

No. 97

5th Session, 13th Legislature, Alberta
7 Elizabeth II, 1959

BILL 97

A Bill to amend The Oil and Gas Conservation Act

HON. MR. MANNING

Explanatory Note

2. The purpose of this amendment is to make it clear that a drilling to obtain water to inject in an underground formation is not within the meaning of "test hole". Section 2, clause (s) reads:

"(s) "test hole" means an orifice in the ground drilled or being drilled to a depth of more than five hundred feet for the primary purpose of obtaining geological or geophysical information, and not used or to be used for the production of oil or gas or the injection of gas, air, water or other substance to an underground formation;"

3. The purposes of this amendment are

- (1) to make the Act generally applicable to all types of oil sand;
- (2) to expand the Lieutenant Governor in Council's power to exempt oil sands from application of Act.

Subsections (2) and (3) of section 5 now read:

"(2) This Act does not apply to any oil sands that are recovered by removing any overburden and excavating from the surface or to any hydrocarbon or other product obtained in any way from oil sands so recovered and, without derogating from the generality of the foregoing, does not apply

- (a) to any operation for such recovery of oil sands, or of such hydrocarbons or other products,
- (b) to the disposal or transportation of such oil sands, hydrocarbons or other products, or
- (c) to any provision respecting such oil sands, hydrocarbons or other products in any contract or other arrangement irrespective of whether or not the provision affects oil or gas or the supply or market of oil or gas.

(3) The Lieutenant Governor in Council, upon the recommendation of the Board made after a public hearing, may exclude from the application of this Act or any provisions thereof any oil sands or any hydrocarbon or other product obtained therefrom recovered in any specified area in the Province by a method other than removing any overburden and excavating from the surface."

4. New subsection (1) differs from the present subsection by the addition of clause (b) requiring the operator of a well to be the licensee or to be acting under his instructions.

BILL

No. 97 of 1959

An Act to amend The Oil and Gas Conservation Act

(Assented to _____, 1959)

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

1. *The Oil and Gas Conservation Act*, being chapter 63 of the Statutes of Alberta, 1957, is hereby amended.

2. Section 2, clause (s) is amended by adding immediately after the words "oil or gas" the words ", the obtaining of water to inject to an underground formation".

3. Section 5 is amended

- (a) by striking out subsection (2),
- (b) as to subsection (3) by striking out the words "by a method other than removing any overburden and excavating from the surface".

4. Section 18 is amended by striking out subsection (1) and by substituting the following:

18. (1) No person shall commence to drill a well or undertake any operations preparatory or incidental to the drilling of a well or continue any drilling operations or any producing operations unless

- (a) a licence has been issued and is in full force and effect, and
- (b) he is the licensee or is acting under the instructions of the licensee.

5. Self-explanatory.

6. (a) Section 23 authorizes the granting of a licence for a number of test holes to be drilled pursuant to a testing program. Subsection (1) of section 23 exempts some provisions that apply to the ordinary well licence application and is amended to exempt the requirement that the proposed well name appear in the application. The well name is required by the regulations to contain particulars that, in the case of a test hole, are not ordinarily known when the licence is applied for. Subsection (1) of section 23 presently reads:

"23. (1) A person proposing to drill test holes shall apply for a licence, and in such a case subsection (3) of section 18, clause (b) of subsection (2) of section 19 and section 20 do not apply."

(b) New subsection (6) provides that the licence may limit the depth of the test holes and covers only test holes started within a year of the licence date.

5. The following section is added immediately after section 20:

20a. (1) In the case of a well to be drilled for a purpose other than those provided for in section 20 or section 23, the application shall set out

- (a) the quarter section of land in which, or adjacent to which, the well is to be drilled,
- (b) the approximate depth to be drilled,
- (c) the formation, stratum or zone in which drilling will terminate,
- (d) the purpose for which the well is to be drilled,
- (e) whether the applicant is entitled, or is the authorized representative of the person who is entitled, to the right to recover a mineral in the quarter section referred to in clause (a),
- (f) the nature, depth and extent of water cover, if the well is to be drilled in a water covered area, and
- (g) such other information as the Board may require.

(2) Where the well referred to in subsection (1) will be located in surveyed land and is to be drilled in excess of one thousand five hundred feet, the application shall be accompanied by a plan in triplicate of the type referred to in section 20.

(3) Within thirty days after the commencement of the drilling in unsurveyed territory of a well, other than a test hole, authorized by a licence granted upon an application to which subsection (1) applies, the licensee, if he has not already done so, shall furnish to the Board a plan in triplicate of the type referred to in section 20.

(4) Within thirty days after the commencement of the drilling of a test hole authorized by a licence granted upon an application to which subsection (1) applies, the licensee, if he has not already furnished a plan in triplicate of the type referred to in section 20 shall furnish to the Board a statement in triplicate of the location of the test hole described by co-ordinates calculated to the nearest foot.

(5) The Board may, upon application, extend for a specified well or test hole the period prescribed by subsection (3) or (4).

6. Section 23 is amended

- (a) by striking out subsection (1) and by substituting the following:

23. (1) A person proposing to drill test holes not in excess of one thousand feet in depth shall apply for a licence, and in such a case subsection (3) of section 18, clauses (a) and (b) of subsection (2) of section 19, and section 20 do not apply.

- (b) by adding immediately after subsection (5) the following subsection:

7. (a) The minimum deposit of the licensee of more than one well is increased. Under the present provisions the minimum deposit in such a case is \$3,500.00. Subsection (3) presently reads:

“(3) If an applicant applies for more than one licence or is the licensee of an earlier licence, the Board may fix as the amount of the deposit for all wells of which the applicant is licensee a single amount of not less than three thousand five hundred dollars.”.

(b) Subsection (6) presently reads:

“(6) If a person is licensee of more than one well, one of which is abandoned or transferred, the portion of the deposit, if any, in excess of the amount fixed by the Board as required for the remaining wells shall be returned to the licensee, but the deposit shall not be reduced to an amount less than

(a) three thousand five hundred dollars, if the person remains the licensee of more than one well, or

(b) two thousand five hundred dollars, if the person remains the licensee of one well.

(c) New subsection (10) provides a means for deposits to be in bonds or other securities.

8. The amendment would authorize regulations to require Board approval for the conversion of a well for injection purposes. Clause (d) of section 34, as relevant, reads:

“34. The Lieutenant Governor in Council, upon the recommendation of the Board, may make general regulations or special orders

.....
(d) requiring notice of intention and approval of the Board before
(i) the suspension of normal drilling or normal producing operations,
.....

(v) the resumption of producing operations after a previous suspension,
and authorizing the Board to prescribe the conditions under which it grants its approval in any such case.”.

9. This amendment will empower the Board to decide a dispute concerning a pool or zone designation.

(6) A licence granted upon an application under subsection (1) does not authorize

- (a) the drilling of a test hole to a greater depth than is prescribed in the licence or one thousand feet if no depth is prescribed, or
- (b) the commencement of the drilling of a test hole after one year from the date of the licence.

7. Section 26 is amended.

- (a) as to subsection (3) by striking out the words "three thousand five hundred dollars" and by substituting the words "five thousand dollars for two wells, not less than six thousand dollars for three wells, not less than seven thousand dollars for four wells, not less than eight thousand dollars for five wells, not less than nine thousand dollars for six wells or not less than ten thousand dollars for seven or more wells",
- (b) as to subsection (6) by striking out clause (a) and by substituting the following:
 - (a) the minimum amount required under subsection (3) for a like number of wells, if the person remains the licensee for more than one well, or
- (c) by adding immediately after subsection (9) the following subsection:
 - (10) The Lieutenant Governor in Council by regulation may authorize deposits or parts thereof under this section or section 27 to be in the form of bonds or other securities as may be specified in the regulations.

8. Section 34, clause (d) is amended

- (a) as to subclause (i) by adding immediately after the word "producing" the words "or injecting",
- (b) by striking out the word "or" at the end of subclause (iv),
- (c) by striking out subclause (v) and by substituting the following:
 - (v) the resumption of producing or injecting operations at a well after a previous suspension, or
 - (vi) the commencement of the injection of gas, air, water or other substance to an underground formation in a well that has been drilled or operated for another purpose,

9. Section 35 is amended

- (a) by renumbering the section as subsection (1),
- (b) by adding immediately after the renumbered subsection (1) the following subsection:
 - (2) Where dispute arises in the application of a pool or zone designation made by the Board, the dispute shall be referred to the Board and its decision thereon is final.

10. Section 36, clause (d) now reads:

"36. The Board, with the approval of the Lieutenant Governor in Council, may, by general or special orders, restrict the amount of oil or gas or both that may be produced in the Province

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- (d) by limiting the total amount of gas that may be produced from any pool having regard to the market demand for gas therefrom as determined by the Board, to the efficient use of gas for the production of oil and to the efficient utilization of the gas reserves of the Province, and"

11. Subsections (4), (5) and (6) of section 73 now read:

"(4) An order made under the provisions of subsection (3) shall provide for any or all of the following matters, that is to say:

- (a) for the drilling and operation of a well on the spacing unit, or if a well has already been drilled, for the operation of such well;
- (b) for the appointment of an operator to be responsible for the drilling, operation or abandonment of the well whether drilled before or after the order;
- (c) for the allocation to each tract of its share of the production of oil or gas from the spacing unit, which allocation shall be on an acreage basis unless it can be shown to the Board that such basis is inequitable;
- (d) for the payment of the cost of drilling, if applicable, and the costs of operation and abandonment of a well incurred by the operator;
- (e) that the share of the cost of the drilling, if applicable, and the costs of operation and abandonment of a well payable by an owner who refused to agree to the inclusion of his tract in the proposed unit or by an owner who cannot be traced, shall be recoverable only out of such owner's share of the production;
- (f) for the sale by the operator of any owner's share of the production of oil or gas allocated to a tract under clause (c);
- (g) for the deductions to be made by the operator out of the proceeds of a sale under clause (f).

(5) For the purpose of determining the share of the cost of drilling a well payable by the owner of a tract who refused to agree to the inclusion of his tract in the proposed unit, the Board in its order may specify that in the event production of oil or gas is obtained, the amount payable by such owner shall be an amount not exceeding one and one-half times the amount that would be payable by the owner if the cost of drilling the well were allocated to each tract on the same basis as the share of the production is allocated to each tract.

(6) Subsection (5) does not apply to the owner of a tract who cannot be traced, or in a case where the drilling of the well was started before the order of the Board was made."

10. Section 36, clause (*d*) is amended

- (a) by striking out the words "for gas therefrom",
- (b) by adding immediately after the word "Board" the words "for gas from the pool and gas from other pools that may be used to satisfy the demand".

11. Section 73 is amended

- (a) as to subsection (4)
 - (i) by striking out the words "any or all of",
 - (ii) by striking out clause (*a*) and by substituting the following:
 - (*a*) for the drilling and operation of a well on the spacing unit, or, where a well that is capable of, or that can be made to be capable of, production has been drilled on the spacing unit before the making of the order, for the future operation of such well;
 - (iii) by striking out clauses (*d*), (*e*), (*f*) and (*g*) and by substituting the following:
 - (*d*) for the payment of the actual cost of the drilling of the well whether drilled before or after the making of the order, and for the payment of the actual costs of the operation and abandonment of the well, but the share of the cost of drilling, operating and abandonment of the well and penalty, if any, as provided for by subsection (5) and payable by any owner who fails to pay his share by the time specified in the order, shall be recoverable only out of such owner's share of production from the spacing unit;
 - (*e*) for the sale by the operator of any oil and gas allocated to a tract under clause (*c*) where the owner thereof does not take or dispose of such production and for the deductions to be made by the operator out of the proceeds of such sale.
- (b) by striking out subsections (5) and (6) and by substituting the following:
 - (5) The Board in its order may specify that in the event production of oil or gas is obtained and the owner of a tract fails to pay his share of the actual cost of drilling the well by the time specified in the order, then the amount payable by such owner shall include, in addition to his tract's share of the actual cost of drilling, a penalty payable to the operator but not exceeding one-half of his tract's share of the actual cost of drilling.
 - (6) Subsection (5) does not apply to an owner of a tract who is missing and untraceable.
 - (7) Where an order is made under subsection (3),

12. Subsection (2) of section 74 now reads:

"(2) Where an order is made under subsection (1) the well shall be deemed to be located on each tract within the spacing unit at all times from the date of the order irrespective of when the future operations are conducted."

13. Self-explanatory.

14. Section 84 now reads:

"84. (1) Where as a result of operations in accordance with an order of the Board made pursuant to this Part moneys are payable to the owner of a tract and dispute arises as to who is the owner, the operator or unit operator may pay the moneys into the Supreme Court of Alberta to be held until the dispute is settled.

(2) Where moneys are paid to and held by the court under subsection (1)

- (a) the owner 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 into court."

- (a) the drilling for or the production of oil or gas from the spacing unit and all operations incidental thereto pursuant to the order shall for all purposes be deemed to be carried on or conducted by the several owners respectively upon their separately owned tracts in the spacing unit, and
- (b) that portion of the production allocated to each tract, and only that portion, shall be deemed to have been produced from the tract.

12. Section 74 is amended by striking out subsection (2) and by substituting the following:

(2) Where a well that is capable of production, or that can be made capable of production, has been drilled and is capped or shut in and the well is subject to an order made under subsection (3) of section 73, or subsection (1) of section 74, the well shall be deemed to be drilled and located on each tract within the spacing unit irrespective of when the future operations are conducted.

13. The following sections are added immediately after section 74.

74a. (1) The Board shall hear an application to vary, amend or terminate an order made pursuant to section 73 or section 74 where such application is made by owners of over twenty-five per cent of the working interests in the spacing unit affected by the order, calculated on an acreage basis, and may, in its discretion, hear an application made by any owner.

(2) Following the hearing of an application under subsection (1), the Board may, with the approval of the Lieutenant Governor in Council, vary, amend or revise the order to supply any deficiency therein or to meet changing conditions and may alter or revoke any provision that is deemed to be unfair or inequitable, or may terminate the order.

74b. (1) For the purpose of section 73 or section 74, the actual cost of drilling a well shall include the cost of drilling the well to, and completing it in, the zone named in the order under section 73 or section 74.

(2) Where for the purpose of an order under section 73 or section 74, dispute arises as to the actual cost of drilling a well, the actual cost shall be determined by the Board.

14. Section 84 is amended

- (a) by striking out subsection (1) and by substituting the following:

84. (1) Where dispute arises as to the person entitled to receive the production allocated to a tract in accordance with an order of the Board made pursuant to this Part, the operator or unit operator

15. Section 87 provides for the filing of a unit operation order or agreement or a pooling order with the Department of Mines and Minerals and the land titles office. As the agreement may be executed in many counterparts, the section is amended to permit filing of a certified copy, rather than an original document.

- (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 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.
- (b) as to subsection (2)
- (i) by striking out the words "by the court" and by substituting the words "by the Provincial Treasurer",
 - (ii) by striking out the words "into court" where they occur in clause (b) and by substituting the words "to the Provincial Treasurer".

15. Section 87 is amended

- (a) by striking out subsections (1) and (2) and by substituting the following:

87. (1) Where an agreement is approved or an order is made by the Board under this Part, a copy of the agreement or order certified as being a true copy by the secretary of the Board may be filed with the Registrar of Titles of the land registration district in which the land affected by the agreement or order is situated and, if the unit contains oil or gas that is the property of the Crown, with the Minister.

(1a) The certificate of the secretary shall describe the unit area.

(2) Upon the filing of a certified copy of an agreement or order under subsection (1) and upon payment of the proper fees, the Registrar or the Minister shall make such entries in his records and do such other things as are necessary to give effect to the filing of the agreement or order.

- (b) as to subsection (3) by adding immediately after the words "then if" the words "a certified copy of",
- (c) by adding immediately after subsection (4) the following subsection:

(5) Where an agreement or order is filed under subsection (1) and the agreement or order is amended or the unit area is altered, the operator or the unit operator named in or appointed under the agreement or order shall file in the same manner as the agreement or order,

- (a) in the case of an amendment of the agreement or order, a copy of the amendment certified by the secretary of the Board, or
- (b) in the case of an alteration in the unit area, a certificate of the secretary of the Board describing the unit area as altered,

16. Section 121 is being broadened by this amendment. It presently reads as follows:

"121. (1) The Board may require from any Department of the Public Service of the Province any information required for the purpose of carrying out the duties and exercising the powers imposed or conferred upon the Board by this Act.

(2) Each official of each Department, subject to the approval of the Minister presiding over it, shall give to the Board such assistance as he is able to afford and the Board may require."

17. Commencement.

and thereupon the provisions of subsection (2) and (3) apply *mutatis mutandis*.

16. Section 121 is struck out and the following is substituted:

121. (1) For the purposes of carrying out the duties and exercising the powers imposed or conferred upon it by or pursuant to this Act, the Board may avail itself of the services of any officer or other employee of any board, commission or department of the Province.

(2) Each officer or employee of any board, commission or department of the Province shall give to the Board such service, assistance and information as he is able to give and the Board requires, subject to the approval of the Minister in charge of the administration of the department in which the officer or employee is employed.

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

No. 97

FIFTH SESSION

THIRTEENTH LEGISLATURE

7 ELIZABETH II

1959

BILL

An Act to amend The Oil and Gas
Conservation Act

Received and read the

First time.....

Second time.....

Third time.....

HON. MR. MANNING
