marine environment;
- (3) 1 billion dollars where the territory subject to the licence is situated in a lake having an area greater than 1,000 km<sup>2</sup>; and
- (4) 1 billion dollars where the territory subject to the licence is situated in a marine environment.

Where the territory subject to the licence is situated in more than one environment, the amount up to which the petroleum exploration, production or storage licence holder is liable for the purposes of the no-fault liability regime is determined by the Minister and corresponds to the sum of the amounts payable according to the environments calculated in proportion to the ratio of each with respect to the total territory subject to the licence.

##### *§2. Pipeline construction or use authorization*

**161.** The amount up to which a pipeline construction or use authorization holder is liable for the purposes of the no-fault liability regime, in the case of a pipeline used for gathering and transporting oil is

- (1) where it is located on land,
- (a) 10 million dollars for a pipeline whose design capacity is less than 5,000 barrels per day;
- (b) 25 million dollars for a pipeline whose design capacity is between 5,000 and 14,999 barrels per day;
- (c) 50 million dollars for a pipeline whose design capacity is between 15,000 and 29,999 barrels per day;
- (d) 200 million for a pipeline whose design capacity is between 30,000 and 49,999 barrels per day;
- (e) 300 million for a pipeline whose design capacity is between 50,000 and 250,000 barrels per day; and
- (f) 1 billion dollars for a pipeline whose design capacity is greater than 250,000 barrels per day; and
- (2) where it is located in a body of water,
- (a) 25 million dollars for a pipeline whose design capacity is less than 5,000 barrels per day;
- (b) 40 million de dollars for a pipeline whose design capacity is between 5,000 and 14,999 barrels per day;
- (c) 75 million dollars for a pipeline whose design capacity is between 15,000 and 29,999 barrels per day;
- (d) 200 million for a pipeline whose design capacity is between 30,000 and 49,999 barrels per day;
- (e) 300 million for a pipeline whose design capacity is between 50,000 and 250,000 barrels per day; and
- (f) 1 billion dollars for a pipeline whose design capacity is greater than 250,000 barrels per day or where it is located in a lake whose area is greater than 1,000 km<sup>2</sup> or in a marine environment.

**162.** The amount up to which a pipeline construction or use authorization holder is liable for the purposes of the no-fault liability regime, in the case of a pipeline used to gather or transport natural gas is determined according to the coefficient equivalent to multiplication of the squared outside diameter of the pipeline, measured in centimetres, by the maximum operating pressure, measured in MPa and by the length of the pipeline in km.

That amount is

- (1) 10 million dollars if the coefficient is less than 150,000;

(2) 25 million dollars if the coefficient is between 150,000 and 499,999;

(3) 50 million dollars if the coefficient is between 500,000 and 1,000,000; and

(4) 200 million dollars if the coefficient is greater than 1 000 000.

However, where a pipeline used for gathering or transporting natural gas is located in a lake whose area is greater than 1,000 km<sup>2</sup> or in a marine environment, the amount is 1 billion dollars.

**163.** Where the pipeline is located in more than one environment, the amount up to which the pipeline construction or use authorization holder is liable for the purposes of the no-fault liability regime is determined by the Minister and corresponds to the sum of the amounts payable according to the environments under sections 161 and 162, calculated in proportion of the ratio of each with the total length of the pipeline.

**164.** The authorization holder who modifies the pipeline project so as to cause a revision of the amount payable under sections 161 to 163 must first notify the Minister so that the Minister may determine the new amount up to which the holder is liable for the purposes of the no-fault liability regime.

The holder then provides to the Minister an update of the proof of solvency provided for in section 165.

## DIVISION II PROOF OF SOLVENCY

**165.** For the purpose of demonstrating solvency to the amount provided for in sections 160 to 163, a person who wishes to obtain a licence or a pipeline construction or use authorization or the holder of a licence or of such an authorization must provide the Minister with a statement indicating the person's net assets or financing agreements entered into and demonstrating that the person is able to pay the sum concerned.

The statement must be accompanied and supported by any of the following documents or a combination of them:

(1) the most recent annual financial statement audited by an independent auditor and the last quarterly financial statements and, if the person has received a credit rating from a recognized rating organization and the rating is up to date, a document certifying that the rating is up to date;

(2) bonds issued or guaranteed by Québec or another province of Canada, by Canada or by a municipality in Canada, and having a market value at least equal to the

amount provided for in sections 160 to 163. Registered bonds must be submitted with a power of attorney on behalf of the Minister of Finance and, where applicable, with a resolution authorizing the person who signs the power of attorney;

(3) guaranteed investment certificates or term deposit certificates, in Canadian dollars, issued on behalf of the Minister of Finance by a bank, a savings and credit union or a trust company. Such certificates must have a term of at least 12 months, be automatically renewable for the term of the licence or authorization and not include any restriction in respect of redemption during its term;

(4) a promissory note payable on demand to the Minister of Finance, non-negotiable and unconditional, signed and indicating expressly the amount for which it is issued. If the promissory note is issued by a person other than the person wishing to obtain a licence or authorization, the licence or authorization holder, a bank, a savings and credit union or a trust company, it must be accompanied by the financial statements provided for in subparagraph 1 of this paragraph submitted for that person so that the Minister may ascertain the person's solvency to the amount of the promissory note;

(5) an insurance policy issued by an insurer that has received a credit rating equal to or greater than A- from an internationally recognized rating organization covering all the risks provided for in section 128 of the Act, indicating that the insurer waives the subrogation right to the Minister and the policy may be cancelled only following a notice given to the Minister at least 30 days before the cancellation date. The insurance policy must indicate the Minister as additional insured, whose liability is covered for the actions or omissions of the licence or authorization holder;

(6) an escrow agreement to which the Minister is party specifying the amount that must be furnished to the depositary and kept in an account in trust, managed according to the conditions provided for in the agreement and stipulating that the amount is payable within 5 days on request of the Minister to the legal depositary;

(7) a trust constituted in accordance with the Civil Code and meeting the following requirements:

(a) the purpose of the trust is to ensure the reparation for injury provided for in section 128 of the Act;

(b) the Minister of Finance and the licence or authorization holder are joint beneficiaries of the trust;

(c) the trustee is a bank, a savings and credit union or a trust company;

(d) the trust patrimony is comprised only of sums in cash, or of bonds or certificates of the same type as those listed in subparagraphs 2 and 3 of this paragraph;

(8) an irrevocable, non-transferable, unassignable and unconditional letter of credit issued on behalf of the Gouvernement du Québec by a bank, a savings and credit union or a trust company;

(9) a security or a guaranty contract issued on behalf of the Gouvernement du Québec by a legal person legally empowered to act in that capacity.

The financial institutions referred to in subparagraphs 3, 4, 7 and 8 of the second paragraph must be empowered by law to carry on the activities provided for in those subparagraphs.

The guarantees referred to in subparagraphs 2 and 3 of the second paragraph are received on deposit by the Minister of Finance pursuant to the Act respecting deposits with the Bureau général de dépôts pour le Québec (chapter D-5.1).

**166.** The declaration setting forth the net assets or financing agreements that the holder has entered into, provided for in the first paragraph of section 165, must contain, in particular,

(1) the holder's assets and total liability;

(2) a description of the holder's organizational structure and, where applicable, of any affiliated or parent company, including an organization chart showing the relationships between them; and

(3) a summary of how any financial liabilities attributable to the anticipated activities in the territory subject to the licence will be resolved by specifying the means that will be taken to obtain the necessary funds and the time at which the funds will be raised.

**167.** In the case of a proof of solvency provided under subparagraphs 3 and 7 of the second paragraph of section 165, the contract constituting the proof of solvency must include the following requirements:

(1) the purpose of the contract is to ensure the reparation of injury provided for in section 128 of the Act;

(2) no person may make withdrawals or be reimbursed before the expiry of the licence or the authorization. The prohibition also applies to any form of compensation that may be made by the bank, the savings and credit union, the trust company or the trustee;

(3) where the holder fails to repair the injury caused, the payment is payable at the Minister's request;

(4) the bank, the savings and credit union, the trust company or the trustee provides the Minister with the information it possesses concerning the contract;

(5) in case of dispute, the courts of Québec are the sole competent courts;

(6) in the case of a trust:

(a) the trustee must be domiciled in Québec;

(b) the trustee sees to the management of the trust at the expense of the settlor or of the licence or authorization holder;

(c) the trust terminates when the Minister acts on the condition provided for in subparagraph 3 or when the licence expires.

The licence or authorization holder must submit to the Minister a certified copy of the original contract.

**168.** The purpose of the irrevocable and unconditional letter of credit provided for in subparagraph 8 of the second paragraph of section 165 is to ensure the reparation of injury provided for in section 128 of the Act. The contract must have a term of at least 12 months and must include clauses providing that

(1) in the case of non-renewal, termination, revocation or cancellation, the guarantor must notify the Minister at least 90 days before the date fixed for the expiry, termination, revocation or cancellation of the guarantee letter;

(2) in the case of non-renewal, termination, revocation or cancellation, the guarantor remains responsible, in case of injury, until the expiry of the licence or the authorization unless the person concerned has deposited proof of alternative solvency, repair of injury prior to the date of expiry, termination, non-renewal or revocation up to the amount covered by the letter of credit;

(3) the amount is payable within 5 days at the request of the Minister; and

(4) in case of dispute, the courts of Québec are the sole competent courts.

A certified copy of the original must be submitted to the Minister.

**169.** The purpose of the security and guarantee contract provided for in subparagraph 9 of the second paragraph of section 165 must ensure the reparation of injury

provided for in section 128 of the Act. The contract must have a term of at least 12 months and it must include clauses providing that

(1) in the case of non-renewal, termination, revocation or cancellation, the guarantor must notify the Minister at least 60 days before the date fixed for the expiry, termination, revocation or cancellation of the guarantee;

(2) in the case of non-renewal, termination, revocation or cancellation, the guarantor remains responsible, in case of injury, until the expiry of the licence or the authorization unless the person concerned has deposited proof of alternative solvency, repair of injury prior to the date of expiry, termination, non-renewal or revocation up to the amount covered by the security or guaranty contract;

(3) if the guarantor is not a bank, savings and credit union or trust company, the security or the guarantee contract must be accompanied by the security guarantor's financial statements provided for in subparagraph 1 of the second paragraph of section 165 so that the Minister may ascertain the solvency of that person to that amount;

(4) where the licence or authorization holder fails to repair the injury caused, the payment of the amount necessary for reparation is payable at the Minister's request; and

(5) in case of dispute, the courts of Québec are the sole competent courts.

The licence or authorization holder must submit to the Minister a certified copy of the original contract.

**170.** Proof of solvency must remain in force for the term of the licence or the pipeline construction or use authorization under which it is required.

Proof of solvency provided may at all times be replaced by another proof of solvency compliant with the requirements of this Regulation. The licence or authorization holder immediately notifies the Minister and sends to the Minister the new proof of solvency.

**171.** On the anniversary date of the licence or the authorization, the holder provides to the Minister an update of the proof of solvency.

## CHAPTER IX PUBLICATION OF RIGHTS

**172.** In addition to the rights, acts and documents provided for in section 150 of the Act, the following acts and documents must be registered in the public register of real and immovable petroleum rights:

(1) the renewal, transfer, suspension, revocation or expiry of a pipeline construction or use authorization;

(2) the name and contact information of the person designated under subparagraph 3 of the second paragraph of section 116 to represent holders of a share of the exploration, production and storage right.

**173.** The fees payable for the public register are

(1) \$155 for the entry of a right, act or other document provided for or determined pursuant to section 150 of the Act except the revocation or suspension by the Minister of a right or act;

(2) \$58.86 per hour, for a minimum of 30 minutes, for the search of a registered right, act or document;

(3) \$108, as management costs, for obtaining a copy of a right, act or other document that is available and may be downloaded free of charge from the register;

(4) \$0.27 per page for obtaining a copy;

(5) \$26.75 for issuing a certificate of entry of a registered right, act or document; and

(6) \$21.60 for sending by mail a copy or a certificate of entry.

Consultation of the register online is free.

## CHAPTER X FEES, MONETARY ADMINISTRATIVE PENALTIES AND OFFENCE

### DIVISION I FEES

**174.** The fee payable by person to whom an inspector submitted a notice of non-compliance with the provisions of the Act or this Regulation is \$500.

**175.** The amounts of the duties and fees payable and the minimum work required under section 38 are adjusted on 1 April of each year according to the same rate resulting from the application of section 83.3 of the Financial Administration Act (chapter A-6.001). Despite the foregoing, the amounts are not adjusted where, in the preceding year, they were fixed or increased otherwise than under that provision.

Adjusted amounts are reduced to the nearest dollar where they contain a fraction of a dollar less than \$0.50. They are increased to the nearest dollar where they contain a fraction of a dollar equal to or greater than \$0.50. The application of the rounding rule may not operate to decrease the amounts to below their pre-adjustment level.

If an adjusted amount cannot be rounded to the nearest dollar, the annual adjustments are deferred and accumulated until the amounts payable include a decimal of 0.5 or more.

The Minister publishes the result of the adjustment in Part 1 of the *Gazette officielle du Québec*.

**176.** The amounts of duties, fees and royalties payable bear interest, at the rate fixed under the first paragraph of section 28 of the Tax Administration Act (chapter A-6.002), as of the thirtieth day following the date on which they are owed. Interest is capitalized monthly.

### DIVISION II MONETARY ADMINISTRATIVE PENALTIES

**177.** A monetary administrative penalty of the amount provided for in section 187 of the Act may be imposed on any person who contravenes any of sections 3 to 6, 9, 10, the second paragraph of section 11, the second paragraph of section 12, the second paragraph of section 13, the first paragraph of section 15, the first paragraph of section 16, the second paragraph of section 41, sections 63, 67, 75, 89, 93, 96, 105, 107, 114, 115, 119, 123, 127, 128, the first paragraph of section 129, sections 130, 134, 143, 145, 148 to 150, the first paragraph of section 151 or sections 152 or 159.

**178.** A monetary administrative penalty of the amount provided for in section 188 of the Act may be imposed on any person who contravenes any of sections 94, 95, 126, 131, 132, 135, 136, paragraphs 2 and 3 of section 137 or sections 138, 141, 142, 144, 164, 170 or 171.

**179.** A monetary administrative penalty of the amount provided for in section 189 of the Act may be imposed on any person who contravenes any provisions of sections 109, 139, 140, 146, 147 or 155.

### DIVISION III OFFENCE

**180.** Every person who contravenes any provisions of this Regulation commits an offence and is liable to the fine provided for in paragraph 2 of section 199 of the Act.

## CHAPTER XI TRANSITIONAL AND FINAL

### DIVISION I TRANSITIONAL PROVISIONS MADE UNDER SECTION 287 OF THE ACT

**181.** A site of a significant find and a discovery of a deposit within the meaning of the Mining Act (chapter M-13.1), recognized by the Minister before (*insert the date of coming into force of this section*) are deemed to be respectively a significant discovery and a commercial discovery within the meaning of the Act.

The holder of an exploration licence who has declared such discoveries before (*insert the date of coming into force of this section*) must have them registered in the public register of real and immovable petroleum rights before the next application for renewal of the licence.

**182.** A holder of an exploration, production or storage licence referred to in any of sections 269 to 271 of the Act must, within 12 months after (*insert the date of coming into force of this section*), provide to the Minister the proof of solvency provided for in section 165.

The liability insurance policy in the amount of \$1,000,000, a copy of which certified by the police has been submitted to the Minister under section 17 of the Regulation respecting petroleum, natural gas and underground reservoirs (chapter M-13.1, r.1 ), must remain valid until the holder provides the proof of solvency to the Minister.

**183.** The second paragraph of section 11 of the Act does not apply to a territory subject to a storage licence provided for in section 271 of the Act.

**184.** Every person who, on (*insert the date of coming into force of this section*), uses a pipeline must provide the Minister, with the necessary modifications, with the documents and information provided for in the first paragraph of section 125 and any other similar document and information under which the pipeline has been constructed.

The person must also pay the fee of \$1 per linear metre of pipeline constructed, not later than 180 days following (*insert the date of coming into force of this section*).

The Minister then grants the person a pipeline use authorization.

**185.** Every person who, on (*insert the date of coming into force of this section*), is responsible for a pipeline that is not used must so notify the Minister within 180 days following (*insert the date of coming into force of this section*).

The notice must contain the name and contact information of the person responsible and be accompanied by a map at a scale of 1:10,000 showing the installations and the route of the pipeline and all its elements.

**186.** Fees and rents collected since 1 April 2017 for an exploration licence for petroleum, natural gas and an underground reservoir, a lease to produce petroleum and natural gas and a lease to operate underground reservoirs under the Mining Act will be transferred to the Energy Transition Fund established under section 17.12.21 of the Act respecting the Ministère des Ressources naturelles et de la Faune (chapter M-25.2).

### DIVISION II FINAL

**187.** This Regulation comes into force on the fifteenth day following the date of its publication in the *Gazette officielle du Québec*.

103530

## Draft Regulation

Petroleum Resources Act  
(chapter H-4.2)

### Petroleum exploration, production and storage on land

Notice is hereby given, in accordance with sections 10 and 11 of the Regulations Act (chapter R-18.1), that the Regulation respecting petroleum exploration, production and storage on land, appearing below, may be made by the Government on the expiry of 45 days following this publication.

This draft Regulation sets the conditions for the granting and exercise of the authorizations required for petroleum exploration, production and storage on land, and sets the fees payable. The draft Regulation also determines the protective and safety measures that must be implemented. In addition, it establishes the content of the permanent well or reservoir closure and site restoration plan, the time at which the work planned in the plan must be carried out, and the duration, form and terms of the related guarantee. It also provides for conditions for the granting and exercise specific to the authorization to produce brine. Lastly, the draft Regulation takes into account the concerns, comments and observations received following the first publication period. Consequently, it prohibits every fracturing activity in shist and at less than 1,000 metres from the soil surface as well as development activities for petroleum resources on land within any urbanization perimeter and in an additional 1-km zone around it.