

1972 Bill 54

First Session, 17th Legislature, 21 Elizabeth II

THE LEGISLATIVE ASSEMBLY OF ALBERTA

BILL 54

The Mines And Minerals Amendment Act, 1972

THE MINISTER OF MINES AND MINERALS

First Reading

Second Reading

Third Reading

BILL 54

1972

THE MINES AND MINERALS AMENDMENT ACT, 1972

(Assented to _____, 1972)

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

1. *The Mines and Minerals Act is hereby amended.*
2. *The following sections are added after section 125:*

125.1 (1) Subject to subsections (2) and (3), a lessee shall commence drilling operations on the location within one year from the date the Minister gives notice requiring him to do so and the lessee shall continue such drilling operations with reasonable diligence to the satisfaction of the Minister with a view to the discovery of petroleum or natural gas.

(2) The notice referred to in subsection (1) shall not be given in respect of any lease

- (a) that has in the location a producing well, or
- (b) during the period that the rental for the whole of the location is reduced, or
- (c) during the period that the whole of the location is subject to a unit operation, or
- (d) while the lease is included in a group under section 125.2, or
- (e) during the period that the whole of the location is within a spacing unit or spacing units in respect of which the period for the drilling of an offset well or wells is extended under section 135.

(3) The notice referred to in subsection (1) may be given to the lessee as to any lease that has reached the end of the fifth year of its term.

(4) The notice referred to in subsection (1) may be given to a lessee prior to the time specified in subsection (3) upon the request of the lessee to the Minister to do so.

Explanatory Notes

1. This Bill will amend chapter 238 of the Revised Statutes of Alberta 1970.

- 2.** Section 125.1 (1) A drilling requirement for 10-year leases.
(2) Cases where notice to commence drilling would not be given.
(3) When notice may be given.

Section 125.2 (1) Grouping of leases or parts of leases.

- (2) Area that may be included in the group.
(3) Termination of group.
(4) Suspension of drilling.
(5) Lessee to inform Director of grouping.
(6) Location of well on the group.

Section 125.3 (1) Continuation of drilling of abandoned well by commencement of another well in 30 days.

- (2) Extension of 30 day period.

Section 125.4 Deferment of drilling requirements by payment of penalty.

Section 125.5 Cancellation of lease.

(5) Where a notice has been given pursuant to subsection (1) and subsequently

(a) the lease is divided, or

(b) part of the location is surrendered or transferred, the notice continues to apply to the original lease and each new lease resulting from the division, surrender or transfer excepting any lease that then comes within the meaning of subsection (2), clause (b), (c) or (e).

125.2 (1) Where a notice has been given pursuant to section 125.1, the lessee may group the location and the whole or part of the location of any other lease or leases held by him or by others

(a) not subject to an offset drilling requirement, or

(b) not subject to a unit operation, or

(c) that does not contain a producing well,

and the requirements under the notice may be fulfilled by the drilling of the well on any location or part of a location in the group.

(2) The area that may be included in a group under subsection (1) shall not exceed

(a) six sections in acreage where the intended depth of the well is less than 3,000 feet, or

(b) eight sections in acreage where the intended depth of the well is 3,000 feet or more but less than 6,000 feet, or

(c) 12 sections in acreage where the intended depth of the well is not less than 6,000 feet, plus an additional two sections in acreage for each 1,000 feet of intended depth in excess of 8,000 feet.

(3) Where the drilling of the well is discontinued before the intended depth is reached, the group terminates unless the well is completed as a producing well.

(4) The drilling of a well in a location or in a group shall not be suspended without the consent of the Minister.

(5) Upon the formation of a group, the lessee or someone on his behalf shall inform the Director in writing and the Director may divide any lease where only a part of the location is included in the group.

(6) Unless the Minister otherwise consents, the well referred to in subsection (1) shall not be located within two miles of a producing well existing at the day on which the Director is informed of the formation of the group.

125.3 (1) Where

- (a) a well being drilled pursuant to a notice under section 125.1 is prematurely abandoned, or
- (b) a well in a group is abandoned before reaching the depth intended under section 125.2,

but within 30 days of the abandonment the drilling of another well is commenced in the location or in the group, the drilling of that well shall be deemed to be a continuation of the drilling of the abandoned well.

(2) The Minister may upon application increase the period of 30 days referred to in subsection (1) because of access or weather conditions.

125.4 The Minister may, during the 10-year term of a lease, extend the time for the commencement of drilling of a well pursuant to a notice under section 125.1 from year to year for not more than four years upon payment to the Crown of a penalty of

- (a) \$1 per acre for the first year,
- (b) \$3 per acre for the second year,
- (c) \$5 per acre for the third year, and
- (d) \$9 per acre for the fourth year,

for each acre contained in the location.

125.5 The Minister may cancel a lease in respect of which a notice under section 125.1 was given where

- (a) the well is not drilled in the location or in the group in accordance with the notice, or
- (b) there is a failure to comply with section 125.2 subsection (4), or
- (c) the lessee fails to pay a penalty prescribed by section 125.4.

3. Section 143 is struck out.

4. Section 152 is struck out.

5. Section 158 is struck out.

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

3. Maximum royalty removed. Section 143 presently reads:

143. (1) The maximum royalty payable on the petroleum and natural gas during the initial 10-year term of a lease granted pursuant to this Part shall not exceed one-sixth of the production obtained from the location.

(2) Subsection (1) does not apply to any new lease referred to in section 169.

4. Maximum royalty removed. Section 152 presently reads:

152. The maximum royalty payable on natural gas during the first term of a natural gas lease granted pursuant to this Part shall not exceed one-sixth of the production obtained from the location.

5. Maximum royalty removed. Section 158 presently reads:

158. The maximum royalty payable on petroleum during the first term of a petroleum lease granted pursuant to this Part shall not exceed one-sixth of the production obtained from the location.