

1988 BILL 20

Third Session, 21st Legislature, 37 Elizabeth II

THE LEGISLATIVE ASSEMBLY OF ALBERTA

BILL 20

**OIL AND GAS CONSERVATION
AMENDMENT ACT, 1988**

THE MINISTER OF ENERGY

First Reading

Second Reading

Committee of the Whole

Third Reading

Royal Assent

BILL 20

1988

OIL AND GAS CONSERVATION AMENDMENT ACT, 1988

(Assented to _____, 1988)

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 amended by this Act.*
- 2 *Section 1(1) is amended*
 - (a) *in clause (f.1) by striking out "or condensate" and substituting ", condensate or crude bitumen";*
 - (b) *by adding the following after clause (k):*
 - (k.01) "holding" means an area established as a holding pursuant to the regulations;
- 3 *Section 5 is amended*
 - (a) *by repealing subsection (2) and substituting the following:*
 - (2) The Provincial Treasurer shall advance to the Board the funds provided by vote and referred to in subsection (1)(a) in instalments as soon as is conveniently possible after April 1 and July 1 each year, and each instalment shall be in an amount that the Provincial Treasurer in consultation with the Board decides.
 - (b) *in subsection (4) by striking out "Hydro and Electric Energy Act,".*
- 4 *Section 10(1) is amended*
 - (a) *by repealing clause (a.1);*
 - (b) *by adding the following after clause (e.1):*
 - (e.2) providing for the establishment of holdings and prescribing the rules to be applied within holdings;
 - (c) *by adding the following after clause (i.1):*
 - (i.2) respecting the approval, location, equipping, operation and abandonment of processing plants;

Explanatory Notes

1 This Bill will amend chapter O-5 of the Revised Statutes of Alberta 1980.

2 Section 1(1) presently reads in part:

1(1) In this Act,

(f.1) "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;

3 Section 5 presently reads in part:

(2) The Provincial Treasurer shall, as soon as possible after the commencement of each fiscal year, advance to the Board the funds provided by appropriation for that fiscal year and referred to in subsection (1)(a).

(4) In this section and sections 6 and 48 "net expenditure" or "net expenditures" means net expenditures incurred by the Board in performance of its duties pursuant to this Act, the Gas Resources Preservation Act, Hydro and Electric Energy Act, the Turner Valley Unit Operations Act, the Oil Sands Conservation Act and the Pipeline Act.

4 Section 10(1) presently reads in part:

10(1) The Board may make regulations

(a.1) requiring the placing by licensees of deposits with the Provincial Treasurer to guarantee the proper drilling, control, completion, suspension or abandonment of wells and prescribing the form of the deposits;

5 *Section 22(2) is amended by striking out “after a public hearing”.*

6 *Section 23 is repealed and the following is substituted:*

23 The Board may, by order, restrict

(a) the amount of gas, or

(b) where gas is produced in association with oil, the amount of gas and oil,

that may be produced during a period defined in the order from a pool in Alberta, and the restriction may be imposed by either or both of the following means:

(c) by limiting, if the limitation appears to be necessary, the total amount of gas that may be produced from the pool or part of the pool, having regard to the demand for gas from the pool or to the efficient use of gas for the production of oil, or to both of those considerations;

(d) by distributing the amount of gas that may be produced from the pool or part of the pool in an equitable manner among the wells or groups of wells in the pool for the purpose of giving each well owner the opportunity of receiving his share of gas in the pool.

7 *In the following provisions “and after a hearing,” is struck out:*

section 37(1);

section 39(1);

section 40(1);

section 42(1).

5 Section 22(2) presently reads:

(2) Notwithstanding subsection (1), when 2 or more pools in a field or area are subject to an integrated scheme approved under section 26(1)(a) after a public hearing, and when the Board is satisfied

(a) that the scheme would result in significant conservation advantages in the field or area and makes a variation by the Board under this subsection desirable,

(b) with an undertaking by the operator to proceed with the integrated scheme, or an alternate approved by the Board which will result in equivalent or greater recoveries, until the recoverable reserves of all of the pools under the scheme are produced, and

(c) that the reserves which will actually be recovered from each of the pools to be produced under the integrated scheme may be estimated with a reliability comparable to that in the case of single pools not produced under the integrated scheme,

it may vary the manner in which the provincial allowable for crude oil, condensate and pentanes plus is allocated among pools and may fix, for the pools subject to the scheme, a single, aggregate amount of crude oil or condensate that may be produced from those pools or any of them, regardless of whether all of the pools will be producing pools during the proration period for which the allocation is made.

6 Section 23 presently reads:

23 The Board, after a public hearing, may, by order, restrict the amount of gas and oil produced in association with gas that may be produced during a period defined in the order from a pool within Alberta

(a) by limiting, if the 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.

7 Sections 37(1), 39(1), 40(1) and 42(1) presently read:

37(1) On application and after a hearing, the Board, with the approval of the Lieutenant Governor in Council, may from time to time declare each proprietor of a pipeline in any designated part of Alberta or the proprietor of any designated pipeline to be a common carrier as and from a date fixed by the order for that purpose, and on the making of the approved declaration the proprietor is a common carrier of oil, gas or synthetic crude oil or any 2 or all of them in accordance with the declaration.

39(1) On application and after a hearing, the Board, with the approval of the Lieutenant Governor in Council, may declare any person who purchases, produces or otherwise acquires oil produced from any pool in Alberta

8 *In the following provisions “, after due notice and hearing,” is struck out:*

section 38;
section 41;
section 43.

9 *Section 71(4) is repealed and the following is substituted:*

(4) When a pool or part of a pool is

- (a) subject to a unit agreement and unit operating agreement filed with the Board,
- (b) within a block, or
- (c) within a holding,

the Board, on application, may order that any provision of this Act or the regulations regarding the development and production of the oil or gas resources be varied or suspended in the pool or the part of the pool for the duration of the unit operation, block or holding.

10 *Section 72(3) is amended by striking out “shall hear the application and”.*

11 *Section 74 is amended*

(a) *by repealing subsection (1) and substituting the following:*

74(1) Where an order has been made under section 72 or 73, the Board

- (a) shall consider an application made by owners of at least 25% of the working interests in the drilling spacing unit affected by the order, calculated on an area basis, and

to be a common purchaser of oil from the pool or pools designated by the Board and from which oil is being taken when that person is declared to be a common purchaser.

40(1) On application and after a hearing, 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.

42(1) On application and after a hearing, the Board, with the approval of the Lieutenant Governor in Council, may declare any person who is the owner or operator of a processing plant processing gas produced from a pool or pools in Alberta to be a common processor of gas from the pool or pools.

8 Sections 38, 41 and 43 presently read:

38 The Board, by order, may relieve any common carrier, after due notice and hearing, from the duty of carrying any oil, gas or synthetic crude oil of inferior or different quality or composition or from any other duties that in its opinion are unreasonable.

41 The Board, by order, may relieve any common purchaser, after due notice and hearing, from the duty of purchasing oil or gas of inferior or different quality or composition or from any other duties that in its opinion are unreasonable.

43 The Board, by order, may relieve any common processor, after due notice and hearing, from the duty of processing any gas of inferior or different quality or composition or from any other duties that in its opinion are unreasonable.

9 Section 71(4) presently reads:

(4) When a pool or part of a pool is

(a) subject to a unit agreement and unit operating agreement filed with the Board, or

(b) within a block,

the Board, on application, may order that any provision of this Act or the regulations regarding the development and production of the oil or gas resources be varied or suspended in the pool or part of the pool for the duration of the unit operation or block.

10 Section 72(3) presently reads:

(3) The Board shall hear the application and may, with the approval of the Lieutenant Governor in Council, order that the tracts within the drilling spacing unit be operated as a unit with respect to the formation referred to in subsection (2)(b).

11 Section 74(1) and (3) presently read:

74(1) The Board shall hear an application to vary, amend or terminate an order made pursuant to section 72 or 73 when the application is made by owners of over 25% of the working interests in the drilling spacing unit affected by the order, calculated on an area basis, and may, in its discretion, hear an application made by an owner.

(b) may, if it is satisfied that it is appropriate to do so, consider an application made by any owner

to vary, amend or terminate the order.

(b) in subsection (3) by striking out “Following the hearing” and substituting “On an application or hearing”.

12 Section 92(2), (3), (4) and (5) are repealed and the following is substituted:

(2) The costs of or incidental to the work of control, completion, suspension or abandonment of the well to the satisfaction of the Board shall be determined by the Board and are a debt payable by the licensee of the well to the Board.

(3) The issuance by the Board of an abandonment approval for a well does not relieve the licensee of the well from liability for any costs of or incidental to the control, completion, suspension or further abandonment of a well, and does not reduce his liability for those costs.

13 Section 93(3)(a) is repealed and the following is substituted:

(a) apply the money in payment of any costs as determined by it under section 92, and

(3) Following the hearing under subsection (1) or (2) the Board, with the approval of the Lieutenant Governor in Council, may terminate the order or may

(a) vary, amend or revise the order to supply any deficiency in it or to meet changing conditions, and

(b) alter or revoke any provision that it considers to be unfair or inequitable,

but no order shall be varied, amended or revised and no provision shall be altered or revoked so that it results in a change in

(c) the allocation to each tract of its share of the production, or

(d) the basis for determining an owner's share of the cost of drilling, operation or abandonment of the well,

unless all owners of tracts within the drilling spacing unit agree to that alteration or revocation.

12 Section 92 presently reads:

92(1) Without restricting the generality of section 88, if in the opinion of the Board the control of a well or any completion, suspension or abandonment is not in accordance with an order, direction or requirement of the Board, a member of the Board or any person authorized by it is entitled to have access to and may enter on the well site or any structures on the well site, and do whatever the Board considers necessary because of the failure to comply with the order, direction or requirement.

(2) The costs of or incidental to the work of control, completion, suspension or abandonment of the well to the satisfaction of the Board shall be determined by the Board, and the Provincial Treasurer may use or expend all or any part of the deposit required by the regulations to be made by the licensee to reimburse the Board for those costs.

(3) The return of the deposit or any part of the deposit does not relieve the licensee of the well of liability for any costs of or incidental to the control, completion, suspension or abandonment of a well, and does not reduce his liability for those costs.

(4) The Board shall not incur costs in the work of controlling, completing, suspending or abandoning a well exceeding by more than \$25 000 the sum of the licensee's deposit with the Provincial Treasurer and the balance of the amount provided in the Board's annual budget for that work, unless the Lieutenant Governor in Council authorizes the Board to incur greater costs.

(5) The costs determined by the Board under this section remaining unpaid after applying to those costs a deposit held by the Provincial Treasurer are a debt payable by the licensee of the well to the Board.

13 Section 93(3) presently reads:

(3) When the Board receives money on the sale or disposal of any equipment, installation or material under subsection (1), it shall

(a) apply the money in payment of any costs as determined by it under section 92 that remain unpaid after applying to those costs the deposit, if any, held by the Provincial Treasurer, and

(b) if any of the money remains after the payment of the costs referred to in clause (a), forward the remainder to the Provincial Treasurer for payment out to persons who have filed claims to that remainder with him within 6 months of the sale and who are entitled to receive it.

14 *Section 94(4) is repealed and the following is substituted:*

(4) If the costs and expenses determined by the Board under subsection (3) are not fully paid from the sale of oil recovered or by the persons directed by the Board to pay them, and the Board directs that the balance of the costs and expenses or any part of it is to be paid by the licensee of a well, section 92 applies to the recovery of the balance or the part of the balance of the costs and expenses so directed to be paid.

15 *Section 95(7) is repealed and the following is substituted:*

(7) If the proceeds of the oil, gas and crude bitumen produced at the well are not sufficient to pay all costs and expenses of and incidental to the proceedings, investigations and measures taken by the Board, and the Board directs that the balance of the costs and expenses or any part of it is to be paid by the licensee of the well, section 92 applies to the recovery of the balance or the part of the balance of the costs and expenses so directed to be paid.

14 Section 94(4) presently reads:

(4) If the costs and expenses determined by the Board under subsection (3) are not fully paid from the sale of oil recovered or by the persons directed by the Board to pay them, and the Board directs that the balance of the costs and expenses or any part of it is to be paid by the licensee of a well, then the provisions of section 92 regarding the use of the deposit and regarding the further liability of the licensee with respect to the costs referred to in that section apply, with all necessary modifications, to the use of the deposit and to the further liability of the licensee to defray the balance of the costs and expenses that are incurred pursuant to this section.

15 Section 95(7) presently reads:

(7) If the proceeds of the oil, gas and crude bitumen produced at the well are not sufficient to pay all costs and expenses of and incidental to the proceedings, investigations and measures taken by the Board, and the Board directs that the balance of the costs and expenses or any part of it is to be paid by the licensee of the well, then the provisions of section 92 regarding the use of the deposit and regarding the further liability of the licensee with respect to the costs referred to in that section apply, with all necessary modifications, to the use of the deposit, and to the further liability of the licensee to defray the balance of the costs and expenses that are incurred pursuant to this section.