

No. 80

2nd Session, 15th Legislature, Alberta
13 Elizabeth II

BILL 80

A Bill to amend The Oil and Gas Conservation Act

HON. MR. MANNING

Explanatory Note

1. This Bill amends chapter 63 of the Statutes of Alberta, 1957.

2. During the past year the Oil and Gas Conservation Board formulated a new plan for proration of oil to market demand. While the new plan is within the present "proration" provisions of the Act (section 36), amendment of some other provisions is desirable to facilitate the transition to and implementation of the new plan.

Because of the new plan of proration, new definitions of "drilling spacing unit" and "production spacing unit" are added in place of the definition of "spacing unit". "Drilling spacing unit" is a new term for the present "spacing unit". A production spacing unit will consist of one or more drilling spacing units. See clause 7 and the proposed sections 34a and 34b. Section 2, clause (r) presently reads:

- (r) "spacing unit" means
 - (i) the area allocated to a well for the purpose of drilling for or producing oil or gas,
 - (ii) the area designated as one that will be allocated to a well if the well is drilled, or
 - (iii) the subsurface regions vertically beneath such area allocated or designated,and a spacing unit may be limited in application to a well drilling to or producing from or which may be drilled to a specified pool, geological formation, member or zone;

3. The enumerated provisions each use the expression "spacing unit" or "spacing units" and will now be referred to as drilling spacing units.

4. Section 20a deals with certain well licence applications. The plans accompanying the applications will be in duplicate rather than in triplicate.

5. The new section 25a will be in Part III dealing with well licences and is added as a result of the changes referred to in clauses 2 and 7 of this Bill. Each production spacing unit is to have only one producing well.

BILL

No. 80 of 1965

An Act to amend The Oil and Gas Conservation Act

(Assented to _____, 1965)

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* is hereby amended.

2. Section 2 is amended

- (a) by relettering clause (c1) as clause (c2),
- (b) by adding the following clause after clause (c):
 - (c1) "drilling spacing unit" means a drilling spacing unit prescribed by or pursuant to general regulations or special orders made under section 34a;
- (c) by relettering clauses (p1) and (p2) as clauses (p2) and (p3),
- (d) by adding the following clause after clause (p):
 - (p1) "production spacing unit" means a production spacing unit prescribed by or established pursuant to section 34b;
- (e) by striking out clause (r).

3. The following provisions are amended by adding the word "drilling" before the word "spacing" wherever it occurs:

- subsection (5) of section 19;
- clause (a) of subsection (2) of section 20;
- subsection (1) of section 22;
- clause (c) of section 34;
- clause (b) of section 71;
- sections 74, 74a, 74c and 124.

4. Section 20a is amended by striking out the words "in triplicate" wherever they occur in subsections (2), (3) and (4) and by substituting the words "in duplicate".

5. The following section is added after section 25:

6. Section 34, clause (a) reads:

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

(a) prescribing normal spacing units by describing their surface areas, and authorizing the Board to prescribe

(i) other spacing units in any field, pool or area, or

(ii) such special spacing units as may be proper in individual cases,

The content of clause (a) is to be contained in subsection (1) of the new section 34a. See clause 7 of this Bill.

7. See note to clause 2 of this Bill. The new section 34a deals with drilling spacing units and contains, in effect, the content of the present definition in section 2 (r) and the present clause (a) of section 34.

The new section 34b deals with production spacing units. A production spacing unit will consist of one drilling spacing unit except where the Board establishes two or more drilling spacing units as a production spacing unit. Production spacing units will be used to regulate production in general and the prorationing scheme in particular. It is contemplated that the Board's regulations will permit production spacing units to be grouped into blocks.

25a. A licence for a well in a production spacing unit containing two or more wells does not authorize the use of the well for production purposes unless it is designated by the Board as the producing well for that production spacing unit.

6. Section 34 is amended by striking out clause (a).

7. The following sections are added after section 34:

34a. (1) The Lieutenant Governor in Council, upon the recommendation of the Board, may make general regulations or special orders

- (a) prescribing normal drilling spacing units, and
- (b) authorizing the Board to prescribe
 - (i) other drilling spacing units in any field, pool or area, or
 - (ii) such special drilling spacing units as may be proper in individual cases.

(2) Drilling spacing units may be prescribed by describing their surface areas and may be prescribed with respect to a specified pool, geological formation, member or zone.

(3) A drilling spacing unit consists of its described surface area and

- (a) the subsurface vertically beneath that area, or
- (b) where the drilling spacing unit is prescribed with respect to a specified pool, geological formation, member or zone, the pool, geological formation, member or zone vertically beneath that area.

34b. (1) The production spacing unit for a well shall be

- (a) the drilling spacing unit for the well, or
- (b) where the drilling spacing unit for the well is included in a production spacing unit established by the Board, the production spacing unit so established.

(2) Each production spacing unit shall have only one producing well.

(3) The Board may, by general or special orders,

- (a) prescribe rules for establishing two or more drilling spacing units as a production spacing unit,
- (b) on application and in accordance with its rules, establish two or more drilling spacing units as a

8. Section 37, clause (a) presently reads:

37. In order to prevent waste, the Board may

- (a) require the repressuring, recycling or pressure maintenance of any pool or portion thereof, and for or incidental to such purpose require the introduction or injection into any pool or portion thereof of gas, air, water or other substance, and

9. Section 38, clause (a) presently reads:

38. No scheme for

- (a) repressuring, recycling or pressure maintenance in any field or pool,

10. Corrects a reference.

11. Section 56, subsection (1) presently reads:

56. (1) Upon giving the Board notice in writing within thirty days after the date upon which the certificate of the assessor was first posted pursuant to section 55, a person whose name appears upon the assessment roll or the secretary to the Board may apply to the Board

- (a) to vary the assessment roll and to alter any assessments shown thereon that he alleges to be wrongfully made or not properly assessed in accordance with the standards and methods established under section 53, or

- (b) to assess any property that he alleges is liable to be and has not been assessed, and to include it in the assessment roll.

12. Section 72 requires the filing with the Board of unit agreements, or, as they are sometimes called, unitization agreements. Subsection (5) presently reads:

(5) This section does not apply to an agreement for the pooling of tracts within a spacing unit.

Filing will not be required for an agreement pooling tracts in a production spacing unit.

13. See note to clause 2. Section 73 deals with compulsory pooling of tracts within a spacing unit. Subsection (1) reads:

73. (1) The owner of a tract within a spacing unit may apply to the Board for an order that all tracts within the spacing unit be operated as a unit to permit the drilling for or the production of oil or gas from the spacing unit.

production spacing unit with respect to a specified pool, geological formation, member or zone and designate its producing well,

- (c) prescribe the part of the production spacing unit within which its producing well shall be located,
- (d) prescribe rules for the grouping of production spacing units in blocks and for the fixing of common, aggregate production allowables for blocks so formed, and
- (e) on application and in accordance with its rules establish blocks of production spacing units.

8. Section 37, clause (a) is amended by striking out the words "or pressure maintenance of" and by substituting the words ", pressure maintenance or recovery enhancement in".

9. Section 38 is amended by striking out clause (a) and by substituting the following:

- (a) repressuring, recycling, pressure maintenance or recovery enhancement in any field or pool,
- (a1) the injection in any field or pool of a substance or a form of energy, except the injection in a well of a substance or form of energy for the sole purpose of
 - (i) aiding in the lifting of fluids in the well, or
 - (ii) stimulation of the reservoir at or near the well by mechanical, chemical, thermal or explosive means.

10. Section 48, subsection (2) is amended by striking out the words "section 43" and by substituting the words "section 43a".

11. Section 56, subsection (1) is amended by striking out the words "the secretary to the Board" and by substituting the words "a person employed and authorized for the purpose by the Board".

12. Section 72, subsection (5) is amended by striking out the words "spacing unit" and by substituting the words "drilling spacing unit or a production spacing unit".

13. Section 73 is amended

- (a) by adding the word "drilling" before the word "spacing" wherever it occurs,

14. Section 106a is amended in consequence of amendments made last year to The Pipe Line Act, 1958.

15. Section 110, subsection (1) presently reads:

110. (1) When a hearing, inquiry or investigation is conducted by examiners appointed by the Board for that purpose, any interested party who is registered as such may at any time file with the examiner or examiners an application to the Board to have the hearing, inquiry or investigation conducted by the Board.

16. Section 119 deals with appeals to the Appellate Division. Subsection (9) presently reads:

(9) Upon receipt of the transcript, record, findings and reasons from the Board and of the security the Registrar shall set the appeal down for hearing at the next sittings that will commence at least two weeks after the appeal is so set down, and the party appealing, within ten days after the appeal has been set down, shall give to the persons entitled to appeal or the respective solicitors by whom such persons were represented before the Board, and to the secretary to the Board, notice in writing that the appeal has been so set down for hearing.

17. Commencement of Act.

(b) by adding the following subsection:

(8) This section does not apply where the drilling spacing unit is included in a production spacing unit established by the Board.

14. Section 106*a* is amended by striking out the words “before reporting thereon to the Department of Mines and Minerals” and by substituting the words “pursuant to section 7 of that Act”.

15. Section 110, subsection (1) is amended by striking out the words “any interested party who is registered as such” and by substituting the words “the applicant or an intervener who has filed a submission in accordance with the Board’s rules of practice”.

16. Section 119, subsection (9) is amended by striking out the words “the secretary to”.

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

No. 80

SECOND SESSION

FIFTEENTH LEGISLATURE

13 ELIZABETH II

1965

BILL

An Act to amend The Oil and Gas
Conservation Act

Received and read the

First time.....

Second time.....

Third time.....

HON. MR. MANNING
