



CHAPTER 70.

An Act respecting Petroleum and Natural Gas.

[Assented to 31d April, 1947.]

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

1. This Act may be cited as the "Petroleum and Natural Gas Act, 1947." Short title

2. (1.) In this Act, unless the context otherwise requires:— Interpretation

"Controller" means the official appointed by the Lieutenant-Governor in Council under section 57 of this Act:

"Crown petroleum and natural gas" means all petroleum and natural gas occurring in or under:—

(a.) All land belonging to the Crown;

(b.) Alienated land the right whereon to enter and raise and get thereout any petroleum and natural gas has been reserved to the Crown;

(c.) Land held under lease issued under the provisions of the "Land Act";

(d.) Land in respect of which a timber licence or timber lease has been issued;

For the purposes of this definition, "land" includes land covered by water:

"Lessee" means a person who is the holder of a petroleum and natural gas lease in good standing:

"Licensee" means a person who is the holder of a petroleum and natural gas licence in good standing:

"Location" means the tract described in a petroleum and natural gas permit, licence, or lease:

"Minister" means Minister of Lands and Forests:

“Operator” includes “permittee,” “licensee,” and “lessee”:

“Permittee” means a person who is the holder of a petroleum and natural gas permit in good standing:

“Products” means petroleum and natural gas obtained or obtainable from any location and also every petroleum and natural gas product obtained or obtainable from any location, including any products obtained by separation, absorption, or in any other manner:

“Regulations” means regulations made pursuant to the provisions of this Act:

“Year” means a continuous period of twelve calendar months commencing on any date.

Definition of
boundaries

(2.) For the purposes of this Act, boundaries beneath the surface of a location are the vertical planes in which the surface boundaries of the location lie.

Division of Act

3. This Act shall be divided into parts relative to the following subjects:—

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PART I.

DISPOSITION OF PETROLEUM AND NATURAL GAS.

Disposition of
oil and
natural gas

4. Crown petroleum and natural gas that are subject to disposition by the Crown shall be disposed of only by the Minister pursuant to the provisions of this Act and the regulations.

Permits, licences
and leases

5. Crown petroleum and natural gas may be disposed of by a permit, by a licence, or by a lease.

Permits.

Right of
prospect

6. A permit shall confer upon a permittee the right:—

(a.) If the permit is restricted to surface geology, to prospect only on the surface of the location for petroleum and natural gas:

(b.) If the permit is not restricted to surface geology, to prospect on the location for petroleum and natural gas,

and in prospecting to perform structural drilling and geophysical operations or investigations relating to subsurface geology.

7. Any person may apply for a permit, and an application shall be made in writing to the Controller. Application for permit.

8. (1.) An application shall:—

- (a.) Designate the location and state the area thereof:
- (b.) State whether the permit is to be restricted to surface geology:
- (c.) Indicate the type, extent, and cost of the proposed prospecting:
- (d.) Furnish an estimate of the time required to make an examination of the location:
- (e.) Submit a geological report if one is available.

Contents of application.

(2.) An application shall be in the form prescribed.

9. (1.) An applicant shall with an application pay a permit fee of two hundred and fifty dollars, and he shall also pay rent as follows:— Permit fee and rent.

- (a.) If the permit is restricted to surface geology, the sum of seven hundred and fifty dollars for each area of fifteen thousand acres or fraction thereof contained in the location:
- (b.) If the permit is not restricted to surface geology, the sum of one thousand dollars for each area of ten thousand acres or fraction thereof contained in the location.

(2.) If an application is refused, the permit fee and rent shall be repaid. Repayment of fee and rent.

10. In the case of a permit restricted to surface geology:— Refund of rent

- (a.) If, during the first year of the permit, investigation-work to the value of five cents per acre or more is done on the location; or
- (b.) If the permittee obtains a licence within the limits of the location and commences drilling for petroleum or natural gas,—

the Minister may in his discretion make a refund of all or a part of the rent paid pursuant to section 9.

11. In the case of a permit not restricted to surface geology:— Refund of rent

- (a.) If, during the first year of the permit, investigation-work to the value of ten cents per acre or more is done on the location; or
- (b.) If the permittee obtains a licence within the limits of the location and commences drilling for petroleum or natural gas,—

the Minister may in his discretion make a refund of all or a part of the rent paid pursuant to section 9.

Refund only in respect of first year

12. No refund shall be made except in respect of the first year of a permit.

Application for refund

13. If a permittee desires a refund pursuant to clause (a) of section 10 or clause (a) of section 11, he shall apply therefor to the Controller and shall furnish:—

- (a.) A statement of the expenditures made by him verified by statutory declaration:
- (b.) Maps showing the areas covered by survey or surveys and the location of shot-holes and other holes drilled and, when possible, their deviations:
- (c.) All information obtained concerning the depth of each hole, the presence of water, coal, gravel, sand, or other potentially useful products revealed by the survey or by shot-holes or other holes:
- (d.) A report and map setting out the regional geological features of the area surveyed.

Area of licence location

14. (1.) The maximum area of a location under a permit shall be two hundred and fifty-six thousand acres; and the minimum area shall be fifteen thousand acres in the case of a permit restricted to surface geology and ten thousand acres in the case of a permit not restricted to surface geology.

(2.) The shape and the description of a location under a permit shall be as provided in the regulations.

(3.) A permittee may at any time, with the consent of the Controller, relinquish a part of his location, and the part retained shall be subject to the provisions of this Act.

Term of licence

15. (1.) A permit shall be for a period of one year.

(2.) The Controller may, on the application of a permittee before the expiration of his permit or of any extension thereof, give an extension of the permit for three months, and he may give as many extensions as he sees fit, but not so as to extend the duration of the permit beyond three years.

Permit fee and rent on extension

16. With each application for an extension of a permit, a permittee shall pay to the Controller a permit fee of sixty-five dollars and also rent as follows:—

- (a.) If the extension is during the second year of the permit and if the permit is restricted to surface geology, a sum of money equal to two and one-half cents per acre; but if it is not restricted to surface geology, a sum of money equal to three and three-quarter cents per acre:

- (b.) If the extension is during the third year of the permit and if the permit is restricted to surface geology, a sum of money equal to three and three-quarter cents per acre; but if it is not restricted to surface geology, a sum of money equal to five cents per acre.

17. If a permittee has complied with the provisions of the Act and of the regulations and of the permit, he shall, at any time before the expiration of the permit, have:—

Permittee's right to renewal or licence.

- (a.) The exclusive right to a renewal subject to sections 15 and 16:
 (b.) The exclusive right to a licence or licences within the limits of the location.

Licences.

18. A licensee shall have the right to search and prospect and to conduct drilling or operations for the discovery of petroleum or natural gas within the limits of the location covered by his licence.

Rights under a licence.

19. During the term of a permit no person except the permittee may apply for a licence within the limits of the location covered by the permit.

Licence within location under permit.

20. (1.) Except as provided in section 19, any person may apply for a licence.

Application for licence.

(2.) An applicant shall apply in writing to the Controller.

21. (1.) An application shall:—

Contents of application

- (a.) Designate the location and, if it is the case, state that the location is within the limits of a location held by the applicant under a permit:
 (b.) Indicate the type, extent, and cost of the proposed work:
 (c.) Furnish an estimate of the time required to complete the work.

(2.) An application shall be made on a form prescribed by the Controller.

(3.) Every location in respect of which a licence is desired shall, before an application is made, be staked, if the location is in unsurveyed territory, in the manner prescribed by regulations.

22. An applicant shall with his application pay a licence fee of twenty-five dollars and also the rent for the first year.

Licence fee and rent.

23. The rent for a year or part of a year shall be fifty cents per acre.

Amount of rent

Repayment on
refusal of
application

24. If an application is refused, the licence fee and rent shall be repaid.

Area

25. The area of a location under a licence shall be two square miles, and it shall be rectangular in form, and the length shall not exceed twice the width.

Term of a licence

26. The term of a licence shall be one year; but if a licensee has complied with the provisions of this Act and of the regulations and of the licence, but has not completed his drilling programme within the term of the licence, he shall be entitled to a renewal of the licence from year to year for successive years upon the same terms and conditions, and he shall pay both a licence fee and rent for each year in advance.

Right of licensee to
renewal or lease

27. A licensee, if he has complied with the provisions of this Act and of his licence, shall be entitled:—

(a.) To a renewal of the licence:

(b.) To a lease or leases within the location covered by the licence.

Establishment
of credit

28. (1.) If a licensee has expended money in drilling on his location over seven dollars and fifty cents per acre, he may, within ninety days after the time of incurring such expenditure, but not later, apply to the Controller for the establishment of a credit in the Department of Lands and Forests, and the Controller may, if he sees fit, establish a credit in the name of the applicant for such amount as the Controller sees fit; and in determining whether a credit shall be established and the amount thereof, the Controller shall take into consideration the amount of money spent by the applicant on his licence.

(2.) If a credit is established pursuant to subsection (1), the Controller may, at any time within three years after the date of the establishment, but not later, permit the credit or part of it to be used as a credit on account of any moneys payable under this Act for rent in respect of a permit, licence, or lease held by the person in whose name the credit is established in accordance with regulations.

(3.) A credit shall not be available for any purpose other than rent, and if not used within three years after its establishment, it shall be extinguished.

Right where reserve
has been established

29. Where an area adjoining the location under a licence has been proclaimed a district reserve pursuant to subsections (1), (2), and (3) of section 53, and rights under this Act in respect of that area have been offered for sale by public tender pursuant to subsection (7) of section 53, if an acceptable tender is

received, the Minister shall not accept that tender without first offering the rights to the licensee in respect of whose licence the reserve was proclaimed at ninety per centum of the bid, and if the licensee within one week after the offer is made to him offers to purchase for that amount, the rights shall be sold to him, but otherwise the bid of the tenderer may be accepted.

Leases.

30. A lessee shall have the right to produce petroleum and natural gas from the location covered by the lease. Rights under a lease.

31. (1.) No person except a licensee who establishes to the satisfaction of the Controller that he has found petroleum or natural gas in commercial quantities on the location covered by his licence, and that he has complied with the provisions of this Act and of the regulations and of his licence, shall be entitled to apply for a lease. Persons who may apply for a lease.

(2.) An applicant shall apply in writing to the Controller.

32. (1.) An application shall:—

(a.) Designate the location: Contents of application.

(b.) Furnish evidence that the applicant has found petroleum or natural gas in commercial quantities on the location covered by his licence.

(2.) An application shall be made on a form prescribed by the Controller.

(3.) Every location in respect of which a lease is desired shall, before an application is made, be staked, if the location is in unsurveyed territory, in the manner prescribed by regulations.

33. An applicant shall with his application pay a lease fee of twenty-five dollars and the first annual rental for the lease. Payment of lease fee and rental.

34. The annual rental for a lease shall be one dollar per acre per annum, payable yearly in advance. Amount of rental.

35. If an application is refused, the lease fee and rent shall be repaid. Payment on refusal of application.

36. The area of a location under a lease shall be two square miles, and it shall be rectangular in form, and the length shall not exceed twice the width. Area.

37. The term of a lease shall be twenty-one years; but if a lessee has complied with the provisions of this Act and of the regulations and of his lease, he shall be entitled to successive Term of lease.

- (a.) Refuses or fails to make any return required to be made; or
- (b.) In the making of any return or otherwise, withholds any information necessary for computing royalty or any other information required by the Minister or the Controller pursuant to the provisions of this Act or of the regulations; or
- (c.) Refuses or fails to comply with any of the provisions of this Act.—

shall be guilty of an offence against this Act and liable, on summary conviction, to a fine not exceeding one thousand dollars.

Commencement
of Act.

65. (1.) This Act shall come into operation on a date to be fixed by the Lieutenant-Governor by his Proclamation.

(2.) On the date on which this Act comes into operation, the "Petroleum and Natural-gas Act" shall be repealed.

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(2.) The royalty payable in respect of natural gas shall be as stated in the permit, licence, or lease.

(3.) The royalty payable in respect of all other products shall be at the rate of twelve and one-half per centum of the gross value of the products at the well-head.

(4.) No royalty shall be payable on products used by a licensee or lessee in conducting drilling operations.

(5.) For the purpose of computing royalty, the gross value of products shall be ascertained in accordance with regulations.

(6.) Every operator shall keep an account of all products produced at each well and of the disposal thereof, and shall make a monthly return thereof to the Controller within fifteen days after the end of each month.

(7.) Accounts shall be kept and returns made in the manner prescribed by regulations.

(8.) Royalty shall be payable monthly within fifteen days after the end of each month for that month.

(9.) If royalty remains unpaid on the last day of the month in which it is payable, it shall become delinquent on that day.

(10.) An operator shall pay to the Controller monthly such sums of money as are due to the Controller by him.

PART IV.

PROVISIONS APPLICABLE TO ALL LOCATIONS.

42. No permit, licence, or lease shall be assigned, transferred, or sublet or disposed of without the consent of the Controller first having been obtained. No transfer without consent

43. No application for a location shall be granted if the applicant at the time of application is in default in respect of any payment to the Crown under this Act. Application not granted if applicant in default

44. (1.) The Controller may permit an operator to group adjacent licences or leases held by him, not exceeding eight in number, but licences shall not be grouped with leases. Grouping

(2.) All work required to be done on licences or leases may be done on one or more when grouped.

(3.) When licences or leases have been grouped, the grouping shall not be changed until after the expiry of twelve months.

45. No operator shall remove any machinery, tools, plant, equipment, or operating structure, or disturb any part of the casing at any well or upon any location, without the authority of the Controller in writing, unless there has been satisfactory Prohibition against moving machinery, etc., till all moneys paid

compliance with the provisions of this Act and the regulations made thereunder and with the conditions or covenants of the licence or lease, and unless all rental, royalty, interest, and moneys by way of penalty or otherwise due to the Province by the operator of the location have been paid.

Payments monthly 46. The operator of a well shall pay to the Controller monthly all moneys due to the Crown.

Power of Minister to enter upon a location. 47. The Minister or any person duly authorized by him shall have power at all times to enter upon any location and to have access to all wells, records, plant, and equipment; and the operator shall render such assistance as may be necessary or essential; and any person authorized as aforesaid shall have the right to take samples and copies of records and to carry out any tests or examinations he desires.

Moneys recoverable by action. 48. All moneys payable under this Act may be recovered with costs by action at the suit of the Crown.

False statement or evasion 49. Every person availing himself of any false statement or oath to evade the payment of any royalty payable to the Crown with respect to the products of any well, or endeavouring to convey out of the Province any such products without first paying the royalty, shall, on summary conviction, be liable to a penalty not exceeding five hundred dollars.

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PART V.
LIENS.

Lien for royalty 50. The Crown shall have a lien for the amount of any royalty payable under this Act or the regulations, and for all expenses of seizure, detention, or sale incurred in enforcing the lien, upon all refineries, pipe-lines, storage-tanks, pumps, machinery and equipment, trucks, and all products of any well, whether in the state they are produced, or blended, or manufactured, belonging to the person from whom the royalty is due; such lien to constitute a first charge in priority to all other liens and to all encumbrances or charges created by any contract or arising under any Statute or otherwise howsoever, and to confer the same rights and to be enforceable in the same manner as the lien and rights of recovery of royalty conferred by the provisions in that behalf of this Act, including an absolute unconditional power to sell.

Officer may call in assistance 51. Every officer or agent making any seizure under this Act may call in any assistance necessary for securing and protecting the products or thing seized.

52. All products of any well, whether in the state they are produced, or blended, or manufactured, seized under this Act shall be deemed to be forfeited to the Crown unless the amounts due for royalty or rental and all expenses of seizures and detention are paid within ten days from the day of seizure, or unless the owner thereof, within ten days after the day of seizure, gives notice to the person who made the seizure, or to the Controller that he disputes the seizure; and failing such payment or notice, the Minister may order the sale of such products, or of so much thereof as may be sufficient to pay all royalties and rentals, and all expenses of seizure, detention, and sale.

All products seized are forfeited to the Crown.

Operator may dispute seizure.

PART VI.

RESERVES.

53. (1.) The Lieutenant-Governor in Council may at any time, by notice signed by the Minister and published in one issue of the Gazette, declare any area defined in the notice to be a reserve district.

Reserves.

(2.) If a person applies for a licence in a reserve district, he shall with his application describe an area adjoining the location in respect of which the application is made, and the area so described shall be of equal dimensions to the location for which application is made.

(3.) If the application for a licence is granted, the area as described pursuant to subsection (2) shall thereupon become a reserve, and shall be known as a "Crown reserve."

(4.) The Lieutenant-Governor in Council may also at any time, by notice signed by the Minister, declare any area defined in the notice to be a Crown reserve.

(5.) Where two or more leases or licences are so situated that intervening land is less than two square miles in extent, that intervening land shall be deemed to be a Crown reserve.

(6.) When a Crown reserve has been created pursuant to subsection (3), (4), or (5), no person may apply for or receive a permit, licence, or lease in respect of that area.

(7.) Any part of a Crown reserve may be disposed of by the Lieutenant-Governor in Council at any time by public tender, and in that event tenders shall be called for by notice signed by the Minister and published in the Gazette and a newspaper published and circulating in the same land recording district.

(8.) The Lieutenant-Governor in Council may cancel any reserve.

PART VII.

RIGHTS-OF-WAY.

Rights-of-way.

54. The Lieutenant-Governor in Council, upon being satisfied of a company's bona fides and its intention and ability to carry out the proposed undertaking, may, subject to any stipulated terms or conditions, authorize the company to expropriate and purchase lands, or an easement or right-of-way, for the purpose of constructing, operating, and maintaining pipe-lines and accessories to transmit oil or gas, and for rights of access thereto, and may prescribe the nature and extent of the lands or rights to be acquired, and make such provisions for procedure, method of arbitration, terms of payment, and other matters relating to the expropriation, purchase, and operation as may be deemed requisite.

Power of Minister in respect of rights-of-way.

55. The Minister of Lands and Forests is authorized to make an agreement with such a company for the purchase of Crown lands, or an easement or right-of-way over and across such lands or along or across public highways or bridges, for the purpose of constructing, operating, and maintaining pipe-lines and accessories to transmit oil or gas, and rights of access thereto, on such terms and conditions as he may deem proper, and the agreement shall be effective according to its provisions when approved by the Lieutenant-Governor in Council.

Power to make regulations.

56. The Lieutenant-Governor in Council may make regulations to supplement or give full effect to the provisions of this Act. In particular, without limiting the generality of the foregoing, he may provide for the refusal, changing, or cancellation of permits or licences that are deemed by him, because of interference with other actual or prospective operations or for other reasons, not to be in the public interest.

PART VIII.

GENERAL.

Appointment of Controller and staff.

57. A Controller and such other clerks and employees as may be necessary may be appointed pursuant to the provisions of the "Civil Service Act, 1945," all of whom shall hold office during pleasure.

Administration by Controller.

58. This Act shall be administered by the Controller, subject to the supervision of the Minister.

59. All moneys collected under the provisions of this Act shall be paid into Consolidated Revenue Fund.

Moneys paid to Consolidated Revenue.

60. All moneys required for the administration of this Act shall, in the absence of a special vote of the Legislature, be paid out of Consolidated Revenue Fund.

Administration moneys.

61. For the purpose of carrying into effect the provisions of this Act according to its true intent, or of supplying any deficiency therein, or of meeting cases that may arise and for which no provision is made in this Act, or cases where the provision that is made is ambiguous or doubtful, the Lieutenant-Governor in Council may make such regulations not inconsistent with the spirit of this Act as are considered necessary or advisable.

Power to make regulations.

62. Without limiting the generality of the provisions contained in section 58, it is declared that the power of the Lieutenant-Governor in Council to make regulations shall extend to:—

Power to make regulations.

- (a.) Prescribing the form of permits, licences, and leases for the purposes of this Act:
- (b.) Prescribing the form of applications, notices, and other documents required for the purposes of this Act:
- (c.) Prescribing the manner in which a location may be staked and described for the purposes of an application for a permit, licence, or lease:
- (d.) Governing the drilling, production, and working of wells, including wells drilled for water:
- (e.) Prescribing the manner in which values shall be ascertained for royalty purposes:
- (f.) Meeting any difficulty that may arise by reason of the repeal of the "Coal and Petroleum Act" and the substitution of the provisions of this Act in relation to matters that were previously covered by the provisions of the "Coal and Petroleum Act," so that rights acquired by virtue of the "Coal and Petroleum Act" or in process of being acquired under that Act shall not be destroyed.

63. Every person who drills for geological or geophysical purposes or for the recovery of Crown petroleum and natural gas without having obtained a right so to drill or recover pursuant to this or some other Act of the Legislature shall, on summary conviction, be liable to a fine not exceeding five hundred dollars.

Penalty

64. Every operator who in violation of any provision of this Act or of the regulations made thereunder:—

Offences

- (a.) Refuses or fails to make any return required to be made; or
- (b.) In the making of any return or otherwise, withholds any information necessary for computing royalty or any other information required by the Minister or the Controller pursuant to the provisions of this Act or of the regulations; or
- (c.) Refuses or fails to comply with any of the provisions of this Act.—

shall be guilty of an offence against this Act and liable, on summary conviction, to a fine not exceeding one thousand dollars.

Commencement
of Act.

65. (1.) This Act shall come into operation on a date to be fixed by the Lieutenant-Governor by his Proclamation.

(2.) On the date on which this Act comes into operation, the "Petroleum and Natural-gas Act" shall be repealed.

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