

No. 19

5th Session, 14th Legislature, Alberta
11 Elizabeth II

BILL 19

A Bill to amend The Oil and Gas Conservation Act

HON. MR. MANNING

Explanatory Note

2. Section 2 contains the definition provisions of the Act. New definitions of "gas" and "oil" are substituted and definitions of "butanes", "condensate", "crude oil," "ethane", "helium", "marketable gas", "methane", "natural gas liquids", "pentanes plus", "propane" and "raw gas" are added, all based on a report prepared for the Conference of the Provincial Ministers of Mines by a subcommittee on uniform nomenclature. The new definitions are expected to meet the need for more precise terminology which arises from the more extensive processing of oil and gas in the Province. "Battery" now defined in section 97, "separator" and "treater" now defined in regulations, and "processing plant" are redefined, and the definition of "test hole" is amended, for clarification.

BILL

No. 19 of 1963

An Act to amend The Oil and Gas Conservation Act

(Assented to _____, 1963)

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 is amended

(a) by adding immediately after clause (a) the following new clauses:

(a1) "battery" means a system or arrangement of tanks or other surface equipment receiving the effluents of one or more wells prior to delivery to market or other disposition, and may include equipment or devices for separating the effluents into oil, gas or water and for measurement;

(a2) "butanes" means, in addition to its normal scientific meaning, a mixture mainly of butanes which ordinarily may contain some propane or pentanes plus;

(b) by adding immediately after clause (b) the following new clauses:

(b1) "condensate" means a mixture mainly of pentanes and heavier hydrocarbons that may be contaminated with sulphur compounds, that is recovered or is recoverable at a well from an underground reservoir and that is gaseous in its virgin reservoir state but is liquid at the conditions under which its volume is measured or estimated;

(b2) "crude oil" means a mixture mainly of pentanes and heavier hydrocarbons that may be contaminated with sulphur compounds, that is recovered or is recoverable at a well from an underground reservoir and that is liquid at the conditions under which its volume is measured or estimated, and includes all other hydrocarbon mixtures so recovered or recoverable except raw gas or condensate;

- (b3) "dehydrator" means an apparatus designed and used to remove water from raw gas;
- (c) by adding immediately after clause (c) the following new clause:
 - (c1) "ethane" means, in addition to its normal scientific meaning, a mixture mainly of ethane which ordinarily may contain some methane or propane;
- (d) by striking out clause (e) and by substituting the following:
 - (e) "gas" means raw gas or marketable gas or any constituent of raw gas, condensate or crude oil that is recovered in processing and that is gaseous at the conditions under which its volume is measured or estimated;
 - (e1) "helium" means, in addition to its normal scientific meaning, a mixture mainly of helium which ordinarily may contain some nitrogen and methane;
- (e) by adding immediately after clause (i) the following new clauses:
 - (i1) "marketable gas" means a mixture mainly of methane originating from raw gas, if necessary through the processing of the raw gas for the removal or partial removal of some constituents, and which meets specifications for use as a domestic, commercial or industrial fuel or as an industrial raw material;
 - (i2) "methane" means, in addition to its normal scientific meaning, a mixture mainly of methane which ordinarily may contain some ethane, nitrogen, helium or carbon dioxide;
- (f) by striking out clause (k) and by substituting the following:
 - (k) "natural gas liquids" means propane, butanes or pentanes plus, or a combination of them, obtained from the processing of raw gas or condensate;
 - (k1) "oil" means condensate or crude oil, or a constituent of raw gas, condensate or crude oil that is recovered in processing, that is liquid at the conditions under which its volume is measured or estimated;
- (g) by adding immediately after clause (m) the following new clause:
 - (m1) "pentanes plus" means a mixture mainly of pentanes and heavier hydrocarbons which ordinarily may contain some butanes and which is obtained from the processing of raw gas, condensate or crude oil;
- (h) by striking out clause (p) and by substituting the following:

3. Section 18, subsection (1) presently reads:

"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."

4. A new section 27a is added to provide a solution to the licensing problem that arises when a person other than the original licensee wishes to rework an abandoned well.

- (p) "processing plant" means a plant for the extraction from gas of hydrogen sulphide, helium, ethane, natural gas liquids or other substances, but does not include a well head separator, treater or dehydrator;
- (p1) "propane" means, in addition to its normal scientific meaning, a mixture mainly of propane which ordinarily may contain some ethane or butanes;
- (p2) "raw gas" means a mixture containing methane, other paraffinic hydrocarbons, nitrogen, carbon dioxide, hydrogen sulphide, helium and minor impurities, or some of them, which is recovered or is recoverable at a well from an underground reservoir and which is gaseous at the conditions under which its volume is measured or estimated;
- (i) by adding immediately after clause (q) the following new clause:
 - (q1) "separator" means an unfired apparatus specifically designed and used for separating gas and water from condensate or crude oil, but does not include a dehydrator;
- (j) as to clause (s) by adding immediately at the end thereof the words "and which when being drilled is not expected by the Board to penetrate a zone that is or may be potentially productive of oil or gas",
- (k) by adding immediately after clause (s) the following new clause:
 - (s1) "treater" means a fired apparatus specifically designed and used for separating gas and water from crude oil;

3. Section 18, subsection (1) is amended by striking out the words "or any producing operations" and by substituting the words ", any producing operations or any injecting operations".

4. The following new section is added immediately after section 27:

27a. (1) When the records of the Board indicate that a well is abandoned no person other than

- (a) the licensee, or
- (b) a person acting under the instructions of the licensee,

shall undertake any operations at the well until he obtains a licence.

(2) The provisions of this Act regarding an application for a licence apply to an application under subsection (1), but the Board may dispense with the requirement of such of the data accompanying an application as in its opinion is not necessary in a particular case.

5. Section 33 requires the operator of well drilling equipment to be the holder of a permit. As drilling operations may be adequately regulated under other provisions, this section is repealed.

6. Section 34 sets out matters in respect to which the Lieutenant Governor in Council may make regulations. The amendment provides minor changes.

7. Section 36 is amended in the light of new definitions set out in clause 2. Subsection (2), governing the prorationing of gas, is rewritten so that such prorationing will be on a single pool basis.

(3) Upon the granting of a licence on an application under subsection (1), the holder of the former licence for the well is relieved from all obligations under this Act with respect to the well.

5. The heading immediately preceding section 33 and section 33 are repealed.

6. Section 34 is amended

- (a) as to clause (c) by striking out the words "and prohibitions against",
- (b) as to clause (q) by striking out the word "production".

7. Section 36 is struck out and the following section is substituted:

36. (1) The Board may, by general or special orders, restrict the amount of oil or gas or both that may be produced in the Province

- (a) by fixing a provincial allowable for crude oil, condensate and pentanes plus not exceeding the market demand as determined by the Board,
- (b) by allocating the provincial allowable for crude oil, condensate and pentanes plus in a reasonable manner among the producing pools in the Province by fixing the amount of crude oil or condensate that may be produced from each pool, or of pentanes plus that may be produced from each plant, without waste to meet the provincial allowable so determined, and
- (c) by distributing the portion of the provincial allowable allocated to a pool in an equitable manner among the wells in the pool, for the purpose of giving each well owner the opportunity of producing or receiving his just and equitable share of the oil in the pool.

(2) 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 from a pool within the Province

- (a) by limiting, if such limitation appears necessary, the total amount of gas that may be produced from the pool, having regard to the efficient use of gas for the production of oil, and to the demand for gas from the pool, and
- (b) by distributing the amount of gas that may be produced from the pool in an equitable manner among the wells in the pool, for the purpose of giving each well owner the opportunity of producing or receiving his share of the gas in the pool.

8. and 9. Section 43 provides that a purchaser of oil or gas may be declared to be a common purchaser. This section is amended to apply only to oil purchasers and a new section 43a contains similar provisions regarding gas purchasers. The amendments restrict the application of such declarations to pools that are already producing oil or gas, as the case may be. New section 43a further provides that the declaration of a common purchaser of gas would have application to only a single pool, and empowers the Board to rule on specified matters that might be in dispute following the common purchaser declaration.

10. Section 46 sets out in some detail powers under which the Board could direct activities of operators of gas wells, gas pipe lines and processing plants. Section 48, providing for the determination of price where the Board has directed the purchase or sale of gas, is unnecessary with the repeal of section 47.

11. Section 49d authorizes regulations or orders with respect to the development of oil sands.

8. Section 43 is amended

- (a) by striking out the words "or gas" where they occur in subsection (1),
- (b) as to subsection (1) by adding immediately at the end thereof the words "and from which oil is being taken when such person is declared to be a common purchaser",
- (c) by adding immediately after the words "common purchaser" wherever they occur in subsections (2), (3) and (4) the words "of oil",
- (d) as to subsection (2) by striking out the words "or gas, as the case may be,".

9. The following new section is added immediately after section 43:

43a. (1) The Board, with the approval of the Lieutenant Governor in Council, may declare any person who purchases, produces or otherwise acquires gas produced from a pool from which gas is being taken to be a common purchaser of gas from the pool.

(2) Each common purchaser of gas shall purchase gas offered for sale to him without discrimination in favour of one producer or owner as against another in the pool.

(3) No common purchaser of gas shall discriminate in favour of his own production or production in which he is directly or indirectly interested either in whole or in part.

(4) Upon the application of a common purchaser of gas or of a person who offers gas for sale to a common purchaser of gas and who claims the common purchaser has discriminated against him contrary to this section in purchasing gas, the Board, to assist in giving effect to a declaration under subsection (1), may direct

- (a) the point at which the common purchaser shall take delivery of any gas offered for sale to him, or
- (b) the proportion of the common purchaser's acquisitions of gas from the pool which he shall purchase from each producer or owner offering gas for sale to him.

10. Sections 46 and 47 are repealed.**11.** Section 49*d* is amended by adding immediately after clause (a) the following:

- (a1) governing the submission to the Board of information obtained by, or as a result of, drilling into or sampling oil sands,

12. Clauses (c) and (e) of section 71 presently read:

"71. In this Part,

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- (c) "unit area" means the area described in an agreement approved under section 72 or an order under section 75 and being the area subject to the plan of unit operation;
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- (e) "unit tract" means a part of a unit to which a share of the production of the unit is allocated by the terms of an agreement or order approved or made under this Part."

13. Section 72 deals with agreements for unit operation signed by owners in a pool or part of a pool. At present these must be approved by the Board. The amendment provides for filing with, instead of approval by, the Board.

14. and **15.** These amendments follow from clause 13.

16. A new provision.

17., 18. and **19.** These amendments result from redefinitions of terms by clause 2.

12. Section 71 is amended by striking out the word “approved” where it occurs in clauses (c) and (e) and by substituting the word “filed”.

13. Section 72 is amended

- (a) as to subsection (2) by striking out the words “the agreement has been approved by” and by substituting the words “a copy of the form of the agreement has been filed with”,
- (b) by adding immediately after subsection (2) the following new subsection:
 - (2a) Where an agreement for the unit operation of a pool or part thereof has been filed with the Board, the unit operator shall,
 - (a) immediately upon the coming into effect of the agreement, advise the Board as to what tracts have qualified for inclusion in the unit area,
 - (b) immediately upon any change in the unit area coming into effect, advise the Board of each addition to or deletion from the unit area.
- (c) as to subsection (3) by striking out the words “approved by” and by substituting the words “filed with”.
- (d) as to subsection (4) by striking out the word “approved” and by substituting the word “filed”,
- (e) by striking out subsection (6).

14. Section 74c, subsection (1), clause (a) is amended by striking out the word “approved” and by substituting the word “filed”.

15. Section 89 is amended by striking out the word “approved” and by substituting the word “filed”.

16. Section 93 is amended by adding immediately after subsection (3) the following new subsection:

(4) Where a unit operation has been established by an agreement filed or an order made under Part VIII, the unit operator shall be deemed to be the agent, duly appointed and registered under this section, of the licensee of each well in the unit for purposes relating to that well.

17. Section 96 is amended

- (a) as to subsection (1)
 - (i) by striking out the words “oil or gas” and by substituting the words “crude oil or raw gas”,

20. Section 46, reference to which is deleted, is repealed by clause 10.

21. Commencement of Act.

- (ii) by striking out the words "oil, gas" in clause (a) and by substituting the words "crude oil, condensate, raw gas,"
 - (iii) by adding immediately after the word "separator" wherever it occurs in clause (b) the words "or treater",
- (b) as to subsection (3)
- (i) by striking out the words "oil or gas" and by substituting the words "crude oil or raw gas",
 - (ii) by striking out the words "oil, gas" in clause (a) and by substituting the words "crude oil, condensate, raw gas",
 - (iii) by adding immediately after the word "separator" wherever it occurs in clause (c) the words "or treater",
 - (iv) by striking out the word "oil" in clause (d), subclause (i) and by substituting the words "crude oil or condensate",
 - (v) by striking out the word "gas" in clause (d), subclause (ii) and by substituting the words "raw gas",
- (c) as to subsection (5) by striking out the word "oil" and by substituting the words "crude oil or condensate",
- (d) by striking out subsection (7).

18. Section 97 is amended

- (a) as to subsection (1) by adding immediately after the words "or group of wells" the words "at which the product of wells is commingled before measurement",
- (b) by striking out subsection (2).

19. Section 100 is amended

- (a) as to clause (a) by striking out the words "oil and gas" and by substituting the words "crude oil, condensate, raw gas and marketable gas",
- (b) as to clause (b) by striking out the words "products derived from oil and gas" and by substituting the words "marketable gas, helium, ethane, propane, butanes, pentanes plus and other products derived from such crude oil, condensate, raw gas and marketable gas".

20. Section 119, subsection (2) is amended by striking out the words and numeral "or section 46".

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

No. 19

FIFTH SESSION

FOURTEENTH LEGISLATURE

11 ELIZABETH II

1963

BILL

An Act to amend The Oil and Gas
Conservation Act

Received and read the

First time

Second time

Third time

HON. MR. MANNING
