

No. 13

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4th Session, 13th Legislature, Alberta  
6 Elizabeth II, 1958

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## **BILL 13**

A Bill to Provide for the Establishment of Unit Operations  
in the Turner Valley Field

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HON. MR. MANNING

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Edmonton, Alberta, 1958

## **Explanatory Note**

General. The purpose of this Bill is explained by the preamble thereof.

# BILL

No. 13 of 1958

An Act to Provide for the Establishment of Unit Operations  
in the Turner Valley Field

(Assented to \_\_\_\_\_, 1958)

Whereas it appears that ultimate recovery of oil and gas from the Turner Valley Field could be increased by the establishment of unit operations in parts of the field; and

Whereas the diversity of ownership of oil and gas rights in various tracts in the Turner Valley Field precludes the establishment of unit operations under the provisions of Part VIII of *The Oil and Gas Conservation Act*; and

Whereas it is deemed desirable and expedient to make special provisions for the establishment of unit operations in the Turner Valley Field.

Therefore, Her Majesty, by and with the advice and consent of the Legislative Assembly of the Province of Alberta, enacts as follows:

1. This Act may be cited as "*The Turner Valley Unit Operations Act*".

## Interpretation

2. In this Act,

- (a) "Board" means the Oil and Gas Conservation Board constituted under the provisions of *The Oil and Gas Conservation Act*;
- (b) "gas" means natural gas both before and after it has been subjected to any processing, and includes all fluid hydrocarbons not defined as oil;
- (c) "oil" means crude oil and all other hydrocarbons, regardless of gravity, that are or can be recovered in liquid form from a pool through a well by ordinary production methods;
- (d) "owner" means the person or persons who have the right to produce oil or gas from the portion of the pool within a tract;
- (e) "pool" means the pool in the Turner Valley formation of the Rundle group within the Turner



Valley Field, as that field is designated from time to time by the relevant subsisting order of the Board made pursuant to *The Oil and Gas Conservation Act*;

- (f) "tract" means a parcel of land in which
  - (i) a person, or
  - (ii) persons jointly
 have the right to produce oil or gas from the portion of the pool within the parcel of land;
- (g) "unit" means the portion of the pool vertically beneath the lands described in an order made under this Act and being the portion of the pool subject to a unit operation;
- (h) "unit operation" means the combining of all interests in a unit so that
  - (i) the operations will be conducted as if there were only one operator and one tract, and
  - (ii) the costs of the operations and the oil or gas produced thereby will be allocated to tracts according to a formula or a schedule;
- (i) "unit operator" means the person designated as unit operator in, or pursuant to, an order under this Act;
- (j) "unit tract" means a tract or any part thereof within a unit;
- (k) "waste", "wasteful operations", and "well" have the meanings given to them in *The Oil and Gas Conservation Act*.

#### **Applicaton and Order**

**3.** (1) If the owners of tracts with respect to a part of the pool are unable to or do not agree to consolidate, merge or otherwise combine their interests for the purpose of accomplishing the more efficient and more economical development, production and recovery of the oil or gas in the part of the pool, any one or more of the owners may apply to the Board to have that part of the pool operated as a unit operation.

(2) The Board shall hear an application that is made by owners of tracts embracing over fifty per cent of the lands containing the part of the pool in respect of which the application is made, and may, in its discretion, hear an application made by owners of tracts embracing less than fifty per cent.

(3) If the Board after a public hearing is satisfied that a unit operation would prevent waste, the Board may order that the part of the pool in respect of which the application is made, or as reduced or increased by the Board, be operated as a unit operation.

- 4.** (1) An order under section 3 may set out
- (a) the date on which it comes into force,



- (b) a description of the lands containing the unit,
- (c) a description of each unit tract,
- (d) a general description of the operations to be conducted,
- (e) a formula or schedule providing for an allocation to each unit tract of its share of the oil and gas produced from the unit and not required or consumed in the unit operation or unavoidably lost,
- (f) a provision for the adjustment among the owners of unit tracts for their respective investments contributed to the unit operation,
- (g) a provision for the consideration of the net amount charged in accordance with clause (f) against the owner of each unit tract as an expense of the unit operation,
- (h) a provision for charging the expenses of the unit operation, including capital investments, to the unit tracts, and for determining by whom the expenses chargeable to a unit tract shall be paid,
- (i) a provision for the establishment of an operators' committee, unless the circumstances warrant the elimination of a requirement for an operators' committee,
- (j) a provision for determining the voting interest of each member of the operators' committee, if provision is made for a committee,
- (k) a provision determining the method of voting upon any motion before the operators' committee, if provision is made for a committee, and the percentage of votes required to carry the motion,
- (l) a provision for the appointment from time to time of a person to be known as the unit operator and who shall
  - (i) be responsible for the management and conduct of the unit operation, and
  - (ii) if provision is made for an operators' committee, be under the direction and supervision of the committee,
- (m) a provision specifying that if the person responsible for paying the expenses chargeable to a unit tract fails to do so, the unit operator
  - (i) may appropriate and sell the production of oil and gas allocated to the unit tract to the extent necessary to recover the amount of such expenses, and
  - (ii) shall have a first lien upon the interest of the owner of the unit tract in the equipment of the unit operation until payment is made of the amount of expenses charged to the unit tract,
- (n) a provision specifying the manner in which and circumstances under which the unit operation shall terminate, and





(o) such further provisions, terms and conditions as the Board may determine as being necessary for the efficient performance of the unit operation.

(2) If the operators' committee, where provision is made for a committee, fails to appoint a unit operator before a date specified by the Board, the Board shall appoint the unit operator.

**5.** (1) An order under section 3 may provide for a rehearing by the Board upon the application of any interested person or after a future date specified in the order.

(2) Where an order has been made under section 3 and whether or not the order provides for a rehearing, the Board, upon its own motion, may hold a rehearing when in its opinion the circumstances so warrant.

(3) Following the rehearing, the Board may amend or revise an order made under section 3 in order to supply any deficiency therein or to meet changing conditions, and may alter or revoke any provision that is deemed by the Board to be unfair or inequitable.

**6.** (1) Upon application by the unit operator or the owner to add a tract to an adjacent unit, the Board after a hearing may add the tract to the unit and amend the original order accordingly if the tract is not included in an existing unit.

(2) An amending order made under subsection (1), shall not vary the ratio of allocation of production between unit tracts established under the original order.

**7.** (1) An order under section 3 may provide that a unit established thereby include a unit established by a previous order.

(2) The order, in providing for allocation of production from the new unit, shall not vary the ratio of allocation of production between unit tracts established in the previous order.

**8.** A notice of a hearing to be held under this Act shall be in such form as the Board may prescribe and the applicant shall, as the Board may direct,

(a) mail a copy of the notice to such persons and at such addresses, and

(b) publish a copy of the notice in such manner.

#### **General**

**9.** (1) All property acquired by the unit operator for a unit operation shall be held by him as trustee and agent for and on behalf of the owners of the unit tracts.

(2) The order providing for unit operation shall be construed as an operating arrangement and shall not be



construed as affecting or transferring title to the unit operator or entitling an owner of a unit tract to an undivided interest in other unit tracts included in the unit.

**10.** (1) The unit operator for a unit operation shall exercise generally all the powers incidental to the proper conduct and management of the unit operation.

(2) The unit operator may contract and may sue and be sued in his own name with respect to the duties, functions and powers, imposed or conferred upon him by or pursuant to this Act.

(3) The unit operator shall not be liable upon the claim of an owner of a unit tract except for the oil or gas allocated to the unit tract or in a case of gross negligence or wilful misconduct.

**11.** (1) From and after the date on which an order for unit operation comes into force and while the order remains in force, no person shall carry on any operation within the unit, except in accordance with the provisions of the order.

(2) No person having an interest in a unit tract shall assign, transfer, mortgage or otherwise dispose of less than his entire interest.

**12.** Where in the opinion of the Board the unit operator has made a reasonable and diligent search and has been unable to locate an owner of a unit tract or his authorized agent, the unit operator shall

- (a) sell the production allocated to that unit tract,
- (b) pay out of the proceeds of sale the costs and expenses payable with respect to the unit tract, and
- (c) pay the balance of the proceeds to the Provincial Treasurer to be held by him in trust for the owner
  - (i) until the owner or his authorized agent is located, or
  - (ii) pending the order of a judge.

**13.** Where a dispute arises as to the person entitled to receive the production allocated to a unit tract the unit operator

- (a) shall sell the production, with respect to which the dispute has arisen,
- (b) may pay out of the proceeds of sale the costs and expenses payable with respect to the unit tract, and
- (c) shall pay the balance of the proceeds to the Provincial Treasurer to be held by him in trust pending an order of a judge or until a settlement has been reached by the parties.



**14.** Where moneys are paid to and held by the Provincial Treasurer under section 12 or 13

- (a) the owner of the unit tract is not thereby entitled to any interest or penalty, and
- (b) the payment of the moneys for the purposes of any contract or other arrangement shall be deemed to have been made when the moneys were paid to the Provincial Treasurer.

**15.** Where operations are carried on or conducted under and in accordance with an order for a unit operation

- (a) the operations shall for all purposes except for the payment of any rent and royalty be deemed to be operations carried on or conducted on each unit tract in the fulfilment of all obligations of the owner of the unit tract under each lease or contract applicable thereto, and
- (b) the portion of the production allocated to each unit tract, and only that portion, shall be deemed to have been produced from the unit tract.

**16.** The obligation or liability of an owner of a unit tract is at all times several and not joint, and in no event is such an owner chargeable with, obligated or liable, directly or indirectly, for more than the amount apportioned, assessed or otherwise charged to the unit tract pursuant to the unit operation.

**17.** (1) An order under section 3 or 6, may be filed against the title to the oil and gas in the unit with the Registrar of the South Alberta Land Registration District or, if the unit contains oil and gas that are the property of the Crown, with the Minister of Mines and Minerals.

(2) The Registrar or the Minister, upon such filing and upon payment of the proper fees, shall enter the order in such of his records and do such other things as are necessary to give effect to the filing of the order.

(3) Where an order referred to in subsection (1) is filed

- (a) in so far as it affects oil and gas that are the property of the Crown, with the Minister, and
- (b) in so far as it affects other oil and gas, with the Registrar,

any interest in the oil and gas in each unit tract is subject to the order so long as it is in effect.

(4) When an order under section 3 or 6 is rescinded, the Board shall send copies of the rescinding order to the Minister and the Registrar of the South Alberta Land Registration District, and, if the order under section 3 or 6 has been registered, the Minister or Registrar shall, without further fees, enter the rescinding order and do such other things as are necessary to give effect to the filing thereof.



**18.** The Board, may, for such period or periods as it decides, exempt a unit operator or a unit operation from any or all of the provisions of *The Oil and Gas Conservation Act* except Part VII.

**19.** An order made under this Act does not affect the duties and liabilities of any owner of oil and gas property under Part VII of *The Oil and Gas Conservation Act*.

**20.** An order made under this Act is final and there is no appeal therefrom.

**21.** The Crown is bound by this Act.

**22.** This Act comes into force on the day upon which it is assented to.

FOURTH SESSION

THIRTEENTH LEGISLATURE

6 ELIZABETH II

1958

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**BILL**

An Act to Provide for the Establish-  
ment of Unit Operations in The  
Turner Valley Field

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Received and read the

First time.....

Second time.....

Third time.....

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HON. MR. MANNING

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