

CHAPTER 32.

An Act respecting Petroleum and Natural Gas.

[Assented to 13th April, 1932.]

H 18 MAJESTY, by and with the advice and consent of the L-gislative Assembly of the Province of British Columbia, enacts as follows:—

Preliminary.

- 1. This Act may be cited as the "Petroleum and Natural Gas short title. Act."
 - 2. In this Act, unless the ontext otherwise requires:-

Interpretation

- "Applicant" means the person applying for a lease under this Act, and includes the duly qualified agent of such person:
- "Commissioner" means the Commissioner of Lands for the land recording district in which the land is situate in respect of which a lease is applied for or acquired under this Act:
- "Crown" means the Crown in right of the Province:
- "Land" includes land covered by water or over which waters flow, and includes an interest in land:
- "Lessee" means any person lawfully holding a lease or an assignment of a lease issued under this Act:
- "Location" means an area of land in respect of one-half of which a lease is applied for or acquired under this Act:
- "Minister" means the Minister of Lands.

Petroleum and Natural-gas Leases.

- 3. (1.) Any person may, upon complying . 'th and subject to the Right to provisions of this Act, secure a lease of the right belonging to the Crown to enter into and upon any part of:—
 - (a.) Lands belonging to the Crown; or
 - (b.) Lands the right whereon to enter and raise and get thereout petroleum or natural gas, or both, is reserved to the Crown:

and to raise and get thereout, by the process of drilling or sinking wells thereon, petroleum or natural gas, or both, which may be thereupon or thereunder situate.

Staking and posting of notice on lands.

(2.) Every applicant shall, before making application for the lease, place securely in the ground or in a rock mound, at one angle or corner of the location as hereinafter described, a stake or post at least four inches square, and standing not less than four feet above the surface of the ground; and upon the post he shall inscribe his name and the angle represented thereby, thus: "A. B.'s N.E. corner" (meaning north-east corner), or as the case may be, and shall also mark on the post which half of the location be intends to apply to lease, thus: "East half to be applied for" (meaning he desires to obtain a lease under this Act in respect of the east half of the location), or as the case may be. The applicant shall at the same time cause a written or printed notice, according to Form No. 1 in the Schedule, of his intention to apply for the lease to be posted in a conspicuous place on that half of the location which he desires to lease, and also cause to be posted in a conspicuous place on the other half of the location a copy of the said notice with the following words added thereto: "This notice is posted on the west half of the said lands," or as the case may be.

Posting of notice in office of Commissioner and publication (3.) Within sixty days after such staking, the applicant shall cause to be posted in the office of the Commissioner a copy of the said notice according to Form No. 1 in the Schedule, and within the same period shall commence the publication of the said notice in the Gazette and in a local newspaper published in the land recording district in which the location is situate, and publish the same once each week for four consecutive weeks, or, in the absence of such local newspaper, in a newspaper published in the Province nearest to such district.

Application for lease.

- 4. After the notice has been so published and within sixty days from the date of its first publication in the Gazette, the applicant may make application in writing to the Commissioner for a lease in respect of one half of the location for any term not exceeding twenty-one years. The application shall be in duplicate in the form of a statutory declaration according to Form No. 2 in the Schedule, and shall contain:—
 - (a.) A description of the location from the nearest surveyed or well-known point:
 - (b.) A statement showing the approximate situation of the location illustrated by a sketch-plan or diagram:
 - (c.) A statement as to which half of the location the applicant desires to lease:
 - (d.) Particulars of the staking of the location in conformity with this Act:
 - (e.) Particulars of the posting of the notice on each half of the location and in the office of the Commissioner:

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- (f.) Particulars of the publication of the notice:
- (g.) A statement that from surface indications visible and from geological information available the half of the location not applied for is as favourable in all respects for the discovery of petroleum and natural gas as the half applied for;

and shall be accompanied by the rental for the first year of the lease at the rate of fifty cents per acre of the area applied for and a lease fee of five dollars.

- 5. (1.) Every location shall be divided into two parts, each of a Location. rectangular shape of equal area as nearly as may be, and shall consist of lands in one block defined by survey or metes and bounds description not exceeding six hundred and forty acres. Six hundred and forty acres shall measure eighty chains by eighty chains and all lines shall run true north and south and true east and west. Where a lease is applied for respecting land which has been surveyed or previously located, in whole or in part under the provisions of the "Land Act" or the "Coal and Petroleum Act," the Minister may require that the location conform to such existing survey or prior location or may determine the length of boundaries of the location; but the area in any lease shall not exceed three hundred and twenty acres.
- (2.) A lease may be issued for any area less than three hundred Minimum and twenty acres if the Minister deems it expedient.

- (3.) All surveys of location shall be made only by a surveyor surveys. approved of and acting under the instructions of the Surveyor-General of British Columbia, who may from time to time issue regulations and instructions governing the manner and method of making surveys of locations.
- (4.) The half of the location not applied for shall not be available for lease under this Act except as hereinafter provided.

Status of the half of location not applied for.

- 6. (1.) On receipt of the application the Commissioner shall take a sue of lease. into consideration any objections that may have been lodged with him, and shall forward one copy of the application and of the objections (if any), together with the rental and lease fee and his recommendations regarding the application, to the Minister, who may, if no valid objection is substantiated, and if he thinks it expedient, on satisfactory survey of the location, and of the dividing line between the two parts thereof, to be made at the expense of the applicant, issue to the applicant a lease of the right applied for at a rental of fifty cents per acre per annum for the first year and one dollar per acre per annum for each subsequent year.
- (2.) The survey referred to in subsection (1) shall be completed survey to be within six months from the date of notification to the applicant of six months. the allowance of the application, in default of which all claim of the applicant to the lease applied for and all rights theretofore

Form and contents of lease

acquired by him in respect of same shall cease and determine, and all moneys paid by the applicant in respect of the lease applied for shall be forfeited to the Crown, unless sufficient cause for delay in completing the survey is shown to the satisfaction of the Minister.

(3.) The lease shall be in such form and subject to such terms, conditions, reservations, and exceptions as may be determined from time to time by the Minister in accordance with the provisions of this Act and the regulations.

Royalty

(4.) In every lease there shall be reserved to and for the use of His Majesty upon and in respect of all petroleum raised or gotten from the lands described in the lease such royalty, not exceeding ten per centum and not less than five per centum of the value of the petroleum, as may be fixed from time to time by the Lieutenant-Governor in Council, and upon and in respect of all natural gas raised or gotten from the lands described in the lease such royalty as may be fixed from time to time by the Lieutenant-Governor in Council. The value of the petroleum for the purpose of estimating the royalty thereon shall be the fair market price thereof, and in case of dispute the Minister shall have power to fix the value, and his decision thereon shall be final. The royalties under this subsection shall be payable at such times and in such manner as may be prescribed from time to time by the regulations.

Misstatement

(5.) A lease obtained through wilful misstatement or fraud shall be subject to cancellation at the discretion of the Minister.

Lease subject to prior rights 7. Every lease issued under this Act shall be made subject to all existing prior rights lawfully held in respect of the land described in the lease.

Oll-shale rights not included 8. No lease issued under this Act shall be deemed to vest in the lessee any right in or to any oil-shales situate in, upon, or under the lands described in the lease, nor to the oil which may be recovered from such oil-shales by the process of extraction.

Land in dispute.

9. No lease shall be issued under this Act in respect of land in dispute or in pending litigation, until such dispute or pending litigation is finally determined.

Rights and Obligations of Lessees.

Furnishing of security and compensation 10. On the issue of any lease under this Act the lessee shall before making entry on the lands described in the lease give adequate security to the satisfaction of the Minister for any loss or damages which may be caused by his entry on the lands if security is requested by any lawful prior occupant, owner, lessee, or licensee of the lands, and if the lessee refuses to give such security when so requested his lease shall thereupon be subject to cancellation by the Minister. After his entry on the lands the lessee shall make full compensation to such occupant, owner, lessee, or licensee for any

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loss or damage caused by reason of the entry; such compensation, in case of dispute, to be determined by a Court of competent jurisdiction.

11. The lessee shall, within one year from the date of the lease. Installation of install upon the lands described therein machinery and equipment equipment. suitable for carrying on drilling operations, and shall within the same period furnish evidence to the Commissioner supported by statutory declaration, showing the character, quantity, and value of the machinery so installed, the date of its installation, and the place where it is installed.

2. The lessee shall commence drilling operations on his lease- Drilling operations hold within fifteen months from the date of his lease, and shall con- and continued. tinue such drilling operations with reasonable diligence, with a view to the discovery of petroleum or natural gas. If the lessee does not commence drilling operations within the time prescribed, or if having commenced such operations he does not prosecute the same with due diligence, to the satisfaction of the Minister, or if he ceases to carry on the same for a period of more than three months, the lease shall be subject to cancellation, in the discretion of the Minister, upon six months' notice: Provided that if satisfactory evidence is furnished to the Minister to show that the sum of at least ten dollars per acre of the lands described in the lease has been expended in drilling operations upon the lands described in the lease in any year, such expenditure shall be accepted as compliance with this section for the year during which such expenditure was incurred.

13. If the lessee submits to the Minister a statutory declaration Conditional that the expenditure as provided for in the last preceding section part rental. has been made in any year of the lease, the Minister may cause a portion of the annual rental for that year, not exceeding fifty per centum thereof, to be allowed against the annual rental due for the next succeeding year of the lease, but the lessee shall not be entitled to such allowance in the event of petroleum or natural gas having been discovered in commercial quantities on the lands described in the lease.

14. If the lands described in any lease issued under this Act yield Operations to be petroleum or natural gas in commercial quantities, the lessee shall petroleum found. work each well thereon faithfully and uninterruptedly with due diligence and skill, with good and sufficient machinery and appliances to the satisfaction of the Minister, so long as the wells contimue to yield petroleum or natural gas in commercial quantities, unless it can be shown to the satisfaction of the Lieutenant-Governor in Council that it is not expedient or in the public interest to continue operations.

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Cancellation

15. If it is not established to the satisfaction of the Minister that petroleum or natural gas in commercial quantities has been discovered on the lands described in the lease, the lease shall, notwithstanding anything in this Act contained, be subject to cancellation upon two years' notice in writing being given to the lessee by the Minister.

Timber rights.

16. Every lessee holding a lease under this Act in respect of lands of the Crown may use the timber on the lands for the purpose of his drilling operations and for the erection of such buildings on the lands as may be necessary therefor, but not further or otherwise, subject always to all prior rights, and subject to the right of the Minister at any time during the term of the lease, if he deems it expedient, to dispose of the timber in such manner and on such terms as may be prescribed by the laws relating to the disposal of Crown timber for the time being in force.

Surface rights

17. Where the lands described in any lease issued under this Act belong to the Crown the lessee may, upon application, be issued a yearly lease at a rental of one dollar an acre per annum, payable in advance, of whatever area of the available surface rights in the lands the Minister may consider necessary for the purposes of his lease.

Relinquish whole or part of lease.

18. Where the lessee has complied in every respect with the provisions of this Act and the regulations, and where all payments on account of rental or other liability to the Crown due in connection with his lease have been fully made, the Minister may permit the lessee to relinquish the whole of the area of lands described in his lease, or if the lessee retains a portion of the area described in his lease, containing not less than forty acres and being rectangular in shape, the Minister may permit him to relinquish the remainder of the area.

Interest on overdue payments

19. Where the payment of any moneys due to the Crown under this Act is accepted after the time fixed for payment thereof, interest on the amount so paid may be charged at the rate of six per centum per annum from the time it became payable.

Grouping of Adjoining Leases.

Adjoining leases held by same

20. (1.) If any lessee holds two or more leases, the lands described in which are adjoining, it shall not be necessary for the lands described in each lease to be worked separately, if work is carried on upon the lands described in any of them to the satisfaction of the Minister .nd to the extent in each year of not less than ten dollars per acre of the total area of land described in the leases. subsection shall not apply to more than ten of such leases.

Leases adjoining Crown-granted

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(2.) Any number of lessees not exceeding nine holding leases. the lands described in which are adjoining, may group the lands described in their leases with Crown-granted lands adjoining the lands described in any of the leases where the Crown-granted lands are owned by any lessee in the group and the Crown grant to the lands conveys the petroleum and natural gas thereunder, and may perform on the Crown-granted lands the work required to be performed by this Act on the lands described in each lease, if it is proved to the satisfaction of the Minister that there are reasonable grounds for believing that petroleum or natural gas exists under any of the lands included in the group, such work to be performed to the satisfaction of the Minister to the extent in each year of not less than ten dollars per acre of the total area comprised in the group.

in partnership

- (3.) Any number of lessees, not exceeding ten, uniting in partner- Leases worked ship for the purpose of holding and working the lands described in their leases which are adjoining shall be entitled to work such lands in partnership; and in such case it shall not be necessary for the lands described in each lease to be worked separately, if work is carried on upon any of them to the satisfaction of the Minister and to the extent in each year of not less than ten dollars per acre of the total area described in the leases.
- (4.) For the purposes of this section, lands described in any lease shall be deemed to be adjoining, notwithstanding there exists between them the half of the location not applied for.

Renewals and Transfers.

21. Upon the holder of any lease issued under this Act furnish- Renewal. ing satisfactory evidence that during the term of the lease he has complied fully with all the terms and conditions of the lease and with the provisions of this Act and the regulations in force from time to time during the currency of the lease, and upon application received prior to the expiration of the lease, the Minister may renew the lease for a similar term to that for which the lease was issued. Such renewal lease shall be subject to all the terms, conditions, and rentals of the original lease, and the lessee during the renewed term shall, subject to the rules and regulations and provisions as to royalty in force from time to time, have and possess rights and privileges similar in all respects to those held by him under the original lease. Such renewal lease shall not be subject to further renewal.

- 22. (1.) No lease issued under this Act shall be transferred by Transfer. the lessee to any other person, except for the whole interest of the lessee therein, nor unless the written consent of the Minister has been first given.
- (2.) Every assignment of a lease issued under the provisions of this Act shall be filed in the Department of Lands, and a fee of five dollars shall be payable in respect of the filing of each assignment.

Disputes and Adverse Claims.

Hearing before Minister or officer directed by him 23. In any application for a lease under this Act regarding which any adverse claim or protest has been lodged or objection taken or any other matter is in dispute, the Minister, or the Commissioner when so directed by the Minister, or the Deputy Minister of Lands when so directed by the Minister, shall have power to hear, settle, and determine the rights of the adverse claimants, and to make such order in the premises as he may deem just, and for all and any of the purposes aforesaid he shall have full power to summon and examine under oath the parties and witnesses; but such decision and order, if made by a Commissioner or the Deputy Minister of Lands, shall be subject to review by the Minister, and subject to appeal as hereinafter provided; but in case any dispute as to the staking arises, the right to the lease may be recognized according to the priority of staking, subject to the applicant having complied with all the terms and conditions of this Act and the regulations.

Appeal to Supreme Court. 24. Any person affected by any decision of the Minister may, within one calendar month after the decision, but not afterwards, appeal to the Supreme Court in a summary manner; and such appeal shall be in the form of a petition, verified by affidavit, to any Judge of the Supreme Court, setting out the points relied upon: and a copy of the petition shall be served upon the Minister, and such time shall be allowed for his answer to the petition as to the Judge may seem advisable; but no such appeal shall be allowed except from decisions on points of law, and the decision of the Judge thereon shall be final and there shall be no further appeal therefrom.

Security for costs 25. Such sum as may be fixed by the Minister shall be deposited by the appellant with the Minister of Finance within two weeks from the date of the decision appealed from as security for the due prosecution of the appeal and submission thereto, and the appeal shall not be heard until the expiration of one month after service upon the Minister or his deputy of notice that such security has been given.

Disposition of Cancelled Leases.

By public auction

26. (1.) When a lease issued under this Act has been cancelled, the rights comprised in the lease cannot again be acquired under the foregoing provisions of this Act, but may be disposed of by the Crown by lease at public auction, after notice has been duty posted in the office of the Commissioner, and such other notice given as the Minister may direct, and in every case an upset price shall be placed upon the lease so put up for sale, and in case the lease is not sold at public auction it may be afterwards sold at private sale at a price not less than the upset price.

Conduct of sale

(2.) The auction sale shall be conducted by the Commissioner or by such person as he may designate. The person whose bid 142

is accepted shall immediately deposit with the Commissioner the amount so bid, together with the rental for the first year of the lease and a lease fee of five dollars, upon payment of which he shall be entitled to a new lease in respect of the lands described in the cancelled lease at the same rental and upon the same terms and conditions as a lease issued under section 6, but without staking, advertising, or other notice.

(3.) If at any time prior to the posting of notice of the disposal Reinstatem 't at public auction of a lease of the rights comprised in a lease can prior to posting notice of sale. celled for non-payment of rentals or royalties the person in whose name such lease stood recorded on the date of cancellation applies to the Commissioner for reinstatement of the lease, and deposits with the Commissioner the full amount of the rentals and royalties which should have been paid to maintain the lease in good standing, together with interest thereon at the rate of six per centum per annum from the respective dates of payment to the date of the deposit, such person shall be entitled to reinstatement of the lease. "emstatement

(4.) If the notice referred to in subsection (3) has been posted, of notice, the application for reinstatement shall be accompanied by the deposit with the Commissioner of the full amount of the rental and royalty which should have been paid to maintain the lease in good standing, together with interest thereon at the rate of six per centum per annum from the respective dates of payment to the date of the deposit, and any further sum necessary to equal the upset price, which deposit shall be retained and treated as a reserve bid when the auction sale is held, and shall be announced as such by the auctioneer at the opening of the sale. In case no higher bid is received the applicant shall be entitled to reinstatement of the lease, and in the event of his failure to become reinstated or to purchase the lease at the sale the amount so deposited shall be refunded.

General Provisions.

27. Petroleum and natural-gas rights in respect of that half Disposition of of any location which the applicant did not apply to lease may be of location disposed of by losse in whole or in part at public auction at such disposed of by lease in whole or in part at public auction at such rental and on such terms and conditions as the Minister may deem advisable.

28. (1.) Any person may submit to the Minister evidence in Application for the form of a statutory declaration that to his certain knowledge the requirements of this Act or the regulations as specified in the declaration are not being complied with in connection with any lease issued under this Act more than eighteen months prior to the date of the declaration, and may also submit therewith an application for the cancellation of the lease owing to the defaults specified.

(2.) Upon receipt of an application for the cancellation of a sixty days' lease pursuant to subsection (1), the Minister shall cause to be notice

sent by registered mail a notice in writing to the last-known address of the lessee, advising him of the defaults so specified and giving him a period of sixty days from the date of notice within which to remedy the same if capable of remedy, or to show cause why the lease should not be cancelled.

Prior right of applicant. (3.) At the expiry of the period of sixty days the Minister may, if the defaults specified have not been remedied to his satisfaction, or if cause has not been shown for non-cancellation of the lease, cancel the lease in accordance with the provisions for cancellation contained in this Act in respect of the defaults specified, or may in his discretion refuse the application for cancellation. In the event of the lease being cancelled, the person who made application for cancellation shall for a period of thirty days from the date when the cancellation takes effect have the first right to obtain a lease of the rights comprised in the cancelled lease at the same rental and upon the same terms and conditions as a lease issued under section 6, but without public auction, staking, advertising, or other notice.

Crown may assume lease.

29. The Minister may at any time assume absolute possession and control of any rights comprised in a lease issued under this Act, if in the opinion of the Lieutenant-Governor in Council such action is considered necessary or advisable, together with all buildings, works, machinery, and plant upon the land described in the lease, or used in connection with the operation thereof, and he may cause the same to be operated and may retain the whole or any part of the output, in which event compensation shall be paid to the lessee for any loss or damage sustained by him by reason of the exercise of the powers conferred by this provision; the amount of the compensation, in case of dispute, to be fixed by a Judge of the Supreme Court: Provided that the compensation in any such case shall not exceed the estimated profit which the lessee would have earned in the working of the lease and the disposal of the output, had possession and control of the rights comprised in the lease and of the buildings, works, machinery, and plant not been assumed.

Penalty for failure to comply with Act or regulations

30. If the lessee fails to comply with any of the provisions of this Act, or the regulations, or any of the terms or conditions of the lease, the Minister may, in any case not otherwise provided for by this Act, in his discretion cancel the lease by notice in writing to that effect sent by registered mail to the lessee at his last-known address.

Reserves.

Power to reserve petroleum and natural gas 31. (1.) The Lieutenant Governor in Council may at any time by notice signed by the Minister and published in the Gazette reserve from being leased under this Act the right to enter upon and raise or get petroleum and natural gas from or out of any

lands which are not at the date of the notice included in any lease in force under this Act or the "Coal and Petroleum Act."

(2.) The Lieutenant-Governor in Council may prospect or cause prospecting for use of Crown. to be prospected for petroleum and natural gas for the use of the Crown upon any lands in respect of which the reserve mentioned in subsection (1) is placed, and may work and develop such lands or cause the same to be worked and developed for the purpose of winning and getting therefrom petroleum and natural gas for the use of the Crown.

32. The Lieutenant-Governor in Council may cancel any reserva- Fower to cancel tion made under the last preceding section, but the cancellation shall not take effect until notice thereof signed by the Minister has been published in the Gazette and in a local newspaper published in the land recording district in which the lands affected by the reservation are situate once each week for four consecutive weeks, or, in the absence of such local newspaper, in a newspaper published in the Province nearest to the district.

Rules and Regulations.

33. It shall be lawful for the Lieutenant-Governor in Council Lieut-Governor from time to time to make regulations, not inconsistent with this make regulations. Act, for carrying into effect and operation the provisions of this Act according to their true intent and meaning, and such regulations shall be signed by the Minister and published in the Gazette. and when so signed and published shall have the same force and effect as if incorporated in this Act. It shall also be lawful for the Lieutenant-Governor in Council to make regulations governing the locating, drilling, developing, and operating petroleum and natural-gas wells and limiting the number thereof, and to apply those regulations to all petroleum and natural-gas wells drilled or acquired under the "Coal and Petroleum Act," either before or after the commencement of this Act, as well as to petroleum and natural-gas wells drilled or acquired under this Act, and on signature of the Minister and publication in the Gazette the regulations shall have the same force and effect as if incorporated in this Act.

SCHEDULE.

FORM No. 1. (Section 3.)

"PETROLEUM AND NATURAL GAS ACT."

NOTICE OF INTENTION TO APPLY TO LEASE PETROLEUM AND NATURAL-GAS RIGHTS.

Land Recording District of , and situate*

ntion , intends to apply possible, giving half of the following described name of lake. Take notice that , occupation for a lease of the right to enter upon the lands :--

* Here describe mountain, stream, village, etc in vicinity.

† Locate with reference to some survey post if possible.

Locate with

survey post if possible.

reference to some

Commencing at a post planted † ; thence ; thence ; thence ; thence , and containing acres, more or less, for the purpose of raising and getting thereout petroleum and (or) natural gas.

Dated this 'day of , 19 .

(Name of applicant in full.).....

FORM No. 2. (Section 4.)

APPLICATION FOR A LEASE UNDER THE "PETROLEUM AND NATURAL GAS ACT."

I, , of , by occupation a , do solemnly declare that:—

1. I am [the duly qualified agent of and that he is] the applicant for a lease of the right to enter upon the half of the for owing described

for a lease of the right to enter lands:---

Commencing at a post placed; thence; thence; thence; thence; thence; and containing acres, more or less, for the purpose of raising and getting thereout pearoleum and (or) natural gas for the term of years.

2. The full name, address, and occupation of the applicant is

3. The location comprising the above-described lands is situated approximately at as shown by the sketch or diagram attached hereto.

4. I, on the day of , 19 . did locate the said lands by placing at the corner thereof a post in conformity with the Act, and did inscribe thereon the name and the letters corner, and also the words " half to be applied for."

5. I, on the same day, did cause to be posted in a conspicuous place on the half of the said lands, being the area sought to be leased, a notice in Form No. 1 in the Schedule to the said Act reading as follows:—

6. I did also on the same day cause to be posted in a conspicuous place on the other half of the said lands a copy of the said notice with the following words added thereto: "This notice is posted on the half of the said lands."

7. I did cause a copy of the notice referred to in paragraph 4 to be posted on the day of , 19 , in the office of the Commissioner of Lands at .

8. I did cause to be published in the issues of the British Columbia Gazette dated , and in the issues of the dated , a copy of the following notice:—

9. From surface indications visible and from geological information available the half of the location not applied for is as favourable in all respects for the discovery of petroleum and natural gas as the half applied for.

And I make this solemn declaration conscientiously believing it to be true, and knowing that it is of the same force and effect as if made under oath and by virtue of the "Canada Evidence Act."

Declared before me at on the day of , 19 . (Signature of declarant.)

Commissioner [or J.P.].

VICTORIA, B.C.:
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