

Bill No. 88 of 1947.

**A BILL TO AMEND THE NATURAL GAS UTILITIES
ACT**

NOTE.

Section 1 of this Bill proposes to enact six new subsections to section 14 of the Act. These subsections authorize the Board to raise annually a sum sufficient to defray the annual estimated expenditures to be incurred under the Act. The levy is to be made upon proprietors in any natural gas producing field who are engaged in the business of delivering natural gas to customers except proprietors of wells. The amount to be levied will be divided among the proprietors proportionately to their deliveries in the preceding year. The sum raised in any producing field shall only be expended by the Board in defraying expenses in that field. Subsection (7) extends the power of the Board in obtaining the services of engineers, etc., without regard to The Public Service Act. It also authorizes the Board to employ the services of the Petroleum and Natural Gas Conservation Board and to reimburse that Board for any outlay made by it.

Section 2 of the Bill introduces a new section 80b which validates an order recently made by the Natural Gas Utilities Board, a copy of which order is a schedule to the Bill. The order deals with the return of residue gas, as defined in the order, to the formation and its subsequent sale and the division of the proceeds among the owners of wells.

W. S. GRAY,
Legislative Counsel.

(This note does not form any part of the Bill but is offered in explanation of its provisions.)

BILL

No. 88 of 1947.

An Act to amend The Natural Gas Utilities Act.

(Assented to , 1947.)

HIS MAJESTY, by and with the advice and consent of the Legislative Assembly of the Province of Alberta, enacts as follows:

1. *The Natural Gas Utilities Act*, being chapter 4 of the Statutes of Alberta, 1944, is hereby amended as to section 14 by adding at the end thereof the following new subsections:

"(2) Notwithstanding the provisions of subsection (1), the Board is empowered to raise annually a sum in an amount or amounts sufficient to defray the annual estimated expenditures to be incurred under this Act by means of a levy upon any proprietors in any natural gas producing field who, either alone or in association with other proprietors are engaged in the business of delivering natural gas to any customers but excluding proprietors of natural gas wells;

"Provided that any sum so raised from proprietors in any producing natural gas field as delimited by the Board shall only be expended by the Board for the purposes of defraying expenses to be incurred in that field.

"(3) The amount of each such levy shall be based upon the volumetric throughput of natural gas delivered by such proprietors respectively to the market in the preceding calendar year.

"(4) In computing the amount to be raised in accordance with the provisions of subsection (2), the Board shall in every case have regard to deficits or surpluses existing at the end of each calendar year.

"(5) Every such proprietor liable under subsection (2) hereof shall on demand pay to the Board the amount or the sum so levied and the Board may recover any sum so levied by action brought by the Board as a debt due to the Board.

"(6) All sums collected by the Board pursuant to the provisions hereof shall be the property of the Board and shall be expended in defraying the expenditures of the Board in the administration of the Act, subject to the limitation aforesaid.

"(7) Notwithstanding the provisions of section 7 hereof, the Board is authorized and empowered,—

"(a) to appoint such officers, servants and employees as the Board deems necessary for the transaction of its

business and to prescribe their duties, conditions of employment and remuneration;

- “(b) to obtain the services of such engineers, accountants and other professional persons as the Board deems necessary for the proper, convenient and efficient transaction of its business and to prescribe their remuneration;
- “(c) to utilize the facilities of the Petroleum and Natural Gas Conservation Board with the concurrence of the said Petroleum and Natural Gas Conservation Board in carrying out the administration and control of any project inaugurated by or order issued by the Board, provided that the Board shall reimburse the said Petroleum and Natural Gas Conservation Board for any expense incurred in carrying out such duties.”

2. The said Act is further amended by adding immediately after section 80a thereof the following new section:

“**80b.**—(1) The order of the Board, a copy of which is set out in the First Schedule to this Act, is hereby ratified, validated and confirmed and declared to be legally binding according to the tenor thereof upon each and every party affected or that may hereafter be affected thereby; the provisions of the said order shall have the same force and effect as if the same had been expressly enacted by this Act.

“(2) The Board shall have power at any time and from time to time after notice to and hearing of all parties affected by the said order, to vary, rescind, add to or extend the terms of said order for the purpose of effectuating the conservation of gas in the area mentioned therein and hereafter produced from the wells connected to and now delivering gas through the gas gathering and compression system of British American Gas Utilities Limited.”

3. This Act shall come into force on the day upon which it is assented to, and upon so coming into force, section 2 and the order therein referred to shall be deemed to have been in force at all times on and after the 29th day of December, A.D. 1944.

SCHEDULE.

THE NATURAL GAS UTILITIES BOARD.

Order No. 36.

File N.G.U.

Friday the 21st day of March, A.D. 1947.

BEFORE:

The Natural Gas Utilities
Board for the Province
of Alberta.

In the matter of "The Nat-
ural Gas Utilities Act",
being Chapter 4 of the
Statutes of Alberta,
1944;

And in the matter of storing
the natural gas in the
British American Gas
Cap area in the South end
of Turner Valley, Town-
ship Eighteen (18),
Range Two (2), West of
the Fifth (5th) Meridian,
in the Province of Al-
berta.

Whereas in this Order (including this recital), unless
the context otherwise requires:

- (a) "Allowable" means the amount of natural gas which a well is permitted to produce in the calendar month in accordance with the orders and regulations of The Petroleum and Natural Gas Conservation Board for the time being in effect, provided that, where the aggregate allowable for any well or group of wells is fixed by the said Conservation Board for or on the basis of a period of more than one (1) month, the monthly allowable shall be deemed to be an amount equal to the allowable for such period of more than one (1) month divided by the number of days in the period and multiplied by the number of days in the particular month.
- (b) "B.A. Utilities" means British American Gas Utilities Limited, now operating gas gathering and transmission lines and/or compressor plants in Townships Eighteen (18), Nineteen (19) and Twenty (20), Range Two (2), West of the Fifth (5th) Meridian, in Turner Valley, Alberta.
- (c) "Board" means The Natural Gas Utilities Board constituted pursuant to the provisions of The Natural Gas Utilities Act.
- (d) "British American Area" means that portion of Turner Valley which is comprised in the acreage assigned to the wells (described in Schedules "A" and "B" hereto annexed) connected to and delivering gas through the B. A. Utilities gas gathering and compression system to the Gasoline Plant.

- (e) "Crude Producer" means every person, firm or corporation from time to time in control of or responsible for the management and operation of, and/or the sale of production from, any of the crude wells in the British American area.
- (f) "Crude Wells" means the wells enumerated and more particularly described in Schedule "B" hereto annexed.
- (g) "Estimated Reserve" means the estimated reserve of 22.5 billion cubic feet residue basis of natural gas in place in the area comprised in the acreage assigned to the Gas Cap wells and Century Royalties No. 1 Well and Sterling Royalties No. 1 Well, as of the 1st day of January, 1945.
- (h) "Gas Cap Producer" means every person, firm or corporation from time to time in control of or responsible for the management and operation of, and/or the sale of production from, any of the Gas Cap wells in the British American area.
- (i) "Gas Cap Wells" means the wells enumerated and more particularly described in Schedule "A" hereto annexed.
- (j) "Gasoline Plant" means the natural gas gasoline extraction plant operated by the British American Oil Company Limited in Section Twenty-two (22), Township Eighteen (18), Range Two (2), West of the Fifth (5th) Meridian, in Turner Valley, Alberta.
- (k) "Gpm" means the natural gas gasoline content of wet gas expressed in Imperial gallons per Mcf.
- (l) "Input Well" means any well designated by the Board (with the approval and concurrence of the Conservation Board), used for the purpose of returning to the underground formation residue gas in excess of market requirements.
- (m) "Transferred Allowable" means that volume of wet gas remaining unproduced in the input wells equivalent in amount to that portion of the wet gas delivered to the B.A. Utilities system in any month from Gas Cap wells other than input wells, which is delivered to the B. A. Utilities system for that month in lieu of the input wells' proportionate share of the allowable production for that month.
- (n) "Mcf" means thousand cubic feet measured and computed in accordance with the standards and methods of measurement set forth and contained in the regulations under The Oil and Gas Wells Act, made by Order in Council No. 706-45, dated the First day of May, A.D. 1945, and as amended by Order in Council No. 1690-45, dated the 16th day of October, 1945, or as the same may be varied from time to time by regulations in amendment thereof or substitution therefor.

- (o) "Natural Gas Gasoline" means the natural gas gasoline (including any hydro-carbons recovered as one mixture) obtained by the processing and treating of wet gas in the Gasoline Plant, or any other plant erected or used for the processing or treating, either as wet gas or residue gas, of the gas produced by the wells.
- (p) "Owner" means every person, firm or corporation, and their lessees or sub-lessees, trustees, liquidators or receivers appointed by any Court, which owns any one or more of the said wells enumerated and described in "Schedules "A" and "B" hereto annexed, or any right or interest therein, or any share or right to production or proceeds of sale of production of wet gas, natural gas gasoline, residue gas and special products therefrom.
- (q) "Residue gas" means all gas remaining after the extraction of natural gas gasoline and special products from wet gas, less any such residue gas used for plant fuel, flared, lost in operation or returned to the producer.
- (r) "Special Products" means all additional petroleum products other than those included in the natural gas gasoline extracted as one mixture, condensed and saved from the wet gas, produced from any well by processing in the Gasoline Plant or otherwise, such as butanes and propanes.
- (s) "Stored Gas" means residue gas returned to the formation by B. A. Utilities.
- (t) "The Conservation Board" means The Petroleum and Natural Gas Conservation Board constituted pursuant to the provisions of The Oil and Gas Resources Conservation Act.
- (u) "Wet Gas" means all gas, produced from any well, which has not been subjected to processing for the purpose of extracting natural gas gasoline and/or special products therefrom.
- (v) "Well" means any well enumerated or described in Schedules "A" and "B" hereto annexed.

And whereas both the Gas Cap wells and the crude wells are producing or are capable of producing petroleum and natural gas and are connected by gas gathering pipelines to the Gasoline Plant, wherein the wet gas produced by the said wells is processed.

And whereas each of the wells is entitled to share proportionately (in accordance with the Orders of the Board in that behalf) in the market for residue gas produced in the Turner Valley area as a whole.

And whereas it is expedient that residue gas from the wells which is not currently required for the aforesaid

market should be returned to the formation by the B. A. Utilities in such of the wells as may from time to time be designated input wells.

And whereas it is necessary in order to take full advantage of the facilities provided by the B. A. Utilities for the marketing of the residue gas produced by the said wells, and the return to the formation of such proportion thereof as shall not be required for the market from time to time, that the Board do by Order fix the terms and conditions governing input wells, storage area, costs, reproduction, sale and division of proceeds of sale of such stored gas, and the proceeds of sale of natural gas and natural gas gasoline produced from the Gas Cap wells.

And whereas this Order has been submitted to the Conservation Board, and the Conservation Board has signified its approval and concurrence to the terms thereof. It is ordered:

1. That residue gas produced from the wells in excess of the deliveries to the current market in respect to each well shall be returned to the formation by the B. A. Utilities in the wells designated from time to time as input wells.
2. That the allowables of input wells shall be transferred to the remaining currently connected gas Cap wells in direct proportion to their respective allowables, and produced by such wells in addition to the allowable of such wells.
3. That the portion of the proceeds received from the sale of residue gas delivered by B. A. Utilities to the market in any month for or in respect to an amount equal to the share of the market attributable to the Gas Cap wells, shall be currently paid by B. A. Utilities to the owners of all of the Gas Cap wells in the proportion which each well's respective allowable shall bear to the total of the allowables of all of the Gas Cap wells for that month.
4. That the proceeds of the sale of natural gas gasoline payable by the B. A. Oil Company Limited in respect to wet gas delivered to the Gasoline Plant from the Gas Cap wells shall be paid to the owners of all of the Gas Cap wells (including input wells) in the proportions computed in the manner set forth in paragraph (6) hereof.
5. That the liquid content, recovered at the well head, of any gas produced by any Gas Cap well shall be the property of the owner of such well.
6. That the proportionate share of the proceeds of the sale of natural gas gasoline payable to each owner of the Gas Cap wells referred to in Clause 4 hereof shall be determined as follows:
 - (a) The gasoline content of the proportion of the wet gas delivered from the Gas Cap wells

attributable to each well shall be deemed to be the Gpm ascertained by charcoal test in accordance with Testing Code No. 101 effective January 1st, 1933, approved by The American Gas Association and The Natural Gasoline Association of America, as amended from time to time.

- (b) The total wet gas delivered from all of the Gas Cap wells shall be divided in the proportion each Gas Cap well's respective allowable shall bear to the total allowable of all the Gas Cap wells.
 - (c) The proportion of the wet gas attributable to each Gas Cap well as ascertained in paragraph (b) shall be multiplied by the Gpm ascertained in paragraph (a) and the quantity so obtained multiplied by the average price received by the Gasoline Plant for natural gas gasoline in respect of such month shall be the proportion of the total proceeds of the natural gas gasoline attributable to each well.
7. That the remaining portion of the proceeds received from the sale of residue gas and natural gas gasoline shall be paid to the crude well owners in accordance with the Orders of the Board, and/or contracts and/or other arrangements in effect from time to time.
 8. That if, as and when the producers of the wells receive payment in respect of any special products the owners of the Gas Cap wells (including input wells), shall be entitled to receive a proportionate share of such proceeds unless otherwise determined or prescribed by the board or mutually agreed upon, divided in the same manner as set out in paragraph 6 hereof.
 9. That no stored gas shall be deemed to have been reproduced, unless and until the estimated reserve shall have been actually produced from the Gas Cap wells and Century Royalties No. 1 Well and Sterling Royalties No. 1 Well, but thereafter all gas produced from the Gas Cap wells shall be deemed to be stored gas, until the equivalent volume of such stored gas shall have been actually produced.
 10. That from the date upon which the estimated reserve shall have been actually produced from the Gas Cap wells, Century Royalties No. 1 Well and Sterling Royalties No. 1 Well, no further production of gas shall be taken from the said Century Royalties No. 1 Well and Sterling Royalties No. 1 Well until the equivalent volume of stored gas shall have been actually produced from the Gas Cap wells as hereinafter provided.
 11. That, after the said estimated reserve shall have been produced, all further gas produced from the Gas

Cap wells, up to the equivalent volume of stored gas shall be deemed to be gas produced for the account of all the wells.

12. That subject to the provisions of Clause 13 hereof, the proceeds of the proportion of the gas referred to in clause 11 hereof deemed to be stored gas shall be apportioned to each of the wells in the proportion which its respective contribution shall bear to the total of the stored gas in the formation at the time when the estimated reserve shall have been produced. For the purposes of this paragraph the proportion of the total stored gas attributable to the gas produced by the Gas Cap wells other than input wells, in excess of their allowables, as provided in paragraph (2) hereof, shall be considered as the respective contributions by the input wells to the total of stored gas.
13. That there shall be deducted from the proportion of the said proceeds of the residue gas referred to in clause 11 hereof payable to the crude oil wells, such amount as the Board may direct to be paid to the Gas Cap wells by way of compensation for the use of the reservoir for storage and the use of the Gas Cap wells as a means of producing the stored gas.
14. That the proceeds of the sale of the natural gas gasoline and/or special products recovered from the stored gas produced from the Gas Cap wells shall be paid to the B. A. Utilities as a revenue accruing on account of gas storage operations and shall be apportioned and paid by B. A. Utilities to the owners of the Gas Cap wells in the same manner as prescribed in paragraph 6 hereof.
15. That when a Gas Cap well or a crude well is abandoned with the approval of the Conservation Board, such abandoned well shall not thereafter be entitled to share in the proceeds of the sale of residue gas, natural gas gasoline or special products as provided in paragraphs 4 and 6 hereof, but nevertheless the owner of such abandoned well shall be entitled to be paid a share of the proceeds of the stored residue gas and natural gas gasoline or other products in accordance with the provisions of paragraphs 11, 12 and 14 hereof.
16. That the price to be paid to the owners of wells for stored gas as and when produced shall be the price fixed by the Board from time to time.
17. That after the estimated reserve and the equivalent volume of stored gas shall have been produced or reproduced, as the case may be, from the Gas Cap wells and Century Royalties No. 1 well and Sterling Royalties No. 1 well, all further gas produced from the Gas Cap wells (including input wells) shall be deemed to be gas produced for the account of all of the Gas Cap wells and the proceeds of the sale of

residue gas, natural gas gasoline and special products recovered therefrom as and when payable, shall be apportioned to and paid to the owners of the Gas Cap wells in accordance with the provisions of paragraphs 4, 6 and 15 hereof.

18. That B. A. Utilities and British American Oil Company Limited respectively shall keep accounts which shall show the amount of wet gas gathered, the amount processed, the natural gas gasoline recovered therefrom, the amount of residue gas delivered to the market currently, the amount of residue gas returned to the formation, and such other records as may be required by the Board from time to time, and will account for and pay out the proceeds of the sale of natural gas gasoline and residue gas marketed in accordance with the Orders of the Board and/or contracts and/or other arrangements in effect from time to time, Provided that failing other directions by the Board and in the absence of any contract or other arrangement with the B. A. Utilities and/or British American Oil Company Limited, payment to the parties appearing as owning interests in any well according to the records of the Conservation Board shall be full and complete discharge of the B. A. Utilities and the British American Oil Company Limited under the provisions of this paragraph.
19. That this Order shall so far as applicable, be deemed to be in full force and effect and be applied in settlement of the proceeds of the sale of gas produced from the Gas Cap wells as and from the 29th day of December, 1944, the date upon which the excess gas was first returned to the formation pursuant to Board Order.

THE NATURAL GAS UTILITIES BOARD,
(Sgd.) G. M. BLACKSTOCK, Chairman.

SCHEDULE "A."

C. & E. LONGVIEW 1
CARLETON ROYALTIES 1
DIRECTOR 1
FREEHOLD MARJON 1
(FREEHOLD 4)
HIGHWOOD SARCEE 1, 2.
MARJON 2
MERLAND 1
MODEL-SPOONER 1
NEWFOLD 1

PACALTA 1
 SOVEREIGN ROYALTIES 1
 UNION DRILLING FREEHOLD 1

SCHEDULE "B."

ANGLO CANADIAN 3, 4, 6.	MODEL SPOONER 2
BARSAC 1	MONARCH
BRITISH COLONIAL	NORTHWEST HUDSON
BROWN, 1, 2, 4, 5.	BAY 1, 2, 3, 4, 5, 6, 8, 12.
COMMAND 1, 2.	OKALTA 8
COMMOIL 1, 2, 3.	PACIFIC PETE 2, 3, 4.
CORONATION 1	PRAIRIE 1
D. & D. 1	ROYAL CANADIAN 1, 2.
DAVIES PETE 2.	ROYALITE 31, 32, 39, 41, 46, 50.
DEEP OILS	SHARE
EXTENSION 1, 2.	SPY HILL
FIRESTONE	SUNBURST
FOUNDATION	SUNDANCE 1
FOUR STAR	SUNSET 1, 2.
FRONTIER 1	THREE POINT
GLOBE	TRAIL
GRANVILLE	TURNER VALLEY
HARRIS 1	ROYALTIES
IMPERIAL HUDSON BAY	UNITED 5
15	WESTSIDE
IMPERIAL TURNER	YORK 1, 2, 3.
VALLEY 1	
INTERCITY	

No. 88

FOURTH SESSION
TENTH LEGISLATURE

11 GEORGE VI

1947

BILL

An Act to amend The Natural Gas
Utilities Act.

Received and read the

First time

Second time

Third time

HON. MR. TANNER.

EDMONTON:
A. Shnitka, King's Printer
1947