

BILL

No. 71 of 1932.

An Act for the Conservation of the Gas Resources of the
Turner Valley.

(Assented to _____, 1932.)

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

1. This Act may be cited as "*The Turner Valley Gas Conservation Act.*"

2. In this Act, unless the context requires a contrary meaning—

- (a) "Area" means any land or lands constituted as an area by this Act;
- (b) "Board" means the Board constituted by this Act and appointed pursuant thereto;
- (c) "Measure of value" means that value which is established by the Board pursuant to this Act in respect of all wells or producing properties in the area;
- (d) "Owner," when used in connection with any well or producing property, means the person who is entitled to dispose of any gas or naphtha produced from such well or producing property, or who would be so entitled in the absence of any contract governing the disposition of such gas or naphtha upon the production thereof;
- (e) "Permitted production" means the maximum amount of gas which may be produced from wells or from any specified well pursuant to any order made by the Board;
- (f) "Production" means the amount of natural gas, naphtha, oil and other substances obtained or obtainable from any well;
- (g) "Well" and "Gas well" means any well situated within the area which penetrates into the formation commonly known as the dolomitic limestone.

3.—(1) All that tract of land next hereinafter more particularly described is hereby declared to be a gas conservation area, to be known as "The Turner Valley Gas Conservation Area," namely:

All of sections 27, 28, 33 and 34, in Township 18, Range 2, west of the Fifth Meridian;

All of sections 3, 4, 5, 8, 9, 16, 17, 19, 20, 21, 29, 30, 31 and 32, in Township 19, Range 2, west of the Fifth Meridian;

All of sections 25 and 36, in Township 19, Range 3, west of the Fifth Meridian;

All of sections 6, 7 and 18, in Township 20, Range 2, west of the Fifth Meridian;

All of sections 1, 11, 12, 13, 14, 15, 22, 23, 24, 25, 26, 27, 33, 34 and 35 in Township 20, Range 3, west of the Fifth Meridian;

All of sections 2, 3 and 4, in Township 21, Range 3, west of the Fifth Meridian.

(2) The Board shall have the power to exclude from time to time from the area any of the lands last above mentioned whether there is or is not any well thereon.

4.—(1) There shall be constituted a Board, to be called “The Turner Valley Gas Conservation Board” consisting of not more than three persons who shall be appointed by the Lieutenant Governor in Council, hold office during pleasure and receive such remuneration as may be from time to time fixed by order in council.

(2) The Board is appointed for the general purpose of effecting conservation in the area and for that purpose shall endeavour by means of negotiation to bring about the unified operation of the wells in the area by means of pooling or otherwise.

5. The Board shall be a body corporate and shall have the full power and authority to perform, execute and carry out all the duties and functions assigned to the Board by this Act, and for that purpose to do all and any acts and things necessary for the performance, execution or carrying out of any such duty or function, or are incidental thereto.

6. The office of the Board shall be at such place as may be from time to time approved by the Lieutenant Governor in Council.

7. The chairman of the Board shall be that member thereof appointed from time to time by the Board.

8.—(1) All meetings of the Board shall be held at the office of the Board and at the call of the chairman.

(2) The chairman shall call a meeting of the Board immediately upon being requested so to do in writing by the other two members of the Board.

(3) Forty-eight hours’ notice shall be given of all meetings of the Board, unless all the members thereof are present and waive the giving of the notice hereby prescribed.

(4) The chairman and one other member of the Board shall constitute a quorum at any meeting of the Board.

9. The chairman shall be the executive officer of the Board and shall sign all orders or directions issued by authority of the Board and shall have the full power to act for, on behalf of and in the name of the Board in the execution, performance and carrying out of any act, matter or thing which is within the power of the Board subject only to such express directions or decisions as may have been given or made by a resolution of the Board passed at a regularly-held meeting thereof.

10.—(1) The Board shall keep at its office—

- (a) full and complete minutes of all business transacted at its meetings;
- (b) full and complete accounts of all tests and investigations made by or by the direction of the Board pursuant to this Act;
- (c) full and complete accounts and records of all the financial business of the Board.

(2) All such minutes, accounts and records shall be open to the inspection of any officer of the Petroleum and Natural Gas Department of the Provincial Government, any officer of any corporation distributing gas from the area to consumers of gas, any officer of any city, town or village in which such gas is distributed, and any person having any interest in the nature of ownership in any well in the area, or any other person duly authorized in writing by him, at any time during ordinary office hours.

(3) All such minutes, accounts and records shall be deemed to be of so public a nature as to be admissible in evidence on their mere production by the Board or any employee thereof.

11.—(1) The Board is hereby empowered from time to time—

- (a) to appoint such officers, servants and employees as the Board deems necessary for the transaction of its business and to prescribe their duties, conditions of employment and remuneration;
- (b) to obtain the services of such engineers, accountants and other professional persons as the Board deems necessary for the proper and convenient transaction of its business;
- (c) to prescribe by regulation as to the manner in which and the time or times at which any of the business of the Board shall be transacted or any act, matter or thing which is within the powers of the Board shall be performed, executed or carried out, either generally or in any specified case;
- (d) to prescribe the nature and extent of any test or investigation to be made in respect of any well for any of the purposes of this Act, and without derogating from the generality of the foregoing, may prescribe either generally or in respect of any specific test or in respect of any specified well—

- (i) the time for closing down any well before or during the making of any test;
- (ii) the working pressures to be used during any test or during any time or times during which a test is being made;
- (iii) the amount of production which shall be permitted during the making of any such test.

(2) For the purpose of holding any inquiry or investigation the Board and every member thereof shall have all the powers of taking evidence under oath and compelling the attendance of witnesses which may be conferred upon a commissioner appointed pursuant to *The Public Inquiries Act*.

12.—(1) Every person who is the owner of any well in the area shall register with the Board an address for service in the Province of Alberta.

(2) All notices and orders affecting or respecting any well in the area shall be deemed to have been served upon the person entitled thereto upon the expiration of forty-eight hours, exclusive of Sundays and holidays, from the time of sending such notice or order by prepaid mail to such person at the registered address for service.

(3) If there shall be no registered address for service as aforesaid, in respect of any well, all notices and orders respecting such well shall be posted up in the public office of the Board and shall be kept so posted up for forty-eight hours, exclusive of Sundays and holidays, and upon the expiration of the said period shall be deemed to have been duly served upon the person having the control and operation of such well.

13. Forthwith upon the appointment of the Board it shall proceed to reduce the production of gas from all the wells in the area to an aggregate amount of not more than two hundred million cubic feet of gas per day, and to prescribe the daily rate of permitted production for each and every such well, and for that purpose may by order prescribe the periods during which any specified well or wells may be permitted to produce, and the total amount of the production which may be permitted during any such period from any such well or wells, and the working pressure at which all wells or any specified well shall be operated, and may by subsequent order and from time to time increase or reduce the amount of the permitted production of any well as the Board in its uncontrolled discretion deems proper.

14.—(1) The Board shall, immediately after it has provided for the reduction in the total permitted production from all the wells in the area to two hundred million cubic feet per day, proceed with all reasonable expedition to cause all the wells in the area to be subjected to tests

for the purpose of ascertaining the closed in pressures and the absolute and relative productive capacity of gas and naphtha, or either of them, of each well in the area, and for that purpose may prescribe the time or times during which any specified well or wells shall be subjected to test, the nature of the test to be made, and the working pressure at which such tests are to be made either generally or in the case of any specified well, the conditions under which all or any test is to be made, and the manner in which any such test shall be carried out, the observations to be made in reference to any test, the persons by whom such observations are to be made and the records to be kept thereof.

(2) The Board may, during the time that any tests are being made pursuant to this section, order that the total production from all wells not under test shall be an amount not in excess of one hundred million cubic feet, and that the total production from the other wells in the area under test shall be such amount as the Board deems necessary for testing purposes.

15.—(1) As soon as conveniently may be after the Board has ascertained in the manner prescribed by the foregoing section hereof the productive capacity of each and every well in the area, the Board shall proceed to determine the total amount of daily production which ought, in the opinion of the Board and in view of the productive capacity of the area, to be permitted for the time being from all the wells in the area and from each well in the area, and the Board shall, upon making such determination, make an order that as and from a date to be mentioned in such order the permitted total daily production from all the wells in the area shall not exceed the amount of total daily production specified in such order as the permitted daily production from such well, unless and until the Board otherwise orders; and the Board may by subsequent order and from time to time increase or reduce the amount of the permitted production of any well, as the Board in its uncontrolled discretion deems proper.

(2) The Board shall then proceed with all reasonable expedition to determine—

- (a) the probable amount of gas which may be obtainable from any reservoir or reservoirs tapped by such wells or any of them;
- (b) the probable length of time during which such reservoirs will continue to produce having regard to the extent by which the same are being drained;
- (c) the immediate and prospective requirements of persons who presently are or hereafter may become consumers of gas produced in the area for domestic or industrial purposes;
- (d) the extent to which gas produced in the area can be used for any useful purpose;

- (e) efficient methods of effecting conservation in gas production in the area;
- (f) the measured value of each well and area and any gas or oil rights in the area which the Board deems to have any share value; and
- (g) the total daily production of all wells in the area which may be properly allowed having regard to the obviation of waste and the co-ordination of the supply to the prevailing economic needs.

16. The Board shall, as soon as conveniently may be and in any event within six months after its appointment, proceed to determine the measure of value of each well in respect of its naphtha production and gas production, and such measures of value shall be determined by such tests and calculations as the Board may in its uncontrolled discretion deem proper having regard to the spacing of wells, the undrilled acreage held in connection with the well, and any other circumstance.

17. In case two or more wells belonging to and operated by the same person, or in the case of two or more wells belonging to different owners and operated as a unit or under any pooling agreement, the owners or operators thereof may, with the written consent of the Board and subject to any directions given by the Board, but not otherwise, obtain the amount of the production permitted in respect of all such wells from any one or more of such wells upon making a corresponding reduction in the production from the other wells.

18. As soon as reasonably possible and in any event not later than the first day of October, 1932, the Board shall proceed to hold a public inquiry for the purpose of—

- (a) determining any further readjustment of the aggregate permitted production of all wells in the area which the Board deems expedient and proper having regard to the knowledge then available as to the content of any reservoir or reservoirs in the area and to the requirements of residents of the Province for supplies of gas and naphtha;
- (b) ascertaining—
 - (i) The net detriment, if any, suffered by any person in respect of any well in the area arising out of anything done pursuant to this Act, having regard to any circumstances which the Board deems material or relevant, and without in any way derogating from the generality of the foregoing, by reason of any loss of production of gas and naphtha, or either of them; any loss caused by deferment of revenue; and any depreciation in the present value of the prospective production of the well due to the ex-

tension of the period for obtaining and marketing such production;

- (ii) The benefit, if any, and the extent and value thereof arising out of anything done pursuant to this Act and resulting to consumers of gas for industrial purposes; consumers of gas for domestic purposes; persons engaged in the business of gathering and scrubbing gas; and persons engaged in the business of distributing gas to the consumers thereof;
- (iii) The benefit, if any, arising out of anything done in pursuance of this Act resulting to any well or producing property;
- (iv) The persons by whom and to whom any sum ought to be paid which the Board considers should be paid on account of any detrimental consequences or any beneficial consequences.

19. The Board shall use such endeavours as it deems proper for the purpose of bringing about the unified operation of all the wells in the area by means of voluntary pooling, upon a fair and equitable basis, and if on the first day of October, 1932, or at any earlier date the Board considers that there is no reasonable prospect of unified operation being accomplished by voluntary pooling, or that the basis of any established or proposed scheme of pooling is not fair or equitable, the Board shall then report to the Lieutenant Governor in Council and shall draw up and submit therewith a recommendation as to any scheme of unified operation of all the wells in the area which appears to the Board to be necessary to ensure proper conservation of the production of the area, the protection of the interests of producers and consumers of gas and of persons engaged in gathering, processing and distributing gas; and shall further report as to whether or not any compensation should be payable in respect of all the wells in the area on account of any detrimental consequences to such wells resulting from any measures of conservation, the amount which should be payable in respect of the beneficial consequences, if any, in respect of such wells resulting from any measures of conservation, the amount, if any, which should be payable in respect of any beneficial consequences resulting to any person engaged in the gathering, processing and distributing of gas and any consumers thereof or any class of such consumers, and shall further report as to the nature of any financial or other relationships which ought to be established between any producer or producers or association of producers and any other producer, producers or association of producers, for the purpose of ensuring a fair and equitable return in respect of each well, producing property and proven acreage in the area out of the revenues of all the wells in the area.

20.—(1) From and after the day upon which the Board is appointed there shall be payable in respect of every thousand cubic feet of gas produced by wells in the area which is

from and after the said day sold and delivered to any public utility an interim rate of two cents, which rate shall be paid to the Board by the public utility purchasing any such gas, and shall continue to be payable for such period not in excess of six months as may be ordered by the Board.

(2) The Board shall distribute the proceeds of the interim rate at such times, in such manner and in such amounts as the Board in its uncontrolled discretion deems proper amongst such owners of wells in the area as have in the opinion of the Board suffered any detriment or hardship by reason of anything done pursuant to this Act.

21.—(1) The Board is hereby empowered to raise by means of a rate levied on all the gas, naphtha and other products of all wells in the area such sums as may be necessary to defray the costs, charges and expenses of the Board, in the absence of any other provision being made for their defrayal.

(2) The Board shall, unless other provision has been made for the defrayal of its expenditures within thirty days of the date of its appointment and thereafter in the months of January, April, July and October in each year, make an estimate of its probable expenditures for a quarter of a year for which such estimate is made and of the probable amount of gas, naphtha and other products produced by wells in the area which will be sold, and to proceed to make a levy at a definite amount of money upon each thousand cubic feet of gas sold during such quarter and at a definite amount of money upon each gallon of naphtha or other product from such wells sold during such quarter, and in fixing amounts to be levied respectively on gas, naphtha or other products the Board shall have an absolute and uncontrolled discretion.

22.—(1) As soon as the Board has determined the amount of the levy or levies to be made for the current quarter, it shall proceed to make a demand in writing for the payment thereof upon the persons having the control and operation of each well in the area.

(2) The amount so demanded shall be payable in respect of all gas, naphtha and other products upon which it is levied which are sold from and after the day upon which the Board is appointed.

23.—(1) All sums of money payable on account of any rate made pursuant to this Act in respect of any gas or naphtha shall be paid to the Board or to such persons as the Board shall direct on or before the fifteenth day of the month following the month in which any such gas or naphtha is either delivered to a public utility or sold to any other person.

(2) The sum payable in respect of gas sold to a public utility shall be paid by the public utility; and the sum payable in respect of gas or naphtha sold to any person other than a public utility shall be paid by the purchaser to the vendor who shall remit the same to the Board or such person or persons as the Board may direct.

24. Every order made by the Board pursuant to any of the provisions of this Act shall, upon being served, have the same force and effect as if such order had been an integral part of and had been enacted by this Act.

25. In case default is made in complying with any order or direction made or given by the Board in respect of any well, the Board may give notice of such default to any person or persons from whom any money is due or accruing due in respect of the purchase price of any gas, or other product from such well, and requiring such last mentioned persons to pay to the Board all sums then owing or which may thereafter become owing for the purchase price of any such gas, or other product until such time as the default is remedied, and thereupon such persons shall pay to the Board all such sums as and when the same may become due; and any payment so made to the Board shall be deemed to be in full satisfaction of all claims of the persons having the control and operation of such well; and all sums so received by the Board shall be retained by the Board until the default in respect of which the notice was given shall have been remedied.

No. 71.

SECOND SESSION
SEVENTH LEGISLATURE
22 GEORGE V
1932

B I L L

An Act for the Conservation of the
Gas Resources of the Turner Valley.

Received and read the

First time.....

Second time.....

Third time.....

HON. MR. BROWNLEE

EDMONTON:
W. D. McLENN, KING'S PRINTER
1932