

1976 Bill 42

Second Session, 18th Legislature, 25 Elizabeth II

THE LEGISLATIVE ASSEMBLY OF ALBERTA

BILL 42

THE OIL AND GAS CONSERVATION AMENDMENT ACT, 1976

THE MINISTER OF ENERGY AND NATURAL RESOURCES

First Reading

Second Reading

Third Reading

Printed by the Queen's Printer for the Province of Alberta, EDMONTON

BILL 42

1976

THE OIL AND GAS CONSERVATION AMENDMENT ACT, 1976

(Assented to _____, 1976)

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

1. *The Oil and Gas Conservation Act is hereby amended.*

2. *Section 2, subsection (1) is amended*

(a) *by striking out clause 9 and by substituting therefor the following clause:*

9. "contractor" means a person who undertakes to perform any drilling, service or other operation at the site of a well, battery, gas processing plant or other oil or gas processing facility by agreement

(i) directly with the licensee, operator or other person having a right with respect to, or an interest in the well, battery, gas processing plant or other oil or gas processing facility, or

(ii) with a person who has in turn entered directly into an agreement with the licensee, operator or other person;

(b) *by striking out clause 13,*

(c) *as to clause 46, subclause (i) by striking out the words "or of water for injection to an underground formation,".*

3. *The words "pipe line" are struck out wherever they appear in the following provisions and the word "pipeline" is substituted therefor:*

(a) section 2, subsection (1), clause 33;

(b) section 49, subsections (1) and (2);

(c) section 56, subsections (1) and (3);

(d) section 133.1, subsections (1) and (2).

Explanatory Notes

1. This Bill will amend chapter 267 of the Revised Statutes of Alberta 1970.

2. Definition of contractor revised and changed to include subcontractors, obsolete definition of "Director" removed and definition of well revised as the Department of Environment will administer water wells producing water for injection to an underground formation. Section 2, subsection (1), clauses 9, 13 and 46 now read:

2. (1) In this Act,

9. "contractor" means a person who undertakes to perform any operation at a well or well site, by an agreement with the licensee or any other person having an interest in the well, and includes a drilling contractor or service contractor;

13. "Director of Mines" means the Director of Mines appointed by the Board;

46. "well" means an orifice in the ground completed or being drilled
(i) for the production of oil, gas or crude bitumen, or of water for injection to an underground formation, or
(ii) for injection to an underground formation, or
(iii) as an evaluation well or test hole, or
(iv) to or at a depth of more than 500 feet, for any purpose,
but does not include one to discover or evaluate a solid inorganic mineral and that does not or will not penetrate a stratum capable of containing a pool or oil sands deposit;

3. These amendments reflect a change in usage in accordance with The Pipeline Act, 1975.

4. Section 22, subsection (1) is amended by striking out clause 16.

5. Section 40 is amended by striking out subsection (2).

6. Section 42 is amended

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

42. (1) In this section,

- (a) "energy resource" means gas, methane, ethane, propane, butanes, pentanes plus condensate, crude oil, crude bitumen or synthetic crude oil or any primary derivative of them or any of them;
- (b) "gas product" means any constituent of gas extracted by processing including methane, ethane, propane, butanes and pentanes plus but not including sulphur or any sulphur compound.

(2) No energy resource produced in Alberta shall be used in Alberta as a raw material or fuel in any industrial or manufacturing operation unless the Board, upon application, has granted a permit authorizing such use for that purpose in accordance with this section.

(2.1) Notwithstanding subsection (2), a permit under this section is not required where

- (a) the industrial or manufacturing operation is wholly in performance of a scheme or operation approved under section 38 or section 43 or is a power plant as defined in *The Hydro and Electric Energy Act*, or
- (b) the total quantity of energy in the energy resource used in any year as a raw material or fuel or both in the industrial or manufacturing operation does not exceed one trillion British thermal units, and the quantity of energy in the energy resource used in that year as a raw material in the industrial or manu-

4. Consequential to change in definition of well. Section 22, subsection (1), clause 16 presently reads:

22. (1) The Board may make regulations
16. as to the casing, equipment, materials and installations to be used in the drilling, completion, operation and production of wells for the purpose of obtaining water for use in enhanced recovery operations;

5. Section 40 (1) and (2) now read:

40. (1) If at any time an escape of oil or gas from a well or from a pool is not prevented, or if a flow of water is not controlled, the Board may take such means as may appear to it to be necessary or expedient in the public interest to control and prevent the escape of oil or gas or the flow of water.

(2) Except in case of an emergency, the Board shall not expend more than \$25,000 to control and prevent any one escape of oil or gas or a flow of water under subsection (1) unless the Lieutenant Governor in Council approves the expenditure of a greater amount.

6. Section 42 now reads:

42. (1) In this section, "gas product" means any constituent of gas extracted by processing including methane, ethane, propane, butanes and pentanes plus but not including sulphur or any sulphur compound.

(2) No gas or gas product produced in Alberta shall be used in Alberta as a raw material or fuel in the production of carbon black, ammonia, urea, ethanol, methanol or any petrochemical product unless the Board, upon application, has granted a permit authorizing such use for that purpose in accordance with this section.

(3) Upon receipt of an application pursuant to subsection (2) together with any information prescribed or required by the Board, the Board may,

- (a) if so authorized by the Lieutenant Governor in Council, grant a permit for the use of gas or gas products proposed in the application, or
- (b) refuse the application.

(4) The Board may hold a hearing with respect to an application under this section.

(5) The Board shall not grant a permit under this section unless in its opinion it is in the public interest to do so having regard to, among other considerations,

- (a) the efficient use without waste of gas or gas products, and
- (b) the present and future availability of hydrocarbons in Alberta.

(6) A permit granted pursuant to this section

- (a) shall be referred to as an "industrial development permit",
- (b) shall be in the form prescribed by the order of the Lieutenant Governor in Council authorizing the granting of the permit and shall be subject to any terms or conditions prescribed by the Lieutenant Governor in Council,
- (c) shall authorize the use of the gas or gas products for the purpose or purposes prescribed in the permit,
- (d) may prescribe the term for which the permit is granted,
- (e) may prescribe the maximum volumes of gas or gas products that may be used during the term of the permit, and
- (f) shall be subject to any other terms and conditions contained in the permit.

(7) A person is exempt from the operation of this section

(a) if, at the commencement of this section, he is using gas or a gas product in Alberta as a raw material or fuel in the production of carbon black, ammonia, urea, ethanol, methanol or any petrochemical product but the exemption under this clause continues only for so long as that person

(i) uses production facilities for that purpose that are in existence at the commencement of this section and continues such production at an annual rate of production not exceeding the rate of production for the 12-month period ending April 30, 1974, or

(ii) uses production facilities for that purpose that are in existence at the commencement of this section but which have been added to, extended or altered to increase production capacity where the construction of the addition, extension or alteration commenced on or before May 16, 1974;

(b) if he intends to use gas or a gas product in Alberta as a raw material or fuel in the production of carbon black, ammonia, urea, ethanol, methanol or any petrochemical product and had commenced the construction of production facilities for that purpose on or before May 16, 1974, but the exemption under this clause continues only for so long as that person uses the production facilities that were under construction on May 16, 1974 and does not thereafter construct any addition, extension to or alteration of those facilities to increase production capacity which results in an increase in the rate of use of the gas or gas products;

(c) if he is so exempted by the regulations under subsection (8).

(8) The Lieutenant Governor in Council may make regulations exempting any persons or classes of persons from the operation of this section.

facturing operation does not exceed one hundred billion British thermal units.

- (b) *as to subsections (3), (5) and (6), clause (e) by striking out the words "gas or gas products" and by substituting the words "the energy resource" and as to subsection (6), clause (c) by striking out the words "gas or gas products" and by substituting the words "energy resource";*
- (c) *as to subsection (7), by striking out the words "at the commencement of this section" wherever they appear and by substituting in each case the words "on June 6th, 1974";*
- (d) *by adding the following subsection after subsection (7):*

(7.1) A person, other than one described in subsection (7), is exempt from the operation of this section

- (a) if, at the commencement of this subsection, he is using an energy resource produced in Alberta as a raw material or fuel in any operation of the kind referred to in subsection (2), but the exemption provided by this clause continues only for so long as that person
 - (i) uses production facilities for that purpose that are in existence at the commencement of this subsection and continues such production at an annual rate of production not exceeding the rate of production for the 12-month period ending March 31, 1976, or
 - (ii) uses production facilities for that purpose that are in existence at the commencement of this subsection but which have been added to, extended or altered to increase production capacity where the construction of the addition, extension or alteration commenced on or before April 21, 1976, but the exemption under this subclause continues only for as long as that person uses the production facilities as they were being added to, extended or altered on April 21, 1976 and does not thereafter construct any further addition, extension to or alteration of those facilities to increase production capacity which results in an increase in the rate of use of an energy resource;
- (b) if he intends to use an energy resource produced in Alberta in an operation of the kind to which clause (a) applies, and had com-

menced the construction of production facilities for the purpose on or before April 21, 1976, but the exemption under this clause continues only for as long as that person uses the production facilities that were under construction on April 21, 1976 and does not thereafter construct any addition, extension to or alteration to those facilities to increase production capacity which results in an increase in the rate of use of an energy resource;

(c) if he or his industrial or manufacturing operation is so exempted by the regulations under subsection (8).

(e) *by striking out subsection (8) and by substituting the following:*

(8) The Lieutenant Governor in Council may make regulations exempting from the application of this section

(a) any person or class of persons, or

(b) any industrial or manufacturing operation or any part thereof or any class of industrial or manufacturing operation.

7. Section 60 is amended by striking out subsection (1) and by substituting the following:

60. (1) A person who is the owner of any oil and gas property shall, on or before the 31st day of December in each year, and without any notice or demand therefor, deliver to the Board a detailed statement in writing.

8. Section 61, subsection (1) is amended

(a) *by striking out the words “, as of the first day of January,” and by substituting the words “, as of the last day of the preceding year,”*

(b) *by striking out the words “within an assessment area”.*

9. Section 67 is amended by striking out the words “and not later than the 31st day of July”.

10. Section 68 is struck out and the following is substituted:

7. Assessment areas are no longer used. The amendment eliminates reference to assessment areas and to the notice of an order designating them. Section 60, subsection (1) presently reads:

60. (1) A person who is the owner of any oil and gas property within an assessment area shall, on or before the 31st day of December in each year or the 30th day after publication of the notice referred to in section 58, subsection (2), whichever is later, and without any notice or demand therefor, deliver to the Board a detailed statement in writing.

8. Section 61 (1) now reads:

61. (1) As soon as practicable after the first day of January in each year, the assessor shall proceed to assess, at its fair actual value, as of the first day of January, each oil and gas property within an assessment area, and shall prepare an assessment roll in such form as the Board directs, setting out thereon

- (a) a brief description of each oil and gas property assessed,
- (b) the name and address of the owner thereof, and
- (c) the assessed value thereof.

9. Section 67 now reads:

67. In each fiscal year the Board, as soon as possible after the first day of April and not later than the 31st day of July, shall proceed to levy a tax upon the assessed value of all oil and gas properties on the assessment roll for that year as certified by the Board at such uniform rate of taxation as will produce a sufficient sum to defray 50 per cent of the estimated net expenditures in the current fiscal year of the Board.

10. Section 68 now reads:

68. Notwithstanding section 67, the Board shall not levy a tax against the oil and gas property or properties of an owner in a separate assessment area designated under section 58 where the total assessed value of the property or properties is less than \$5,000.

68. Notwithstanding section 67, where the aggregate assessed value of an owner's oil and gas properties is insufficient to provide the minimum tax prescribed by the regulations, no tax shall be levied on that owner's oil and gas properties.

11. Section 70, subsection (2) is amended

- (a) by striking out the figure "120" and by substituting the figure "90", and*
- (b) by striking out the figure "5" and by substituting the figure "10".*

12. Section 129, subsection (1) is amended by striking out the words "in a field or at a well" and by substituting the words "relating to the exploration and drilling for, production, processing or transportation of oil, gas or synthetic crude oil".

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

11. Section 70 (2) presently reads:

(2) When any taxes or penalties remain unpaid after the expiration of 120 days after the date of the mailing there shall be added thereto, by way of penalty, an additional sum equal to 5 per cent of the amount of the taxes and penalties at that date remaining unpaid.

12. Section 129, subsection (1) now reads:

129. (1) When the Board is of the opinion that, because of hazardous conditions in a field or at a well, it is necessary or expedient to close any area and to shut out therefrom all persons except such as are specifically authorized, the Board may make an order in writing setting out and delimiting the closed area and prohibiting anyone during the time the order is in effect from entering, travelling about or remaining therein without a travel permit issued under the authority of the Board.