

1976 Bill 55

---

---

Second Session, 18th Legislature, 25 Elizabeth II

---

---

THE LEGISLATIVE ASSEMBLY OF ALBERTA

**BILL 55**

**THE MINES AND MINERALS AMENDMENT ACT, 1976**

---

---

THE MINISTER OF ENERGY AND NATURAL RESOURCES

---

---

First Reading . . . . .

Second Reading . . . . .

Third Reading . . . . .

# BILL 55

1976

## THE MINES AND MINERALS AMENDMENT ACT, 1976

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 section is added after section 12:*

**12.1** (1) The Minister may

- (a) exchange any Crown minerals for other minerals in Alberta;
- (b) acquire by expropriation any estate or interest in mines or minerals where the Minister is of the opinion that any or any further exploration for or development of those mines or minerals is not in the public interest;
- (c) accept the surrender of, cancel or refuse to renew an agreement as to all or part of the location where the Minister is of the opinion that any or any further exploration for or development of the mineral to which the agreement relates within that location or part thereof is not in the public interest, subject to the payment of compensation determined in accordance with the regulations for the lessee's interest under the agreement;
- (d) order the remission of all or part of any rental, fee or other sum payable under this Act, the regulations or an agreement, with or without conditions
- (e) where any provision of this Act, the regulations or an agreement requires the doing of any act within a fixed period or at a fixed time, by order extend that period or fix another time by or on which that act is to be done, whether the period within which or the time by or on which the act ought to be done has or has not expired or arrived, as the case may be;
- (f) where he is satisfied that special circumstances exist, agree with a lessee to extend the term of an agreement for an additional period not exceeding five years upon any terms or conditions specified by the Minister.

## **Explanatory Notes**

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

**2.** Powers of the Minister re remissions and time extensions. Section 12.1 (1) (a) will replace s. 14(a) of the Act which is being repealed by section 3 of this Bill.

(2) Within 60 days of the completion of an exchange under subsection (1), clause (a), the Minister shall cause to be published in the Gazette a notice stating the particulars of the exchange and the reason for the exchange.

3. (1) *Section 14 is amended*

(a) *by striking out clause (a), and*

(b) *by adding the following clauses after clause (g):*

(g.1) *make regulations providing incentives for the exploration and recovery of any mineral, including the granting to lessees of credits that may be applied to the payment of any moneys payable by lessees under this Act, the regulations or agreements or taxes levied under *The Freehold Mineral Taxation Act*,*

(g.2) *make regulations governing the determination of compensation upon the surrender, cancellation or refusal of renewal of an agreement pursuant to section 12.1, subsection (1), clause (c),*

(g.3) *make regulations prescribing the duties of lessees and the powers and duties of the Minister with respect to surrenders, partial transfers, divisions and consolidations of agreements pursuant to section 34.1,*

(g.4) *by regulation prescribe a rate of interest for the purposes of section 40,*

(2) *The following regulations are hereby validated, ratified and confirmed:*

(a) *The Exploratory Drilling Incentive Regulations, filed as Alberta Regulation 378/72;*

(b) *The Exploratory Drilling Incentive Regulations, 1974, filed as Alberta Regulation 18/74, as amended;*

(c) *The Geophysical Incentive Program Regulations, filed as Alberta Regulation 35/75.*

4. *The following section is added after section 34:*

**34.1** Subject to the regulations, a lessee may, with the consent of the Minister,

(a) surrender any part of the location of his agreement;

(b) transfer any part of the location of his agreement;

(c) divide his agreement into two or more agreements;

(d) consolidate two or more agreements into one agreement.

**3. Section 14(a) presently reads:**

14. The Lieutenant Governor in Council may from time to time

(a) exchange any minerals for other minerals in the Province with any person, if the reason for the exchange is set forth in the order,

As to the repeal of clause (a), see the note to section 2 of this Bill.

The addition of the proposed clause (g.1) is aimed at ensuring the authority for drilling incentive regulations and section 3(2) of the Bill validates the existing regulations.

As to the proposed clause (g.2) see section 2 of this Bill and clause (c) of the proposed section 12.1 (1).

As to the proposed clause (g.3) see section 4 of this Bill and the proposed section 34.1.

As to the proposed clause (g.4) see section 5 of this Bill.

4. The new section 34.1 is added to Part 1 of the Act (General) and will make applicable to all types of dispositions under the Act provisions that now apply only in specific cases. The provisions relating to those specific cases are repealed by sections 8 and 9 of this Bill insofar as coal leases and quarrying leases are concerned. The others are found in the present Part 5 relating to petroleum and natural gas which is being replaced by this Bill.

5. *Section 40 is amended by striking out the words “at the rate of 6 per cent per annum from the due date” and by substituting the words “from the due date at the rate prescribed by the regulations”.*

6. *Section 59 is amended by striking out subsection (2) and by substituting the following:*

(2) The term of the lease shall be 15 years.

(3) A lease, whether granted before or after July 1, 1976, is renewable for further terms of 15 years each subject to the provisions of this Act and the regulations and, in the case of any particular renewal, to any terms and conditions prescribed by order of the Minister.

7. *Sections 75, 76 and 77 are struck out.*

8. *Sections 97 and 98 are struck out.*

**5. Section 40 presently reads:**

40. When any money payable under any disposition is not paid within one month or 30 days, whichever is the greater, from the date on which it became due, interest shall be charged at the rate of 6 per cent per annum from the due date.

**6. Section 59 (2) presently reads:**

- (2) The term of the lease shall be for 21 years and the lease
- (a) is renewable for one further term of 21 years subject to the provisions of this Act and the regulations, and
  - (b) is renewable for further terms of 21 years each upon such terms and conditions as may be prescribed by the Lieutenant Governor in Council.

**7. Sections 75, 76 and 77 relate to surrenders, partial transfers and divisions of coal leases. These sections are being replaced by the proposed sections 34.1, 34.2 and 34.3: see section 4 of this Bill.**

Sections 75, 76 and 77 presently read:

75. (1) A lessee may surrender his lease at any time and, with the consent of the Minister, may surrender any part of the location.

(2) Where a part of a location is surrendered, the lessee shall forward his copy of the lease to the Director and the Director shall amend the description of the location accordingly.

76. A lessee, with the consent of the Minister, may transfer any part of a location if the part transferred

- (a) conforms to section 62, or
- (b) conforms as nearly as possible to section 62 as the original location will permit.

77. (1) A lessee, with the consent of the Minister, may divide his lease into two or more leases if each of the new locations

- (a) conforms to section 62, or
- (b) conforms as nearly as possible to section 62 as the original location will permit.

(2) Where a lease is to be divided the lessee shall forward his copy of the lease to the Director and the Director shall amend the description of the location in the original lease to conform to one of the new locations and a new lease shall be issued with a term similar to that of the original lease for each of the other new locations.

**8. Sections 97 and 98 relate to surrenders and partial transfers of quarrying leases and will be replaced by the proposed sections 34.1 and 34.2: see section 4 of this Bill. Sections 97 and 98 presently read:**

97. (1) A lessee may surrender his lease at any time and, with the consent of the Minister, may surrender any part of the location.

(2) Where a part of a location is surrendered, the lessee shall forward his copy of the lease to the Director and the Director shall amend the description of the location accordingly.

98. A lessee, with the consent of the Minister, may transfer any part of a location if the part transferred

- (a) conforms to section 86, or
- (b) conforms as nearly as possible to section 86 as the original location will permit.

9. Part 5 is struck out and the following Part is substituted therefor:

**PART 5**

**PETROLEUM AND NATURAL GAS**

**109.** In this Part,

- (a) "five-year lease" or "five-year petroleum and natural gas lease" means a lease of petroleum and natural gas rights granted after July 1, 1976 and having an initial term of five years;
- (b) "freehold well" means a well that produces petroleum or natural gas from a spacing unit, the petroleum or natural gas in which is not owned by the Crown in right of Alberta;
- (c) "licence" or "petroleum and natural gas licence" means a licence of petroleum and natural gas rights;
- (d) "producing well" means a well that is, in the opinion of the Minister, capable of production of petroleum or natural gas in paying quantity;
- (e) "ten-year lease" means a lease of petroleum and natural gas rights granted
  - (i) during the period commencing on June 1, 1962 and ending on June 30, 1976, or
  - (ii) out of a reservation or permit of petroleum and natural gas rights issued during the period commencing on June 1, 1962 and ending on June 30, 1976,and having an initial term of ten years;
- (f) "21-year lease" or "21-year petroleum and natural gas lease" means a lease of petroleum and natural gas rights granted
  - (i) under the former Act, or
  - (ii) out of a reservation of petroleum and natural gas rights issued before June 1, 1962;
- (g) "unit operation" means an operation authorized by
  - (i) an agreement entered into under Part 8, or
  - (ii) an order made under Part 12 of *The Oil and Gas Conservation Act*, or
  - (iii) an order made under *The Turner Valley Unit Operations Act*.

**110.** Petroleum rights and natural gas rights that are the property of the Crown may be disposed of by the Minister in accordance with this Part.



**9.** Replacement of the present Part 5 primarily with respect to the tenure system for petroleum and natural gas leases.

**109.** Definitions.

**110.** General power of disposition. New.

**111.** A lease shall be in such form as may be determined by the Minister and may include

- (a) a condition providing that the natural gas produced shall be used within Alberta, and
- (b) any other terms and conditions the Minister prescribes.

### **Petroleum and Natural Gas Leases**

#### *Acquisition of Leases*

**112.** (1) A person is entitled to a petroleum and natural gas lease where

- (a) his offer for the lease is accepted by the Minister at a sale by public tender of the lease, or
- (b) he is the holder of a licence, reservation or permit of petroleum and natural gas rights and applies for a lease therefrom in accordance with the regulations, or
- (c) he applies for the lease and the Minister considers the granting of the lease warranted in the circumstances.

(2) The sale of a lease by public tender shall be conducted in the manner prescribed by the Minister.

(3) Notwithstanding anything in subsection (1), clause (b), an application for a lease out of a licence, reservation or permit is subject to review by the Minister who may confirm or refuse the application.

(4) The Minister may refuse to grant a lease to any person who is indebted to the Crown in right of Alberta.

**113.** (1) The annual rental for a petroleum and natural gas lease shall be \$1 an acre payable yearly in advance.

(2) The prescribed fee and the rental for the first year shall accompany an offer or application for a lease.

(3) The fee and rental shall be refunded if the granting of the lease is refused.

#### *Size and Boundaries*

**114.** In the case of a ten-year lease,

- (a) the maximum area of a location in the form of square shall be nine sections,
- (b) the maximum area of a location in the form of rectangle shall be eight sections and shall not exceed four sections in length, and

**111.** Form of lease. Present section 122.

**112.** Applications for leases. Subsections (1) and (2) are new. As to subsection (3), see the present section 118. As to subsection (4), see the present section 120.

**113.** Fee and rental for a petroleum and natural gas lease. See the present sections 113 and 119.

**114.** Maximum size and boundaries of locations for ten-year leases. See the present section 114.

- (c) where the tract applied for consists of adjoining or cornering parcels, the outer boundaries of the square or rectangle that would encompass the tracts that may be included in one lease shall not exceed the boundaries of the maximum areas prescribed by clauses (a) and (b).

**115.** Where the location of a petroleum and natural gas lease consists of or includes a portion of a spacing unit and the lessee fails to satisfy the Minister that he has the right to the petroleum or natural gas in the remainder of the spacing unit, the Minister may cancel the lease or cancel the lease as to the part of the location within that spacing unit, as the case may be.

#### *Rights Granted*

**116.** A petroleum and natural gas lease grants the right to the petroleum and natural gas that are the property of the Crown in the location subject to any exceptions expressed in the lease.

#### *Duration of Leases*

**117.** (1) Subject to subsection (2), a petroleum and natural gas lease shall bear the date upon which it is issued.

(2) The date of commencement of the term of a lease shall be its date of issue unless otherwise specified by the Minister.

**118.** (1) Subject to subsection (2), the initial term of a petroleum and natural gas lease granted after July 1, 1976 under this Part or pursuant to a petroleum and natural gas licence shall be five years.

(2) The initial term of a lease granted out of a reservation or permit of petroleum and natural gas rights issued during the period commencing on June 1, 1962 and ending on June 30, 1976, shall be ten years.

**119.** (1) Subject to subsection (3) and sections 121 to 123, a petroleum and natural gas lease continues after the expiration of its term

- (a) as to any part of the location that is within the spacing unit for a producing well;
- (b) as to any part of the location that is subject to a unit operation until six months after it is no longer subject to a unit operation;
- (c) as to any part of the location that is within a spacing unit in respect of which the period for the

**115.** Cancellation in cases where the lessee does not have all the rights in a drilling spacing unit. See the present section 115(3).

**116.** Rights granted by leases. See the present section 121(1).

**117.** Date of issue and commencement of term. See the present section 123.

**118.** Initial term of lease. See present section 125.

**119.** Continuation of leases. This section and sections 120, 121 and 122 apply to all existing and future leases of petroleum and natural gas rights or natural gas rights. See the present sections 125, 126, 127, 128 and 129.

drilling of an offset well is then extended under the regulations, until six months after the freehold well concerned ceases production;

- (d) as to all or any part of the location not continued under clause (a), (b) or (c) that is then considered by the Minister to be capable of production of petroleum or natural gas in paying quantity.

(2) Where a lease continues as to all or any part of the location pursuant to subsection (1), clause (b) or (c) then, subject to sections 121 and 123, the lease further continues as to that part of the location that would continue under subsection (1), clauses (a) and (d) if the expiration of the six-month period referred to in clause (b) or (c), as the case may be, were the expiration of the initial term.

(3) Where the lease is continued under subsection (1), clause (a) or (d) as to all or any part of the location and

- (a) a well on the location is abandoned, or

- (b) the Minister considers that all or any part of the location is no longer capable of production of petroleum or natural gas in paying quantity,

the Minister may, upon giving the lessee notice in writing, cancel the lease or cancel the lease as to part of the location at the expiration of six months after the date of the notice unless before then the lessee provides evidence satisfactory to the Minister that the location or the part of the location referred to in the notice, as the case may be, is then capable of production of petroleum or natural gas in paying quantity.

(4) For the purposes of this section and sections 120 to 122, a reference to the term of a lease shall be deemed to be a reference to

- (a) its initial term, in the case of a five-year lease or a ten-year lease, or

- (b) its 21-year term, in the case of a 21-year petroleum and natural gas lease whether or not it is a renewal of a previous 21-year lease.

(5) For the purposes of this Part,

- (a) where a 10-year lease was being continued on June 30, 1976 as to all or any part of the location pursuant to

- (i) section 126, subsection (1), clause (a) of this Act as it stood on that date, or

- (ii) section 127 of this Act as it stood on that date insofar as the location or part thereof is within the spacing unit for the well,

the lease shall be deemed to continue as to the location or part thereof, as the case may be, under subsection (1), clause (a) of this section;



- (b) where a ten-year lease was being continued on June 30, 1976 as to all or any part of the location pursuant to section 128 of this Act as it stood on that date, the lease shall be deemed to continue as to the location or part thereof, as the case may be, under subsection (1), clause (b) of this section;
- (c) where a ten-year lease was being continued on June 30, 1976 as to all or any part of the location pursuant to section 129 of this Act as it stood on that date, the lease shall be deemed to continue as to the location or part thereof, as the case may be, under subsection (1), clause (c) of this section;
- (d) where a ten-year lease was being continued on June 30, 1976 as to all or any part of the location pursuant to
  - (i) section 126, subsection (1), clause (b) of this Act as it stood on that date, or
  - (ii) section 127 of this Act as it stood on that date insofar as the location or part thereof is outside the spacing unit for the well,
 the lease shall be deemed to continue as to the location or part thereof, as the case may be, under subsection (1), clause (d) of this section.

**120.** (1) Subject to section 121, where at the expiration of the term of a lease or at the expiration of the six-month period referred to in section 119, subsection (1), clause (b) or (c), a well is being drilled on a spacing unit comprising the whole or part of the location, the lease continues during the period that drilling is being conducted diligently and continuously to the satisfaction of the Minister

- (a) as to that part of the location comprising the spacing unit for the well, and
- (b) as to any other part of the location contained in the section in which the well is being drilled.

(2) Where the well referred to in subsection (1) is completed as a producing well then, subject to section 123, the lease further continues

- (a) as to that part of the location that is within the spacing unit for the producing well, and
- (b) as to any other part of the location contained in the section in which the producing well was drilled and that is considered by the Minister to be capable of production of petroleum or natural gas in paying quantity.

(3) Where the well referred to in subsection (1) is not completed as a producing well, the lease further continues as



**120.** Continuation of lease by drilling. See the present sections 130, 131 and 132.

to the same part of the location continued under subsection (1), for a period of 90 days from the finished drilling date of the well.

(4) Where, during the period that a lease is further continued under subsection (3) the drilling of another well on the same part of the location is commenced before the expiration of the 90-day period referred to in that subsection, the lease further continues as to that same part during the period that drilling is being conducted diligently and continuously to the satisfaction of the Minister and

- (a) if the well is completed as a producing well then, subject to section 123, the lease further continues
  - (i) as to the part of the location comprising the spacing unit for the well, and
  - (ii) as to any other part of the location contained in the section in which the producing well was drilled and that is considered by the Minister to be capable of production of petroleum or natural gas in paying quantity,
- or
- (b) if the well is not completed as a producing well, the lease further continues as to that same part of the location for a period of 90 days following the finished drilling date of the well.

(5) Where due to mechanical or other difficulties encountered in the drilling of a well referred to in subsection (1) or (4) the well cannot be completed but within 30 days from the date of cessation of such drilling operations the drilling of another well is commenced on the location, the drilling of that well shall be deemed to be a continuation of the drilling of the uncompleted well.

(6) For the purposes of this Part, where a lease was being continued on June 30, 1976 as to all or any part of the location pursuant to section 130 or 132 of this Act as those sections stood on that date, the lease shall be deemed to continue as to the location or part thereof, as the case may be, under subsections (1) and (4) of this section respectively.

**121.** (1) Subject to subsection (2), a lessee may

- (a) within the 90-day period prior to the expiration of the term of his lease, apply to the Minister to continue the lease as to that part of the location that is, at the expiration of the term, qualified to continue under sections 119 and 120, and
- (b) within the 90-day period prior to the expiration of any six-month period referred to in section 119 or 120, apply to the Minister to further continue

**121.** Application re continuation of lease. See the present section  
133.

the lease as to that part of the location that is, at the expiration of the six-month period, qualified to further continue under those sections.

(2) Where the lessee fails to make an application under subsection (1) within the time prescribed in that subsection, the Minister shall decide the part or parts of the location to be continued or further continued under the lease, as the case may be.

(3) When any part of the location is not continued or is no longer further continued under section 119, 120, 122 or 123,

(a) the description of the location of the lease shall be amended accordingly, and

(b) a copy of the amended description shall be forwarded to the lessee for inclusion in his copy of the lease.

**122.** (1) Where an application is made under section 121, subsection (1), clause (a) to continue a lease as to all or part of the location pursuant to section 119, subsection (1), clause (d), the Minister may allow the lease to continue in accordance with this section as to all or any part of the location that is the subject of the application notwithstanding the fact that he considers that it is not then capable of production of petroleum or natural gas in paying quantity.

(2) In this section "unproven acreage" means the whole or part of a location that the Minister allows to continue under a lease pursuant to subsection (1).

(3) The Minister may allow a lease to continue as to unproven acreage under subsection (1) for a period of one year from the expiration of the initial term of the lease and upon such terms and conditions he prescribes but only if the lessee pays the annual rental and furnishes security to the Minister in a form approved by the Minister and in an amount equal to \$10 for each acre in the unproven acreage.

(4) Where the drilling of a well is commenced during the one-year period referred to in subsection (3), the Minister may allow the lease to continue as to all or part of the unproven acreage for not more than two further periods of one year each upon payment of the annual rental and upon such terms and conditions as the Minister prescribes in each case including the furnishing of additional security in such form and in such amount as the Minister prescribes.

(5) Where one or more wells have been drilled in the unproven acreage in the location during any continuation allowed under subsection (3) or (4) in accordance with the terms and conditions, if any, prescribed by the Minister,

**122.** Continuation of a lease for a maximum of three years as to acreage that is unproven. New.

the Minister may return or refund all or part of the security furnished under this section.

(6) The Minister shall, before the end of the one-year period referred to in subsection (3) or, where one or two further one-year continuation periods are allowed under subsection (4), before the end of the last continuation period, determine what part, if any, of the unproven acreage he considers to be capable of production in paying quantity and, upon the expiry of that period or the last continuation period, as the case may be,

- (a) the lease expires if the location consists only of the unproven acreage and he considers none of the unproven acreage to be capable of production in paying quantity, or
- (b) if he considers part only of the unproven acreage capable of production in paying quantity, the lease no longer continues as to the remaining part.

(7) For the purposes of this Part, unproven acreage shall, during the period of any continuation under this section, be deemed to be capable in the opinion of the Minister of production of petroleum or natural gas in paying quantity.

**123.** (1) Where at the relevant time referred to in clause (a), (b), (c) or (d) the Minister considers that petroleum or natural gas is capable of production in paying quantity from one or more zones in all or any part of a location of a petroleum and natural gas lease, the petroleum and natural gas rights granted by the lease that are stratigraphically below the base of that zone or the deeper or deepest of those zones in the location or that part of the location, as the case may be, shall revert to the Crown and shall not continue under the lease

- (a) in the case of a five-year lease, upon the expiration of its initial term;
- (b) in the case of a ten-year lease other than one that is a renewal of a 21-year lease, upon the expiration of its initial term or on January 1, 1983, whichever is later;
- (c) in the case of a 21-year lease that is not a renewal of any previous 21-year lease, upon the expiration of its term or on January 1, 1983, whichever is later;
- (d) in the case of a ten-year lease or 21-year lease that is a renewal of a previous 21-year lease, on January 1, 1983.

(2) Notwithstanding subsection (1), where at the relevant time applicable to a lease under clause (a), (b), (c) or (d) of that subsection, the lease is being continued as to all

**123.** Reversion of deeper rights to the Crown. New.

or any part of the location pursuant to section 120 or 122, then subsection (1) of this section applies to that lease

- (a) in the case of a continuation under section 120, upon the completion of a well as a producing well or, where no well is completed as a producing well, upon the date on which the continuation under that section ceases, or
- (b) in the case of a continuation under section 122, upon the completion of the well or the first well, as the case may be, as a producing well or the date on which the continuation under that section ceases, whichever event occurs first.

#### **Regulations Respecting Leases**

**124.** The Lieutenant Governor in Council may make regulations

- (a) prescribing the requirements for the drilling of wells by lessees in cases where petroleum or natural gas is being produced from a freehold well in a spacing unit directly offsetting a location, and governing the manner in which such drilling requirements may be deferred whether by the payment of penalties or otherwise;
- (b) prescribing and governing well drilling requirements applicable to lessees of ten-year leases and 21-year leases;
- (c) prescribing the penalties payable to the Minister upon the granting of extensions respecting the fulfilment of requirements prescribed pursuant to clause (b).

#### **Petroleum and Natural Gas Licences**

**125.** (1) The Lieutenant Governor in Council may make regulations governing licences of petroleum and natural gas rights that are the property of the Crown.

- (2) Regulations under subsection (1) may
  - (a) prescribe the manner in which or the conditions on which licences may be disposed of by the Minister;
  - (b) prescribe the rights and duties of applicants for or holders of licences;
  - (c) provide for any matter relating to licences including the term thereof, renewals or extensions of the term and the size of locations;
  - (d) prescribe the manner in which locations for petroleum and natural gas leases may be selected.

#### **Petroleum and Natural Gas Reservations**

**126.** (1) The Lieutenant Governor in Council may make regulations governing reservations of petroleum and natural gas



**124.** Regulations. New. Regulations under clause (a) will replace what is presently found in sections 134, 135 and 137 of the Act. Clauses (b) and (c) will replace what is presently found in sections 125.1 to 125.4 of the Act as to the ten-year leases and in sections 163 to 168 as to 21-year leases.

**125.** Licences of petroleum and natural gas rights. New. The sale of reservations and permits will not be continued after July 1, 1976.

**126.** Petroleum and natural gas reservations. See present section

gas rights that are the property of the Crown in all of the Province, other than Block A.

- (2) Regulations under subsection (1) may
  - (a) prescribe the rights and duties of holders of reservations;
  - (b) provide for any matter relating to reservations including the term thereof, renewals or extensions of the term and the size of locations;
  - (c) prescribe the manner in which locations for leases may be selected.

(3) No reservation of petroleum and natural gas rights shall be issued after June 30, 1976.

(4) In this section and section 127, "Block A" means that part of Alberta in townships 1 to 64 inclusive, west of the 4th meridian.

#### **Petroleum and Natural Gas Permits**

**127.** (1) The Lieutenant Governor in Council may make regulations governing permits of petroleum and natural gas rights that are the property of the Crown and within Block A.

- (2) Regulations under subsection (1) may
  - (a) prescribe the rights and duties of holders of permits;
  - (b) provide for any matter relating to permits including the term thereof, renewals or extensions of the term and the size of locations;
  - (c) prescribe the manner in which locations for leases may be selected.
- (3) No permit shall be issued after June 30, 1976.

#### **Natural Gas Licences and Leases**

**128.** (1) The Lieutenant Governor in Council may make regulations governing licences of natural gas rights that are the property of the Crown.

- (2) Regulations under subsection (1) may
  - (a) prescribe the manner in which or the conditions on which natural gas licences may be disposed of by the Minister;
  - (b) prescribe the rights and duties of applicants for or holders of natural gas licences;
  - (c) provide for any matter relating to natural gas licences including the term thereof, renewals or extensions of the term and the size of locations;
  - (d) prescribe the manner in which locations for leases may be selected.

**127.** Permits. See present section 148.

**128.** Natural gas licences. See present section 149(1) and (3).

(3) In a natural gas licence or natural gas lease, "natural gas", for purposes other than those dealing with the computation, levy and collection of royalties,

- (a) means the production from any well that, in the opinion of the Energy Resources Conservation Board, initially produces gas either alone or with oil at a gas-oil ratio of 10,000 cubic feet to the barrel or higher, but
- (b) does not include any production that may be obtained from any well that, in the opinion of the Board, initially produces gas with oil at a lower gas-oil ratio.

**129.** (1) The term of a natural gas lease shall be 21 years.

(2) A natural gas lease continues after the expiration of the 21-year term as to those parts of the location that would continue if

- (a) the natural gas lease were a 21-year petroleum and natural gas lease, and
- (b) the expiration of the 21-year term were the expiration of the term of a 21-year petroleum and natural gas lease,

and for that purpose the provisions of sections 119 to 123 apply with the necessary modifications to the continuation of the lease.

(3) The annual rental under a natural gas lease is 33 cents an acre payable yearly in advance.

(4) Subject to this section, the provisions of this Part and the regulations applicable to five-year petroleum and natural gas leases apply, as far as practicable and with the necessary modifications, to natural gas leases.

(5) The Minister may, upon the application by the holder of a natural gas lease and upon such terms and conditions as the Minister may prescribe, accept the surrender of the lease in exchange for one or more five-year leases of all available petroleum and natural gas rights in the same location but not including that part of the location that is stratigraphically below the base of the deepest zone in the location that is considered by the Minister to be capable of production in paying quantity.

**130.** The Minister may by notice require a lessee under a natural gas lease to commence drilling operations on his location within the time prescribed in the notice and to continue such operations diligently and continuously to the satisfaction of the Minister with a view to the discovery of natural gas.

**129.** Natural gas leases. See present sections 150, 151(1), 153 and 155. There is no equivalent to the present section 151(2) relating to rental reductions to 10 cents per acre. The term will be no longer renewable for further 21-year terms but instead the rules relating to the continuation of 5-year petroleum and natural gas leases will apply.

**130.** Special drilling requirement for natural gas leases. See the present section 154.

### Petroleum Leases

**131.** (1) This section applies only to petroleum leases granted before July 1, 1976.

(2) In a petroleum lease "petroleum", for purposes other than those dealing with the computation, levy and collection of royalties,

(a) means the production from any well that, in the opinion of the Energy Resources Conservation Board, initially produces oil either alone or with gas at a gas-oil ratio of less than 10,000 cubic feet to the barrel, but

(b) does not include any production that may be obtained from any well that, in the opinion of the Board, initially produces oil with gas at a higher gas-oil ratio.

(3) The term of a petroleum lease shall not exceed 21 years.

(4) A petroleum lease continues after the expiration of its term as to those parts of the location that would continue if

(a) the petroleum lease were a 21-year petroleum and natural gas lease, and

(b) the expiration of the term of the petroleum lease were the expiration of a 21-year petroleum and natural gas lease,

and for that purpose the provisions of sections 119 to 123 apply with the necessary modifications to the continuation of the term.

(5) The annual rental under a petroleum lease is 3¢ cents an acre, payable yearly in advance.

(6) Subject to this section, the provisions of this Part and the regulations applicable to five-year petroleum and natural gas leases apply, as far as practicable and with the necessary modifications, to petroleum leases.

### Royalty

**132.** (1) The petroleum and natural gas obtained pursuant to any agreement acquired under this Part is subject to the payment to the Crown of such royalty thereon as may from time to time be prescribed by the Lieutenant Governor in Council.

(2) The royalty may be collected in such manner as may be prescribed by the Minister.

(3) Any provision contained in a lease of petroleum and natural gas rights, natural gas rights or petroleum rights granted by the Minister before December 14, 1973 and stating

**131.** Petroleum leases. See present sections 156 to 160. Subsection (3) is new. The leases will no longer be renewable for further 21-year terms. The rules relating to the continuation of five-year leases will apply to petroleum leases.

**132.** Royalty. See present sections 142 and 142.1.

- (a) that the maximum royalty on the petroleum during the first term of the lease shall not exceed one-sixth of the gross recovery from the lands described in the lease, or
  - (b) that the maximum royalty payable on the petroleum and natural gas during the initial 10-year term of the lease shall not exceed one-sixth of the production obtained from the location, or
  - (c) that the maximum royalty payable on natural gas during the first term of the lease shall not exceed one-sixth of the production obtained from the location, or
  - (d) that the maximum royalty on petroleum during the first term of the lease shall not exceed one-sixth of the production obtained from the location,
- and any provision to a like effect contained in such a lease, is void.

**133.** Where the whole or part of a location forms a part only of a spacing unit for a well, the royalty to be paid to the Crown shall be

- (a) in the proportion that the acreage of the part of the spacing unit contained in the location bears to the whole acreage of the spacing unit, or
- (b) where an order under section 82 or 83 of *The Oil and Gas Conservation Act* is in effect with respect to the spacing unit, in the proportion that the share of production allocated to the part of the spacing unit contained in the location bears to the whole of the production from the spacing unit,

and if the well is not on the location, it shall be deemed to be on the location.

**134.** Where petroleum or natural gas rights granted under an agreement are subject to a unit operation, the royalty payable for any month with respect to the portion of the production allocated in the month to any tract contained in the agreement shall be determined as follows:

- (a) the amount of royalty for the month shall be calculated for each well subject to the unit operation as though each well were in a location and as though none of the production from any of the wells was subject to the unit operation,
- (b) the aggregate of the royalty calculated for the month under clause (a) for all wells subject to the unit operation shall be allocated to the tracts in the area of the unit in the same proportion in which the production from those wells is allocated to the tracts in that area, and



**133.** Proportioning royalty. Present section 144.

**134.** Calculation of royalties in cases of unit operations. See the present section 145.

- (c) the amount of the royalty payable to the Crown for the month pursuant to the agreement, insofar as the agreement is subject to the unit operation, is the amount of royalty allocated for the month under clause (b) to the tract or tracts contained in the agreement.

**135.** When petroleum or natural gas is obtained from any well, the lessee or his agent authorized in writing shall, not later than the last day of the month, file with the Department, on forms prescribed by the Minister, a full report showing the production, disposition and sales during the preceding month and any other information required by the form.

#### **The Alberta Petroleum Marketing Commission**

**136.** (1) Every agreement to which this section applies is subject to the condition that the Crown's royalty share of the petroleum recovered pursuant to the agreement shall be delivered to the Alberta Petroleum Marketing Commission incorporated under *The Petroleum Marketing Act*.

(2) This section applies only to those agreements to which it is made applicable by the regulations under subsection (3).

(3) The Lieutenant Governor in Council may make regulations declaring this section applicable either

- (a) to all agreements granting petroleum and natural gas rights or petroleum rights, or
- (b) to agreements granting petroleum and natural gas rights or petroleum rights the locations of which are situated in the part or parts of Alberta specified in the regulations.

(4) The Minister may, with respect to any agreement to which this section applies and in any special case where he considers it warranted by circumstances to do so, waive compliance with subsection (1) for any period of time and upon any conditions he may prescribe.

**137.** (1) Every agreement to which this section applies is subject to the condition that the petroleum recovered pursuant to the agreement, other than the Crown's royalty share thereof, shall be sold through the Alberta Petroleum Marketing Commission incorporated under *The Petroleum Marketing Act*.

(2) This section applies only to those agreements to which it is made applicable by the regulations under subsection (3).

**135.** Monthly reports. See the present section 146.

**136.** Marketing of Crown's share of petroleum. Same as the present section 170.1.

**137.** Marketing of lessee's share of petroleum. Same as the present section 170.2.

(3) The Lieutenant Governor in Council may make regulations declaring this section applicable either

- (a) to all agreements granting petroleum and natural gas rights or petroleum rights, or
- (b) to agreements granting petroleum and natural gas rights or petroleum rights the locations of which are situated in the part or parts of Alberta specified in the regulations.

(4) This section applies to an agreement notwithstanding any contract or arrangement made before or after the commencement of this section and relating to the sale or other disposition of the petroleum recovered from the location of the agreement and no party to any such contract or arrangement has a cause of action against any other party thereto by reason of the effect of the operation of this section upon that contract or arrangement.

(5) The Minister may, with respect to any agreement to which this section applies and in any special case where he considers it warranted by circumstances to do so, waive compliance with subsection (1) for any period of time and upon any conditions he may prescribe.

10. *The following regulations, namely,*

- (a) *the Crown Reserve Drilling Reservation Regulations, filed as Alberta Regulation 284/62, and*
- (b) *the Crown Reserve Natural Gas Licence Regulations, 1962, filed as Alberta Regulation 308/62, as amended,*

*continue in force and may be amended from time to time by the Lieutenant Governor in Council, but no further reservations or licences may be granted under them after June 30, 1976.*

11. *Section 7 of the Regulations to Amend the Crude Oil Royalty Regulations, filed as Alberta Regulation 17/74, hereby validated, ratified and confirmed.*

12. (1) *The Petroleum Marketing Act is amended this section.*

(2) *Section 14, clause (a) and section 15, subsection (1) clause (a) are amended by striking out the figure "170.2" and by substituting the figure "136".*

(3) *Section 18 is amended by striking out the word "lease" wherever it occurs and by substituting the word "agreement".*

(4) *Section 20, clause (a) is amended by striking out the figure "170.2" and by substituting the figure "137".*

13. *This Act comes into force on July 1, 1976.*

**10.** The regulations named in this section of the Bill were made pursuant to the present section 112 of the Act which deals with the disposition of Crown reserves. There is no equivalent to section 112 in the proposed Part 5 and Crown reserves will no longer exist after July 1, 1976. This section of the Bill is intended to ensure that the regulations will remain in force notwithstanding the repeal of the present section 112.

**11.** Ratifies section 7 of Alberta Regulation 17/74 which reads:

7. All agreements for the calculation of royalty payable with respect to petroleum or crude oil and entered into pursuant to orders of the Lieutenant Governor in Council heretofore made under

- (a) section 291, subsection (3) of The Mines and Minerals Act, being chapter 66 of the Statutes of Alberta, 1949, or
- (b) section 300, subsection (3) of The Mines and Minerals Act, being chapter 205 of the Revised Statutes of Alberta, 1955, or
- (c) section 183, subsection (3) of The Mines and Minerals Act, 1962, or
- (d) section 184 of The Mines and Minerals Act, being chapter 238 of the Revised Statutes of Alberta, 1970,

are hereby cancelled and terminated effective January 1, 1974.

**12.** This section will amend chapter 96 of the Statutes of Alberta, 1973 to update references to sections 170.1 and 170.2 of The Mines and Minerals Act which will become sections 136 and 137 respectively, in the proposed Part 5 of that Act. The amendments to section 18 correct a drafting inconsistency in terminology.