

EXPLANATORY NOTES

BILL

No. 56

*An Act to amend *The Oil and Gas Conservation Act, 2017**

Clause of Bill

- 1 This Act may be cited as *The Oil and Gas Conservation Amendment Act, 2017*.
- 2 *The Oil and Gas Conservation Act* is amended in the manner set forth in this Act.
- 3 **Existing Provision**

Interpretation

2(1) In this Act:

(a) **Repealed.** 1990-91, c.39, s.3.

(a.1) “**board**” means the Oil and Gas Conservation Board established pursuant to section 7;

(b) **Repealed.** 2011, c.11, s.3.

(c) **Repealed.** 1990-91, c.39, s.3.

(d) “**drainage unit**” means the area allocated to one or more wells for the purpose of drilling for and producing oil or gas, and includes subsurface areas bounded by the vertical planes in which the surface boundaries lie;

(d.1) “**electronic**” means created, recorded, transmitted or stored in digital or other intangible form by electronic, magnetic or optical means or by any other similar means;

(e) “**field**” means the general area underlaid by one or more pools;

(e.1) “**fund advisory committee**” means the fund advisory committee established pursuant to section 20.92;

(f) “**illegal gas**” means gas produced from any well in the province in violation of this Act or any regulation or order made under the authority thereof;

(g) “**illegal oil**” means oil produced from any well in the province in violation of this Act or any regulation or order made under the authority thereof;

(h) “**illegal product**” means a commodity derived in whole or in part from illegal oil or illegal gas;

(h.1) “**licence**” means a licence issued pursuant to section 9 or 14;

(h.2) “**licensee**” means a person who holds a licence and includes a trustee or receiver-manager of property of a licensee;

(i) **Repealed.** 1990-91, c.39, s.3.

(j) “**minister**” means the member of the Executive Council to whom for the time being the administration of this Act is assigned;

(j.01) “**ministry**” means the ministry over which the minister presides;

(j.1) “**non-oil-and-gas substance**” means any substance, other than oil and gas waste, from a prescribed industry;

(j.2) “**oil and gas waste**” means physical waste as that term is ordinarily understood in relation to the activities of the oil and gas industry, but does not include physical waste prescribed for the purposes of this clause;

(j.3) “orphan fund” means the Oil and Gas Orphan Fund continued pursuant to section 20.91;

(k) “**owner**” means a person who has the right to produce oil or gas from a pool and appropriate the oil or gas that person produces from the pool to the person, to other persons or to the person and other persons;

(l) “**pool**” means:

(i) an underground reservoir that:

(A) contains or appears to contain an accumulation of oil or gas; and

(B) is separated or appears to be separated from any other reservoir or accumulation in the general structure;

(ii) a portion of an underground reservoir described in subclause (i) that is determined by the minister to be a pool for reasons of development or administration; or

(iii) a group of underground reservoirs described in subclause (i) that is determined by the minister to be a pool for reasons of development or administration;

(l.1) “**prescribed**” means prescribed in the regulations;

(m) “**producer**” means the owner of a well that is capable of producing oil or gas;

(n) “**product**” means a commodity made from oil or gas and includes refined crude oil, crude tops, topped crude, processed crude, processed crude oil, residue from crude oil, cracking stock, uncracked fuel oil, fuel oil, treated crude oil, residuum, gas oil, casinghead gasoline, natural-gas gasoline, lubricating oil, blends or mixtures of oil with one or more liquid products or by-products derived from oil or gas and blends or mixtures of two or more liquid products or by-products derived from oil or gas, whether or not mentioned herein;

(n.1) **Repealed.** 2011, c.11, s.3.

(n.2) **Repealed.** 2011, c.11, s.3.

(n.3) “**registry**” means the petroleum registry established pursuant to section 66;

(o) **Repealed.** 1990-91, c.39, s.3.

(p) “**wasteful operations**” means:

(i) the inefficient, excessive or improper use of, or the dissipation of, reservoir energy;

(ii) the locating, spacing, drilling, equipping, completing or operating of or producing from a well in a manner that causes, or is likely to cause:

(A) a reduction in the quantity of oil or gas ultimately recoverable from a pool under prudent and proper operations and practices; or

(B) unnecessary or excessive surface loss or destruction of oil or gas;

(iii) the inefficient or improper storage of oil or gas, whether on the surface or in a subsurface formation; or

(iv) the escape or the flaring of gas, if in the opinion of the minister, having regard to prudent and proper operations and practices, the gas could be gathered, processed if necessary, and the gas or the products from it marketed, stored for future marketing or beneficially injected into a subsurface formation;

(q) “**well levy**” means the well levy imposed pursuant to section 9.11.

Explanation

The definition of "well levy" that appears in clause (2)(1)(q) is repealed and replaced with a new definition for "administrative levy" which will appear as clause 2(1)(a.01). The new name reflects the broader application of the levy imposed pursuant to section 9.11 to include both wells and pipelines. The definition of "licence" that appears in clause 2(h.1)

is expanded to include pipeline licences issued pursuant to *The Pipelines Act, 1998* for the purposes of assessing the administrative levy.

4 Existing Provision

Well levy

9.11(1) A well levy is imposed on all wells licensed pursuant to this Act.

(2) The well levy imposed by this section is to be calculated in accordance with the regulations and any adjustment factors set by the Lieutenant Governor in Council pursuant to subsection 16(2).

(3) Every licensee shall pay the well levy imposed pursuant to this section in the prescribed manner and within the prescribed period.

2014, c.21, s.5.

Explanation

Section 9.11 is repealed and replaced with a new section 9.11 with the following changes:

- The term “well levy” is changed to “administrative levy” throughout the section and in the heading to reflect its new name; and
- The licences subject to the administrative levy set out in subsection 9.11(1) are expanded to include both wells and pipelines.

5 Existing Provision

Interest

9.12 If any amount with respect to the well levy is not remitted by a licensee to the minister as and when required by the regulations, the licensee shall pay interest on that amount to the minister at the prescribed rate from the day on which that amount should have been remitted to the day on which it is remitted.

2014, c.21, s.5.

Explanation

The term "well levy" that appears in this section is changed to "administrative levy" to reflect its new name.

6 Existing Provision

Overpayment

9.13(1) Subject to subsection (2), if a licensee has made an overpayment of a well levy, the minister:

(a) shall refund the amount of the overpayment to the licensee; and

(b) may pay interest at the prescribed rate.

(2) No refund is payable if the fact of the overpayment did not come to the knowledge of the minister within four years from the date on which the overpayment occurred.

(3) Notwithstanding *The Limitations Act*, no action may be brought to recover an overpayment after the expiration of four years from the date on which the overpayment occurred.

(4) The refund for an overpayment of a well levy is to be made in a manner approved by the minister.

2014, c.21, s.5.

Explanation

The term "well levy" found in subsections 9.13(1) and 9.13(4) is changed to "administrative levy" to reflect its new name.

7 Existing Provision

Amendment, suspension, cancellation of licences

12(1) The minister may amend or suspend a licence where the amendment or suspension is necessary for the purposes of public safety or the safety of any person or for the protection of property or the environment.

(2) The minister may amend, suspend or cancel a licence if:

(a) the licensee is in agreement with the amendment, suspension or cancellation;

(a.1) the licensee fails to pay the well levy within the prescribed period;

(b) the licensee fails to comply with a notice issued pursuant to subsection 11(1) within the period specified in the notice;

(c) the security required pursuant to section 15 has not been provided in the amount and within the time required; or

(d) the licensee has contravened any provision of this Act or the regulations or has failed to comply with any order made pursuant to this Act.

2001, c.26, s.5; 2011, c.11, s.20; 2014, c.21, s.9.

Explanation

The term "well levy" found in clause 12(2)(a.1) is changed to "administrative levy" to reflect its new name.

8 Existing Provision**Regulations**

16(1) The Lieutenant Governor in Council may, for the purposes of this Part, make regulations:

...

(e.1) for the purposes of section 9.11:

- (i) respecting the amount and payment of well levies;
- (ii) prescribing formulas to determine the well levies payable with respect to wells;
- (iii) authorizing the minister to establish classes of services provided pursuant to this Act to be used in formulas to determine well levies;
- (iv) prescribing the period within which the well levy must be paid or remitted;
- (v) respecting the manner of payment of the well levy;
- (vi) establishing classes of wells and classes of licences; and
- (vii) exempting classes of wells and classes of licences from the payment of a well levy;

(e.2) for the purposes of section 9.12, prescribing the rates of interest to be paid on amounts with respect to well levies;

(e.3) for the purposes of section 9.13, prescribing the rates of interest to be paid on overpayments;

(2) The Lieutenant Governor in Council may, by order, set any adjustment factors that the Lieutenant Governor in Council considers appropriate to be applied to the calculation of the well levy

2001, c.26, s.5; 2011, c.11, s.16; 2014, c.21, s.8

Explanation

Clause 16(1)(e.1) is repealed and replaced with a new clause that includes the following changes:

- the term "well levy" or "well levies" is changed throughout the clause to "administrative levy" or "administrative levies" to reflect the new name of the levy; and,
- the regulated classes of licences subject to the administrative levy is expanded from "wells" to "wells and pipelines".

Clause 16(2)(e.2) and subsection (2) will be amended to change the name of "well levy" to "administrative levy" to reflect its new name.

9 Existing Provision

None.

Explanation

The amendments come into force on proclamation.