

Bill No. 70 of 1949.

A BILL TO DETERMINE ALL CLAIMS ARISING  
FROM THE ATLANTIC NO. 3 OIL WELL DISASTER.

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NOTE.

This Bill enacts a new Act to be known as "*The Atlantic Claims Act*".

The Bill deals with claims arising directly or indirectly from the Atlantic No. 3 oil well disaster whether recoverable as a debt or damages or otherwise howsoever. There are technical and engineering problems involved in the determination of liability and the assessment of damages which are common to many of these claims, and the claims are so inter-related that it is not feasible or practicable to deal with them individually. On the invitation of the Petroleum and Natural Gas Conservation Board representatives of the Atlantic Oil Company, Limited and of the majority of the producers in the Leduc field worked out and approved a settlement of the claims arising as a result of the Atlantic No. 3 oil well blowing out of control. It is deemed desirable and expedient in the public interest to implement the settlement of claims adopted as aforesaid and the purpose of this Act is to implement the settlement.

The Conservation Board has deposited the proceeds from the sale of petroleum produced from the Atlantic No. 3 well in a trust fund. Section 3 of the Act enables the Board to retain from the trust fund for a period of not more than two years such moneys as may be required for expenses in connection with bringing the well under control and conserving the petroleum and natural gas from the well. The Board is also authorized to pay money out of the trust fund in connection with the costs and expenses incidental to action taken by the Board for the purpose of bringing the well under control. It may also use the money in the fund for any conservation measures the Board deems necessary in connection with the well. This section empowers the Board to pay out of the fund the sums required to give effect to any settlement approved by the Board arrived at between the Company and the claimants against the Company. If the parties cannot agree upon a settlement the Board in its discretion may pay to the claimant such amount, if any, in settlement of his claim as the Board considers just and equitable. The Board can advance to the Company from the fund such sums as the Board deems advisable from time to time. All money remaining in the fund after the payment of claims, costs and expenses authorized to be paid pursuant to the Act belongs to the Company.

Section 4 provides that the Atlantic No. 3 well shall be deemed to have over-produced to the extent of five hundred and sixty-five thousand, one hundred and ninety-five barrels of oil. The section enables the Board to restrict the production of the Company's other wells and to prevent the drilling of further wells until such time as the Board considers it necessary in order to compensate, in the opinion of the Board, for the over-production of the Atlantic No. 3 well.

Section 5 prohibits actions against the Company by any person unless such person has obtained the consent in writing of the Attorney General.

Section 6 enables the Lieutenant Governor in Council to vest in the Board any additional powers and duties which are deemed necessary for the purpose of enabling the Board to perform its duties under this Act.

Section 7 validates Order in Council No.1495/48 dated the twenty-first day of December, 1948. This Order in Council authorized the payment out of the trust fund of certain expenses incurred in bringing the well under control. It also authorized the payment of sums in settlement of claims which were agreed upon by the Company and the claimants and approved by the Board. It also authorized the payment of royalties to royalty holders on the basis of the normal allowable production of the Atlantic Nos. 1, 2 and 3 wells.

KENNETH A. MCKENZIE,  
*Acting Legislative Counsel.*

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

# BILL

No. 70 of 1949.

An Act to determine all Claims Arising from the Atlantic  
No. 3 Oil Well Disaster.

(Assented to \_\_\_\_\_, 1949.)

**W**HEREAS the Atlantic No. 3 Oil Well of the Atlantic Oil Company, Limited blew out of control and subsequently caught fire causing extensive loss and damage; and

Whereas pursuant to the provisions of *The Oil and Gas Resources Conservation Act*, being chapter 66 of the Revised Statutes of Alberta, 1942, the Petroleum and Natural Gas Conservation Board entered upon, seized and took possession of the said well for the purpose of bringing it under control and conserving the flow of petroleum and natural gas; and

Whereas further loss and damage was caused and expense incurred as a result of measures taken for the purpose of bringing the said well under control; and

Whereas there are numerous claims arising directly or indirectly from the Atlantic No. 3 Oil Well disaster and from the measures taken to bring the same under control, whether recoverable as debts, damages or otherwise howsoever; and

Whereas the proceeds of the sale of the petroleum recovered from the said well have been deposited in a trust fund in the name of the Petroleum and Natural Gas Conservation Board and it appears desirable and expedient that the said trust fund be used to pay the said claims; and

Whereas due to the nature of the disaster and the resulting claims there are technical and engineering problems involved in the determination of liability and the assessment of damages which are common to many of the claims; and

Whereas the claims are so inter-related that it is not feasible or practicable to deal with them individually; and

Whereas it appears desirable and expedient in the public interest to determine all such claims; and

Whereas on the invitation of the Board several meetings were held in the City of Calgary, in the Province of Alberta, attended by representatives of the Atlantic Oil Company, Limited and other producers in the Leduc field affected by the disaster for the purpose of determining all such claims; and

Whereas at such a meeting held in the offices of the Board in the City of Calgary, on Wednesday, the twenty-sixth day

of January, 1949, representatives of the Atlantic Oil Company, Limited and of the majority of the producers expressed their approval of the settlement of claims adopted by the meeting and no objection to the proposed settlement was registered by the representatives of any of the said producers; and

Whereas it is deemed desirable and expedient to implement the settlement of claims adopted by the said meeting;

Now therefore His Majesty, by and with the advice and consent of the Legislative Assembly of the Province of Alberta, enacts as follows:

SHORT TITLE.

1. This Act may be cited as "*The Atlantic Claims Act*".

INTERPRETATION.

2. In this Act unless the context otherwise requires,—
  - (a) "Board" means the Petroleum and Natural Gas Conservation Board;
  - (b) "claim" means a claim arising directly or indirectly from the Atlantic No. 3 Oil Well disaster, whether recoverable as a debt or damages or otherwise howsoever, and includes a claim of a holder of a gross royalty payable by the Company out of the production of the petroleum and natural gas from the Atlantic No. 3 Oil Well;
  - (c) "Company" means the Atlantic Oil Company, Limited;
  - (d) "person" includes a corporation;
  - (e) "trust fund" means the trust fund in the name of the Petroleum and Natural Gas Conservation Board, being the proceeds received by the said Board from the sale of petroleum produced from the Atlantic No. 3 Oil Well.

3.—(1) The Board is hereby authorized to retain from the trust fund for a period not exceeding two years from the date of the passing of this Act any moneys which in its discretion may be required for further expenses in connection with bringing the Atlantic No. 3 Oil Well under control, and conserving the flow of petroleum and natural gas therefrom or for any other purposes connected with the Atlantic No. 3 Oil Well disaster that the Board deems necessary.

(2) The Board is hereby authorized to pay money out of the trust fund for any of the following purposes:

- (a) The costs and expenses of and incidental to any action which has been taken or may hereafter be taken by the Board for the purpose of bringing the Atlantic No. 3 Oil Well under control;

- (b) The costs and expenses of carrying out all investigations and conservation measures that the Board has taken or deems necessary to be taken in connection with the said well;
  - (c) The payment of such sums of money as may be required to give effect to any settlement approved by the Board and arrived at between the Company and any claimant who may have a claim against the Company, provided that if the parties cannot agree upon a settlement the Board may, in its discretion, pay to the claimant such amount, if any, in settlement of the claim as the Board may consider to be just and equitable;
  - (d) The payment to the Company from time to time of such sums of money as the Board in its discretion deems it advisable to advance, having regard to the protection of the interests of claimants under this section of whose claims it has notice in writing prior to such advance.
- (3) The money remaining in the trust fund, if any, after payment of all claims, costs and expenses authorized to be paid pursuant to this Act shall belong and be paid to the Company.

4. The Atlantic No. 3 Oil Well shall be deemed to have over-produced to the extent of five hundred and sixty-five thousand one hundred and ninety-five barrels of oil during the period it was flowing out of control and the Board may,—

- (a) restrict the production of the Company's No. 1 and No. 2 wells to an amount which shall not exceed two-thirds of the normal allowable production as set from time to time by the Board; and
- (b) prevent the drilling of further wells on legal subdivisions 11 and 12 of section 23, township 50, range 26, west of the 4th meridian;

until such time as the Board may consider it necessary in order to compensate, in the opinion of the Board, for the over-production of Atlantic No. 3 Oil Well.

5. No person shall commence any action against the Company or the Board, or any other person in respect of any claim unless such person has first obtained the consent in writing of the Attorney General.

6. The Lieutenant Governor in Council may vest in the Board such additional powers and duties as are deemed necessary or advisable for the purpose of enabling the Board to perform its duties under this Act, and may make such regulations as are deemed necessary or advisable for carrying out the provisions of this Act according to their true intent.

7. A certain Order in Council dated the twenty-first day of December, 1948, intituled O.C. 1495/48, and set out in the Schedule hereto is hereby ratified, validated and confirmed and shall have the same force and effect as if the same had been enacted by this Act.

8. This Act shall come into force on the day upon which it is assented to.

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## SCHEDULE

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Approved and Ordered,

(Sgd.) J. C. BOWEN,  
*Lieutenant Governor.*

Edmonton, Tuesday, December 21st, 1948.

The Executive Council has had under consideration the report of the Honourable the Minister of Lands and Mines, dated December 20th, 1948, stating that:

Whereas by the terms of section 46 of *The Oil and Gas Resources Conservation Act*, being Chapter 66 of the Revised Statutes of Alberta, 1942, it is provided as follows:

“46.—(1) The Board may take such steps and employ such persons as it considers necessary for the enforcement of any order made by it and for the purposes thereof may forcibly or otherwise enter upon, seize and take possession of the whole or part of the movable and immovable property in, on or about any well or used in connection therewith or appertaining thereto together with the books and offices of the owner thereof, and may, until the order has been complied with, either discontinue all production or may take over the management and control thereof.

“(2) Upon the Board taking possession of any well and so long as such possession continues, every officer and employee of the owner thereof shall obey the orders of the Board or of such person or persons as it places in charge and control thereof.

“(3) Upon possession being taken of any well the Board may take, deal with and dispose of all petroleum produced at the well as if it were the property of the Board, subject to the obligation to account for the net proceeds thereof to the persons entitled thereto.

“(4) The costs and expenses of and incidental to proceedings taken by the Board under this section

shall be in the discretion of the Board, and the Board may direct by whom and to what extent they shall be paid.”;

and

Whereas Atlantic No. 3 Well of the Atlantic Oil Company Limited, blew out of control and the Petroleum and Natural Gas Conservation Board deemed it necessary to enter upon, seize and take possession of the movable and immovable property in, on or about the said well for the purpose of bringing it under control and conserving the gas and flow of oil under the terms of an Order of the Board; and

Whereas during the time that the Board has been in possession of the said well it has marketed the oil derived from the well, the proceeds from which are held in a special trust account in the name of the Board; and

Whereas it is deemed necessary and expedient to pay out of the said trust account to the persons hired by the Board the costs and expenses of and incidental to the work of bringing the said well under control; and

Whereas it is also deemed advisable and expedient to endeavor to settle any claims against the Atlantic Oil Company, Limited, other than claims arising from an interest in mines and minerals and to settle claims of persons entitled to a royalty on production from the Numbers 1, 2 and 3 wells of the Atlantic Oil Company, Limited; and

Whereas there is no statutory provision enabling the said payments to be made or settlements effected and it is proposed to make the said payments and settlements subject to ratification by the Legislature at its next ensuing session. Therefore, upon the recommendation of the Honourable the Minister of Lands and Mines, the Executive Council advises that the Petroleum and Natural Gas Conservation Board be and is hereby authorized to:

(1) pay out of the fund now held in the name of the Petroleum and Natural Gas Conservation Board in trust and representing the proceeds of the sale of petroleum from Atlantic No. 3 Well the costs and expenses of and incidental to the proceedings taken by the Board to control the gas flow in the said well and the flow of petroleum therefrom.

(2) pay out of the said fund such sums as may be required to give effect to any settlement approved by the Board arrived at between the Atlantic Oil Company, Limited and any claimant or claimants who may have a claim against the Atlantic Oil Company, Limited arising directly or indirectly from the Atlantic No. 3 Well blow-out whether recoverable as a debt or damages or otherwise howsoever, other than a claim arising from an interest in mines and minerals.

(3) pay out of the said fund to any person entitled to a royalty on production from the Numbers 1, 2 and 3 wells

of the Atlantic Oil Company, Limited, such royalty as, in the opinion of the Board, would have been received by such person if the Atlantic No. 3 Oil Well had not blown out of control and if the said wells had produced at a rate equivalent to the actual rate of production allowed by the Board to similar wells belonging to other companies in the same field at the same time.

(*Sgd.*) ERNEST C. MANNING,  
Chairman.



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FIRST SESSION  
ELEVENTH LEGISLATURE  
13 GEORGE VI  
1949

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**BILL**

An Act to Determine all Claims  
Arising from the Atlantic  
No. 3 Oil Well Disaster.

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Received and read the

First time .....

Second time .....

Third time .....

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HON. MR. TANNER.

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