

Interpretation Bulletin 2012-04

“Dual Validation for Exploration Wells”

The term of an exploration licence is nine years. An interest owner in the Newfoundland and Labrador offshore area is required to have drilled or to have spud and be diligently pursuing an exploration well on or before the expiry date of Period I of an exploration licence as a condition precedent for validating the licence to proceed to Period II of the licence term.

An interest owner may validate contiguous exploration licences with one well bore penetrating one or more valid geological feature on each licence. These features shall be drilled and evaluated in accordance with an approved ADW. The appropriateness of using this dual validation method will be assessed by the Board on a case by case basis on its merits.

To maintain lands beyond the exploration licence tenure, the lands must be subject to a significant discovery declaration and an interest owner must apply for and be issued a significant discovery licence prior to the lands reverting to crown reserve upon the expiry of the exploration licence. For greater certainty, the geological feature upon which a significant discovery declaration application is founded, must be flow tested as a pre-requisite to making the application. If the dual-validating well is to be relied upon as the first well on a geologic feature upon which an significant discovery application is to be made such well, which is or will be flow tested, must have been drilled or spudded and diligently pursued on or before expire of period II of the exploration licence.

While the Board accepts the concept of dual validation from a land tenure perspective, it is the responsibility of the operator to demonstrate to the satisfaction of the Board, on a case by case basis, that the associated well design and drilling program do not result in unacceptable operational risk. In this respect, the planning and design processes for such a dual validation well will be given particular attention by Board staff. The operational excellence exercised by the interest owners in planning and execution of an exploration well of this type will consider among other operational considerations: basin knowledge; geologic feature risks; pore pressure assessment; the degree of wellbore deviation; water depth; rig experience; crew competence; cost allocation; well data organization in support of final well reporting; etc.