

BILL 6

1991

OIL AND GAS CONSERVATION AMENDMENT ACT, 1991

(Assented to _____, 1991)

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) *by repealing clause (b.1) and substituting the following:*
 - (b.1) “block” means an area or part of a pool consisting of drilling spacing units grouped for the purpose of administering a common, aggregate production allowable;
 - (b) *by adding the following after clause (i):*
 - (i.01) “experiment” or “experimental scheme” means a scheme or operation for the recovery or processing of oil or gas, including the drilling and completion of wells for production or injection, that uses methods that are untried and unproven in that particular application;
 - (c) *by repealing clause (r).*
- 3 *Section 10(1) is amended*
 - (a) *by repealing clause (d.1);*
 - (b) *in clause (e.1) by striking out “production spacing unit” and substituting “drilling spacing unit”;*
 - (c) *by adding the following after clause (i.2):*
 - (i.3) respecting the approval, location, equipping,

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,

(b.1) "block" means an area or part of a pool consisting of production spacing units grouped for the purpose of obtaining a common, aggregate production allowable;

(r) "production spacing unit" means a production spacing unit prescribed by or established pursuant to the regulations;

3 Section 10(1) presently reads in part:

10(1) The Board may make regulations

(d.1) providing for the establishment of production spacing units and prescribing the part of a production spacing unit within which its producing well may be located;

(e.1) prescribing rules by which the base allowable of a well in a production spacing unit or of a block or project may be

operation and abandonment of experimental schemes;

(d) *in clause (o) by striking out “or underproduction”;*

(e) *by adding the following after clause (o):*

(o.01) respecting the prorationing of crude oil for the purposes of section 22;

4 *Section 16 is repealed.*

5 *Section 22 is repealed and the following is substituted:*

22(1) The Board may, by order, restrict the amount of oil and gas produced in association with the oil that may be produced from a pool or pools in Alberta

(a) by determining the market demand for a stream or streams of crude oil within a pipeline or pipelines, and

(b) by allocating that market demand in a reasonable manner among the wells or group of wells supplying the pipeline or pipelines for the purpose of giving each well owner the opportunity of producing or receiving a just and equitable share of the crude oil in the pool or pools.

(2) This section does not apply in respect of condensate, pentanes plus, crude bitumen or synthetic crude oil.

determined;

(o) prescribing rules for the calculation of allowables, maximum production rates, penalty factors, penalties and overproduction or underproduction status;

4 Section 16 presently reads:

16 A licence for a well in a production spacing unit containing 2 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.

5 Section 22 presently reads:

22(1) The Board may, by order, restrict the amount of oil and gas produced in association with the oil that may be produced in Alberta

(a) by fixing a provincial allowable for crude oil, condensate and pentanes plus not exceeding the market demand as determined by the Board,

(b) by allocating the provincial allowable for crude oil, condensate and pentanes plus in a reasonable manner among the producing pools in Alberta by fixing the amount of crude oil or condensate that may be produced from each pool, or of pentanes plus that may be produced from each plant, without waste, to meet the provincial allowable so determined, and

(c) by distributing the portion of the provincial allowable allocated to a 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 just and equitable share of the oil in the pool.

(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), 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

6 Section 26(1) is amended by striking out “or” at the end of clause (d) and by adding the following after clause (d):

(d.1) an experiment in any field, pool or well, or

7 Section 71(6) is amended by striking out “or a production spacing unit”.

8 Section 72(8) is repealed.

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.

(3) This section does not apply in respect of crude bitumen or synthetic crude oil.

6 Section 26(1) presently reads:

26(1) No scheme for

- (a) enhanced recovery in any field or pool,*
- (b) the processing or underground storage of gas,*
- (c) the gathering, storage and disposal of water produced in conjunction with oil or gas,*
- (d) the storage or disposal of any fluid or other substance to an underground formation through a well, or*
- (e) the concurrent production of an oil accumulation and its associated gas cap,*
- (f) repealed 1983 cO-5.5 s30,*

shall be proceeded with unless the Board, by order, has approved the scheme on any terms and conditions that the Board prescribes.

7 Unnecessary words deleted. Section 71(6) presently reads:

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

8 Unnecessary subsection repealed. Section 72(8) presently reads:

9 *The Mines and Minerals Act is amended*

(a) *by repealing section 1(1)(u)(i) and (ii) and substituting the following:*

(i) in relation to a well drilled or being drilled in Alberta or a well producing or capable of producing petroleum or natural gas in Alberta, the drilling spacing unit for the well prescribed by or pursuant to the regulations under the *Oil and Gas Conservation Act*,

(b) *in section 116*

(i) *in subsection (2)(b) by striking out “production”;*

(ii) *by repealing subsection (4)(b) and substituting the following:*

(b) “block” and “project” mean a block and a project as defined in the *Oil and Gas Conservation Act*;

10 *Section 9 comes into force on Proclamation.*

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

9 Consequential amendment.

10 Coming into force.