



PRINCE EDWARD ISLAND
ÎLE-DU-PRINCE-ÉDOUARD

OIL AND NATURAL GAS ACT

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For more information concerning the history of this Act, please see the *Table of Public Acts* on the Prince Edward Island Government web site (www.princeedwardisland.ca).

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OIL AND NATURAL GAS ACT

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OIL AND NATURAL GAS ACT

CHAPTER O-5

PART I — INTERPRETATION

1. Definitions

In this Act unless the context otherwise requires

- (a) “**approved**” means approved by the Minister or Chief Officer;
- (a.1) “**Chief Officer**” means a person appointed by the Minister to supervise the observance of the provisions of this Act and regulations made under it;
- (b) “**commercial production**” in reference to the output of a well, shall be deemed to be such quantity of oil, or natural gas, which after considering the cost of drilling, completion and production operations, the quantity of production and availability of markets, would, in the opinion of the Minister, economically warrant the drilling of a like well in the immediate area;
- (b.1) “**Crown land**” means any land vested in the Crown;
- (c) “**enter and use**” means the act of a permittee, or lessee, his or their servants, agents and contractors of entering into and upon and using any portion of the lands of any person within the province for the purpose of exploring and of making surveys and examinations, using water and of opening, boring, drilling, excavating, laying, erecting or building derricks, wells, slush pits, pumps, powers, surface rods, pipe lines, tanks, roads, works, drains, and other related installations and of doing all the acts or things authorized;
- (c.1) “**field**” means
 - (i) the surface area or areas underlaid or appearing to be underlaid by one or more pools, and
 - (ii) the subsurface regions vertically beneath that or those surface areas;
- (d) “**gas-oil ratio**” means the ration of the number of standard cubic feet of natural gas produced to the number of barrels of oil produced;
- (d.1) “**geophysical equipment**” means equipment used for or in connection with or preparatory to geophysical exploration;
- (e) “**geophysical exploration**” means the investigation of the subsurface by
 - (i) seismic operations,
 - (ii) gravimetric operations,
 - (iii) magnetic operations,
 - (iv) electric operations,
 - (v) geochemical operations,
 - (vi) test-hole drilling, and

- (vii) any other method approved by the Minister;
- (e.1) “**geophysical license**” means a license as defined in section 25;
- (f) repealed by *1999,c.38,s.1*;
- (f.1) “**holder of a location**” means, in accordance with the context,
 - (i) a permittee,
 - (ii) a lessee;
- (g) “**lease**” means a valid and subsisting lease issued under this Act;
- (g.1) “**lessee**” means any person deriving title through a lease of the Crown;
- (h) “**location**” means the area described in
 - (i) a permit, or
 - (ii) a lease;
- (h.1) “**Minister**” means the Minister of the Crown for the time being charged by the Lieutenant Governor in Council with the administration of this Act;
- (i) “**natural gas**” means all fluid hydrocarbons, both before and after processing, which are not defined as oil, and includes hydrogen sulphide contained therein;
- (i.1) “**office**” means the office of the Minister at Charlottetown;
- (j) “**oil**” means crude oil and other hydro-carbons, regardless of gravity, which are or can be recovered from a pool in liquid form through a well by ordinary production methods;
- (k) “**permit**” means a valid and subsisting permit issued under this Act;
- (l) “**permittee**” means any person deriving title through a permit of the Crown;
- (m) “**person**” includes a body corporate;
- (n) “**pipe-line**” for the purpose of this Act, includes pipe or system or arrangement of pipes wholly within the Province of Prince Edward Island by which oil or natural gas, or water used or obtained in or by drilling for or the production of oil or natural gas, is conveyed, and includes real or personal property used for the purpose of, in connection with, or incidental to the operation thereof, including off shore installations and vessels, but does not include a pipe or system or arrangement of pipes for distribution of natural gas within a community to ultimate consumers;
- (o) “**pool**” means an underground reservoir containing an accumulation of oil or natural gas, or both, separated or appearing to be separated from any other reservoir or accumulation;
- (p) “**provincial lands**” means the land mass of Prince Edward Island and includes the seabed and subsoil off the shore of the land mass to the limits of Prince Edward Island sovereignty and to such limits as may be set by federal-provincial agreement;
- (q) repealed by *1999,c.38,s.1*;
- (r) “**shot-hole**” means a hole drilled for the purpose of firing an explosive charge in connection with seismic operations;
- (s) “**spacing area**” means the drainage area defined by regulations, for or allocated by the regulations to a well for the purpose of drilling for and producing oil or natural gas, and includes at all depths the subsurface areas bounded by the vertical planes in which the surface boundaries lie;
- (t) “**test-hole**” means a hole, other than a seismic shot-hole, drilled or being drilled to a depth not exceeding two thousand feet for the purpose of obtaining geological or geophysical information;
- (u) repealed by *1999,c.38,s.1*;



- (v) “**unitized operation**” means
- (i) the development or production of oil and natural gas, or
 - (ii) the implementing of a program for the conservation of oil and of natural gas or the coordinated management of interests in the oil and natural gas within, upon, or under a location, part of a location, or a number of locations that are combined for that purpose pursuant to a unitization agreement entered into under this Act;
- (w) “**waste**” in addition to its ordinary meaning, means “**waste**” as that term is understood in the oil and natural gas industry, and includes the underground or surface loss of potentially recoverable oil or natural gas and wasteful operations;
- (x) “**wasteful operations**” include
- (i) the locating, spacing, drilling, equipping, completing, operating, or producing of a well in a manner that results or tends to result in reducing the quantity of oil or natural gas ultimately recoverable from a pool by the use of sound engineering practices and economic principles,
 - (ii) the locating, drilling, equipping, completing, operating, or producing of a well in a manner that causes or tends to cause excessive surface loss or destruction of oil or natural gas,
 - (iii) the inefficient, excessive or improper use or dissipation of reservoir energy however caused,
 - (iv) the failure to use suitable and timely artificial, secondary, or supplementary recovery methods in a pool where it appears probable, on the basis of available information, that any of the methods would result in increasing the quantity of oil or natural gas ultimately recoverable from a pool by the use of sound engineering practices and economic principles,
 - (v) the escape or flaring of natural gas if it appears that, in the public interest and by the use of sound engineering practices and in the light of economics and the risk factor involved, the natural gas could be gathered, processed if necessary, and it or the products therefrom marketed, stored for future marketing, or beneficially injected into an underground reservoir,
 - (vi) the inefficient or improper storage of oil or natural gas on the surface or underground,
 - (vii) the production of oil or natural gas in excess of the quantity that can be properly stored, transported, or marketed, and
 - (viii) the use of natural gas for purposes other than gas lift, repressuring, recycling, pressure maintenance, or for fuel or electrical requirements, unless the use is efficient and in the public interest;
- (y) “**well**” means a hole
- (i) made or being made by drilling, boring, or in any other manner from which any oil or gas is obtained or obtainable, or for the purpose of obtaining oil or natural gas,
 - (ii) used, drilled, or being drilled for the purpose of obtaining water for injection or for injecting natural gas, air, water, or any other substance into an underground formation, or
 - (iii) used, drilled, or being drilled to a depth in excess of two thousand feet for the purpose of obtaining geological or geophysical information;

- (z) “**zone**” means a stratum or strata designated by the Minister as a zone either generally or in respect of a designated area or a specific well or wells. *R.S.P.E.I. 1974, Cap. O-3, s.2; 1999,c.38,s.1 {eff.} Nov. 14/00.*

PART II — GENERAL ADMINISTRATION

2. “Oil and gas” “Oil or gas”

For the purpose of this Act, in the expressions “oil and natural gas” and “oil or natural gas” the word “and” includes “or” and the word “or” includes “and”. *R.S.P.E.I. 1974, Cap. O-3, s.4.*

3. All oil and natural gas property of Crown

All oil and natural gas whatsoever within and under the provincial lands was and is vested in Her Majesty the Queen in right of the province, notwithstanding any grant of mines or minerals heretofore made in or by any Crown Grant or in or by an other deed or conveyance heretofore executed nor by whom the lands containing such oil and natural gas are held in the manner in which they were acquired, and, notwithstanding any other law, oil and natural gas, or any right in relation thereto, shall not be capable of alienation except as in this Act provided, and every grant hereafter made by the Crown shall be construed and held to reserve all oil and natural gas in the lands so granted. *R.S.P.E.I. 1974, Cap. O-3, s.5; 1999,c.38,s.2 {eff.} Nov. 14/00.*

4. Alienation to Crown federal

- (1) Notwithstanding section 3 or any other provision of this Act, the Lieutenant Governor in Council may alienate its rights referred to in section 3 to Her Majesty the Queen in right of Canada, and in any transfers of use and possession of provincial lands to Her Majesty the Queen in right of Canada under this Act, or outside this Act, the Lieutenant Governor in Council may transfer the rights of Her Majesty the Queen in right of the province under section 3 and the administration, benefit and control of such provincial lands to Her Majesty the Queen in right of Canada for the establishment or development of National Parks, National Historic Parks and National Historic Sites.

Application of Act after alienation

- (2) The provincial lands upon and after a transfer referred to in subsection (1) cease to be subject to this Act unless such transfers otherwise provide.

Terms and conditions of transfer

- (3) A transfer referred to in subsection (1) may be made subject to such terms, conditions and reservations as the Lieutenant Governor in Council may consider advisable. *1976, c.1, s.1.*

5. Entitlement to minerals

A permittee or lessee under Part I of this Act shall have no right to any minerals as defined in the *Mineral Resources Act* R.S.P.E.I. 1988, Cap. M-7 within the area covered by his permit or lease. *R.S.P.E.I. 1974, Cap. O-3, s.6.*

6. Notice to Minister if minerals discovered

If in the exploration for, or development or production of, oil or natural gas, a mineral as defined in the *Mineral Resources Act*, or other valuable substance or deposit, is discovered,



the permittee or lessee, as the case may be, shall immediately notify the Minister. *R.S.P.E.I. 1974, Cap. O-3, s.7.*

7. Permit, lease, or license required

- (1) No person shall explore for oil or natural gas unless he has a valid and subsisting permit, lease or geophysical license issued under this Act.

Drill well, permit

- (2) No person shall drill any well unless he has a valid and subsisting permit or lease issued under this part. *R.S.P.E.I. 1974, Cap. O-3, s.8.*

8. Inspections of sites & records

At any reasonable time, persons authorized by the Minister

- (a) shall have access to all wells, equipment, plants, and records;
- (b) are entitled to enter upon and inspect any well or any place at which oil or natural gas is refined, handled, processed, or treated, or any place used or occupied in connection with a well or with a place at which oil or natural gas is refined, handled, processed, or treated;
- (c) are entitled to inspect all books, documents, records, plant, and equipment pertaining to any such well, or place, or found thereon; and
- (d) are entitled to take samples or particulars or to carry out any tests or examinations desired. *R.S.P.E.I. 1974, Cap. O-3, s.9.*

9. Identification card, production of

A person authorized by the Minister to exercise any of the powers referred to in section 8 shall, prior to exercising any of such powers, produce on demand his identification card signed by the Minister. *R.S.P.E.I. 1974, Cap. O-3, s.10.*

10. Prohibitions

No member of the department responsible for the administration and enforcement of this Act and the regulations drawn pursuant to it, and no person employed continuously by the department shall have a monetary interest of any description, directly or indirectly, in any oil or natural gas property in the province or in any business engaged in any phase of the oil and natural gas industry and carried on in the province, other than shares of a company that are regularly quoted and dealt in on a recognized stock exchange. *R.S.P.E.I. 1974, Cap. O-3, s.11.*

11. Regulations

The Lieutenant Governor in Council may make regulations

- (a) respecting the disposal of drill cuttings, muds, waste products or any noxious or deleterious substances upon any lands or into any waters;
- (b) respecting the restoration, reclamation and rehabilitation of lands used for oil and natural gas exploration and production;
- (c) governing the operation of any production facilities including any well, wellhead equipment, processing equipment or place where crude oil and natural gas are extracted and processed;

- (d) providing for the carrying out of the operations referred to in clause (c) in a safe and efficient manner;
- (e) requiring from the holder of an oil and natural gas permit or lease, statements and plans respecting work and operations;
- (f) defining the kind and quantities of work acceptable and the manner and form in which such work shall be submitted;
- (g) establishing the boundaries of oil and natural gas lands;
- (h) governing the survey of an oil and natural gas permit or lease;
- (i) prescribing forms and providing for their use;
- (j) prescribing fees, rentals and deposits payable under this Act;
- (k) respecting educational and training programs in the skills required by persons engaged in the exploration for, drilling or production of, oil or natural gas;
- (l) respecting investment in research and development programs in the province by producers of oil or natural gas;
- (m) for the prevention of discrimination against persons habitually resident in the province in employment or in the supply of goods and services required in operations for the exploration for, drilling or production of, oil or natural gas;
- (n) prescribing interest rates; and
- (o) for the better carrying out of the provisions of this Act. *1978, c.16, s.5; 1981, c.24, s.1.*

PART III — RIGHT OF ENTRY

12. Entry on Crown lands

Crown lands may be entered upon and explored for oil and natural gas with the consent of the Minister upon such terms and conditions as he may prescribe. *R.S.P.E.I. 1974, Cap. O-3, s.12.*

13. Permission to explore on private lands

No permittee, lessee or geophysical licensee shall enter and use any private lands for the purpose of exploring for oil and natural gas or drilling wells, or for the doing of any other act thereon until he has obtained the right to enter and use the same either

- (a) by agreement with the owner, tenant or occupant of the lands; or
- (b) by obtaining a special order from the Minister under this Act. *R.S.P.E.I. 1974, Cap. O-3, s.13.*

14. No agreement to enter with owner, where

- (1) A permittee, lessee, or geophysical licensee who is unable to make an agreement with the owner, tenant or occupant of private lands for the right to enter and use the lands covered by his permit or lease, or any part thereof, may apply to the Minister, after notice to the owner, tenant, or occupant, for a special order to enter and use such lands.

Hearing application

- (2) Upon the receipt of an application and of evidence that copies of the application have been served and delivered as required by this Act, the Minister shall fix a date for the hearing of the application, which shall not be later than twenty-one clear days after all copies of the



application have been served and delivered, and may require the applicant to give such notice of the hearing in such manner and to such persons as the Minister may direct.

Date for hearing Ministerial order

- (3) After hearing the parties the Minister may grant such special order upon such terms and conditions as he may think proper, and may determine the amount of compensation to be paid to such owner, tenant or occupant and the manner and time of payment of the same.

Security for payment of compensation

- (4) The Minister may order the giving of security for payment of the compensation and may prohibit, pending the determination of the proceeding or until the compensation is paid or secured, further entry or use by the permittee, lessee, geophysical licensee, or any person claiming under him.

Substituted service

- (5) Where there are several owners, tenants or occupants of the lands sought to be entered and used and there are in the opinion of the Minister, special difficulties in effecting service of any notice under this section, the Minister may order substituted service in such manner as he may determine.

No appeal from Ministerial order

- (6) There shall be no appeal from the granting by the Minister of such special order nor from his determination as to the amount of compensation, nor from any order for security, nor from any order or decision, or ruling in respect thereto, except to a judge of the Supreme Court upon matters of law only. *R.S.P.E.I. 1974, Cap. O-3, s.14; 1975, c.27, s.5.*

15. Minister may order arbitration

The Minister may order arbitration under the terms of this Act of the amount of compensation to be paid by the permittee, lessee or geophysical licensee, for any damage to the lands and premises entered into or upon or used under the authority of the Minister as aforesaid. *R.S.P.E.I. 1974, Cap. O-3, s.15.*

16. Notice to be served to appoint arbitrators

If the Minister directs that any damages shall be determined by arbitration, the permittee, lessee, or geophysical licensee shall serve notice to the owner, tenant or such person as the Minister directs to appoint an arbitrator within thirty days from the service of the notice to act with another arbitrator named by the permittee, lessee, or geophysical licensee in order to determine the amount of compensation for damages aforesaid to which the owner and tenant shall be entitled by reason of the doing of any of the acts or things authorized and contemplated by this Act. *R.S.P.E.I. 1974, Cap. O-3, s.16.*

17. Service of notice

- (1) The notice mentioned in section 16 shall, when practicable, be personally served on such owner, or his agent and tenant, of any of the said lands; if, after reasonable efforts have been made to effect such personal service, the service cannot be effected, then the notice may be served by leaving it at the last known place of abode of the owner, or his agent or tenant.

Idem

- (2) If the owner resides in the county in which the land is situated, the notice shall be served within ten days of the order of the Minister; if out of the county and within the province, twenty days; and if out of the province, thirty days.

Appointment of arbitrator

- (3) If the owner and tenant both refuse, omit or decline to appoint an arbitrator, or when for any other reason no arbitrator is appointed by the owner or tenant in the time limited after service of the notice, a judge of the Supreme Court shall, on being satisfied by affidavit that such notice has come to the knowledge of the owner, agent, or tenant, or that the owner or agent or tenant wilfully evades service of the notice or cannot be found, and that reasonable effort has been made to effect such service, and that notice was left at the last known place of abode of such owner, or agent, or tenant, appoint an arbitrator on his behalf.

Appointment of arbitrator

- (4) One arbitrator only shall be appointed by the owner and tenant; and if they do not agree in the choice of an arbitrator, the one chosen by the owner shall be entitled to act. *R.S.P.E.I. 1974, Cap. O-3, s.17.*

18. Duties and powers of arbitrators

- (1) All arbitrators appointed under the authority of this Act shall be sworn before a judge or a justice to the faithful discharge of the duties assigned them; and they shall forthwith proceed to estimate the reasonable damages which the owners and tenants of the lands, according to their several interests therein, shall respectively sustain by reason of the entry and use of such lands and of the occupation of so much of the land (how much to be determined by an officer appointed by the Minister in the event of any dispute arising in respect thereto) as the permittee, lessee, or geophysical licensee may require for all working purposes connected with the exploration for and development of oil and natural gas and the transportation of same to the most advantage thereof, including all such spaces as may be necessary from time to time for dumping ground or grounds, for depositing waste, refuse, rubbish and other material excavated by such permittee, lessee or geophysical licensee.

Estimating damages

- (2) In estimating the damages the arbitrators shall determine the value of the land irrespective of any enhancement thereof from the existence of minerals, oil or gas therein.

Selection of third arbitrator

- (3) In case the arbitrators cannot agree they may select a third arbitrator; and when the two arbitrators cannot agree upon a third arbitrator, a judge of the Supreme Court shall select such third arbitrator.

Award final

- (4) The award of any two arbitrators made in writing shall be final. *R.S.P.E.I. 1974, Cap. O-3, s.18.*

19. Where owner is a minor, mentally incompetent or under disability

In case the owner or tenant is a minor, or mentally incompetent person, or other person under disability, a judge of the Supreme Court shall on application appoint two indifferent persons as arbitrators; and all further proceedings shall be in accordance with the provisions of this Act; and all moneys awarded in such case shall be paid to the Prothonotary. *R.S.P.E.I. 1974, Cap. O-3, s.19; 2008,c.20,s.72(67).*



20. Procedure where owner is unknown or uncertain

When the owner of such land shall be unknown or uncertain, the permittee, lessee, or geophysical licensee, shall, by advertisement published in the Gazette for three weeks and in two daily newspapers published in the province, for at least once a week for three weeks and in which advertisement the lands shall be particularly described, call upon all persons having a right to such damages to appear before a judge of the Supreme Court, on or before a certain day therein named, to be not less than twenty days after the publication of such advertisement, to appoint an arbitrator, and if an arbitrator is not appointed on or before such day the said judge of the Supreme Court and the permittee, lessee, or geophysical licensee, shall each appoint an arbitrator, and all further proceedings shall be in accordance with the provisions of this Act; and all moneys awarded in such case shall be paid to the Prothonotary, and when the right of ownership of the land shall be in dispute, the payment for damages awarded shall be in like manner paid to the Prothonotary. *R.S.P.E.I. 1974, Cap. O-3, s.20; 2008, c.20, s.72(67).*

21. Payment of damages under award

Payment of such damages by the party liable therefor to the person designated by the award as entitled thereto or payment into any court as in this Act provided shall discharge the party making payment; but any person subsequently claiming to have been entitled to the damages so paid may prosecute his claim by action for money had and received against persons to whom the payment shall have been made. In case the award shall not designate to whom the money is to be paid or in case the party designated shall decline to receive it, the party liable to the payment of the amount so ordered may exonerate himself from all further liability by paying the money so ordered to the Prothonotary. *R.S.P.E.I. 1974, Cap. O-3, s.21; 2008, c.20, s.72(67).*

22. Disputed or unknown title

In case of disputed or unknown title a judge of the Supreme Court, on application, may order the damages paid into court, and in such case and in all other cases where money or damages awarded are paid into court under the provisions of this Act, the said moneys and damages shall be paid to the person who shall establish his right thereto, to the satisfaction of a judge of the Supreme Court; but no order shall be made until sufficient notice has been given in the judgment of a judge of the Supreme Court to protect the rights of all persons who may be or who may claim to be interested. *R.S.P.E.I. 1974, Cap. O-3, s.22.*

23. Parties to the suit

The permittee, lessee, or geophysical licensee shall not be implicated nor shall he be made a party, in any contestation between the parties, respecting the right to the damages. *R.S.P.E.I. 1974, Cap. O-3, s.23.*

24. Error in name of person entitled to damages

In no case in which the award shall find the amount of damages with sufficient certainty shall such award be set aside because persons entitled to damages are not designated by name, or otherwise sufficiently designated, or by reason of error or irregularity as to the persons entitled, or on account of any matter of form; but a judge of the Supreme Court may rectify any error or informality and may adopt such proceedings as may be considered advisable for determining to whom the damages may be paid, or for otherwise carrying into effect the provisions and intent of this Act. *R.S.P.E.I. 1974, Cap. O-3, s.24.*

PART IV — GEOPHYSICAL EXPLORATION

25. Geophysical licenses

- (1) No person, on his own behalf or for or on behalf of others, shall undertake geophysical exploration unless he is the holder of a subsisting geophysical license.

Application for license

- (2) An application for a geophysical license shall be made to the Chief Officer in the prescribed form.

Issue of license

- (3) On receipt of an application, the Chief Officer, upon approval of the Minister, may issue a geophysical license upon payment of the prescribed fee.

Determination of license

- (4) A geophysical license shall terminate one year following the date of issue. *R.S.P.E.I. 1974, Cap. O-3, s.25; 1978, c.16, s.6; 1999, c.38, s.3 {eff.} Nov. 14/00.*

26. Transfer of license

A geophysical license is not transferable except in cases of corporate merger, amalgamation, or succession, and then only with the written consent of the Minister. *R.S.P.E.I. 1974, Cap. O-3, s.26.*

27. Cancellation of license

- (1) The Minister may cancel a geophysical license for failure of the holder to comply with any provisions of this Act or the regulations.

Notice before cancellation

- (2) Except where a condition exists that in the opinion of the Minister is a danger to any person or to public or private property, the Minister shall not cancel a geophysical license under subsection (1) until he has given the holder thirty days notice, or such longer time as he considers advisable, to rectify the default and such default is not rectified within the notice period. *R.S.P.E.I. 1974, Cap. O-3, s.27.*

28. Regulations

The Lieutenant Governor in Council may from time to time make regulations

- (a) governing the methods and manner and places in which geophysical exploration may be carried out; and
- (b) providing for reports or returns that must be given the Chief Officer from time to time. *R.S.P.E.I. 1974, Cap. O-3, s.28.*

29. Rights conferred by permits

- (1) Subject to subsection (2) and to section 25, the permittee has the exclusive right to do geological work and geophysical exploration work and exploratory drilling for oil or natural gas or both, within the boundaries of the location of the permit.



Activities

Repealed by 1999,c.38,s.4.

Interference with permittee

- (2) Repealed by 1999,c.38,s.4. R.S.P.E.I. 1974, Cap. O-3, s.29; 1999, c.38,s.4 {eff.} Nov. 14/00.

PART V — SURVEY SYSTEM**30. Identification and description of areas**

The manner and system by which areas are identified and described with respect to geophysical licenses, permits and leases for the purposes of this Act shall be as prescribed by the regulations. 1999,c.38,s.5 {eff.} Nov. 14/00.

31. Minister may grant permits

- (1) Subject to this section, the Minister may grant permits in accordance with the regulations.

Prior bids

- (2) A permit shall not be granted pursuant to this section unless there has been a call for bids for the permit area and acceptance of a bid, in accordance with the regulations.

Permit, if any, within 6 months

- (3) Notwithstanding subsection (1) the Minister shall not grant a permit more than 6 months after the closing date for a call for bids respecting an area.

Where no permit granted

- (4) Where subsection (3) applies, there shall be deemed to have been no call for bids under this section with respect to the area.

Permit term, etc.

- (5) A permit shall be for the term, and on the terms and conditions as prescribed by the regulations. 1999,c.38,s.7 {eff.} Nov. 14/00.

32. Revocation of permit

The Minister may revoke a permit in accordance with the regulations. 1999,c.38,s.7 {eff.} Nov. 14/00.

33. Permittee to comply with permit

The permittee shall, to the satisfaction of the Minister, comply with and fulfil all the terms and conditions of the permit and do or cause to be done on the area for which the permit was granted, the work set out in the permit, including but not limited to, geological work, geophysical exploration, exploration drilling and such other activities as may be prescribed by the regulations. 1999,c.38,s.7 {eff.} Nov. 14/00.

34. Work to be recorded with Chief Officer

All work pursuant to the permit shall be recorded with the Chief Officer in accordance with the regulations. 1999,c.38,s.7 {eff.} Nov. 14/00.

35. Security

- (1) The Minister may require a permittee to provide security for the performance of its obligations under this Act and the regulations.

Forfeiture of security

- (2) The security provided by the permittee under this section may be forfeit to the Minister in accordance with the regulations. *1999, c.38, s.7 {eff.} Nov. 14/00.*

36. Drilling prohibited within prescribed distance from other well

A permittee shall not allow commencement of the drilling of a well in the permit area within the prescribed distance of an existing well in any area. *1999, c.38, s.7 {eff.} Nov. 14/00.*

37. No production without lease

Except as provided in section 94, no permittee shall produce any oil or natural gas from a well unless the permittee has a valid lease, granted pursuant to this Act, for the area on which the well is located. *1999, c.38, s.7 {eff.} Nov. 14/00.*

38. Surrender of permit area or portion of it

- (1) A permittee may, at the end of any permit term, surrender all or any portion of the area included in the permit, upon giving notice in writing to the Minister.

Continuing liability

- (2) Notwithstanding the surrender of a permit or any part of a permit or the revocation of a permit, the permittee and the surety of the permittee remain liable for any act, matter or thing for which they would be liable as a permittee under this Act and the regulations. *1999, c.38, s.7 {eff.} Nov. 14/00.*

PART VI.1 — TRANSITIONAL PROVISIONS

39. Permit prior to coming into force

- (1) Subject to the regulations and to subsection (2), on the date this Part comes into force, a permit valid immediately prior to that date shall remain valid for the balance of the term of the permit and any renewals thereof to which the permittee would have been entitled as of March 30, 1999.

No additional privileges

- (2) For the avoidance of doubt, a permittee under this section shall not gain any rights or privileges under this Act, without otherwise complying with all of the provisions of this Act. *1999, c.38, s.8 {eff.} Nov. 14/00.*

Sections 40 to 42 repealed by 1999, c.38, s.6 {eff.} Nov. 14/00.

43. Application for lease upon production of oil or natural gas

A permittee when drilling a well discovers oil or natural gas in commercial quantity, when instructed by the Minister to do so, shall apply for a lease, the location of which is to include



the well-site on or before a date set by the Minister, which shall not be earlier than three months after the date of the instruction. *R.S.P.E.I. 1974, Cap. O-3, s.44.*

PART VII — LEASES

44. Right of permittee to lease

- (1) The Minister shall grant a lease to a permittee who complies with subsection (2), in accordance with the regulations.

Idem

- (2) A permittee who has made full compliance with the provisions of Part VI and has complied with and fulfilled all of the terms and conditions of the permit, has the exclusive right to receive a grant of lease from the Minister, covering the area specified in the permit.

Term of lease

- (3) A lease granted under this section shall be for the prescribed term. *1999,c.38,s.9 {eff.} Nov. 14/00.*

45. Exclusive rights to produce

The lessee has the exclusive right to produce, or cause to be produced from the lease oil and natural gas. *R.S.P.E.I. 1974, Cap. O-3, s.46.*

46. Termination of permit

The issuance of a lease, by that very fact, terminates the validity of any permit with respect to the lease. *R.S.P.E.I. 1974, Cap. O-3, s.47.*

47. Application for lease

Application for a lease shall be made in the prescribed form to the Chief Officer and shall be accompanied by the prescribed fee and rental. *R.S.P.E.I. 1974, Cap. O-3, s.48.*

Sections 48 to 55 repealed by 1999,c.38,s.10 {eff.} Nov. 14/00.

56. Expiry of lease

- (1) Except as otherwise provided in this Act, every lease expires at the end of the term stated.

Renewal of lease

- (2) A lease upon the location of which is developed a commercial well shall be renewed upon the expiration of the lease for a further term and for such intervals while in production, as may be prescribed by the regulations.

Continuation of lease for well drilling

- (3) Where the drilling or working of a well is commenced on the location of a lease before the expiration of the term, the term of the lease continues so long as the drilling or working is being conducted to the satisfaction of the Minister.

Renewal

- (4) Where the well referred to in subsection (3) is completed as a commercial well, the lease shall be renewed under subsection (2).

Abandonment of well, continuation of lease

- (5) Where, during the period that a lease is continued under subsection (3), the well is abandoned, the term of the lease continues for a further period of ninety days from the date of the abandonment; and if the drilling of another well in the location is commenced before the expiration of the ninety day period, the term of the lease is further continued during the period that drilling is being conducted to the satisfaction of the Minister; and if the well is completed as a commercial well, the lease shall be renewed under subsection (2).

Increase in period

- (6) The Minister may, upon application by a lessee, increase the period of ninety days referred to in subsection (5) where a lessee has been prevented from drilling a well as required in that subsection by extraordinary physical conditions which are completely beyond any control and could not be foreseen by the lessee.

Prorating rental

- (7) The rental payable from the period during which the term of a lease is continued under this section shall be prorated.

Drilling notice

- (8) The Minister may at any time, except during the three years next following the issue of a lease, order the lessee to commence and continue the drilling of a well to the satisfaction of the Minister within ninety days from the date of the order.

Further drilling notice

- (9) Where a well has been
- (a) abandoned; or
 - (b) completed and has not been declared capable of producing in a commercial quantity,
- the Minister may at any time, except during the year following the date of abandonment or completion, order the lessee to commence and continue the drilling of another well to the satisfaction of the Minister within ninety days from the date of order.

Extension of permits

- (10) Repealed by 1999, c.38, s.11 *{eff.} Nov. 14/00.*

Violations and cancellations of leases

- (11) Where a lessee violates any provision of this section, the Minister, in addition to any other penalties provided for in this Act, may give written notice to the lessee and unless the lessee remedies or prepares to remedy the violation, to the satisfaction of the Minister within ninety days from the date of the notice, the Minister may cancel the oil or gas lease. *R.S.P.E.I. 1974, Cap. O-3, s.58; 1978, c.16, s.15; 1999, c.38, s.11 {eff.} Nov. 14/00.*

57. Extension with penalty

Where a commercial well has not been developed, the term of a lease may be extended upon payment of the prescribed rental and penalty. *R.S.P.E.I. 1974, Cap. O-3, s.59; 1978, c.16, s.16; 1999, c.38, s.12 {eff.} Nov. 14/00.*



58. Expiry date

Subject to sections 59 and 60, where a lessee fails to pay the rental the lease expires by that very fact, at the end of the first anniversary of the day upon which the rental was payable unless, on or before that anniversary

- (a) he pays the rental and does the work, if there has been default in both payment of the rental and the doing of the work; and
- (b) he pays, in addition, a penalty in a sum equal to one-tenth of the rental and the value of the work not done. *R.S.P.E.I. 1974, Cap. O-3, s.60.*

59. Rental in advance

Repealed by *1999, c.38, s.13 {eff.} Nov. 14/00.*

60. Conditions for renewal of leases

Application for renewal of a lease shall be made to the Chief Officer and renewal thereof shall not be granted unless

- (a) the application is received by the Chief Officer prior to the expiration of the lease; and
- (b) there is set forth therein the name of a commercial well developed on the location, and the lease shall not be renewed until the prescribed fee and rental have been paid. *R.S.P.E.I. 1974, Cap. O-3, s.62; 1978, c.16, s.17.*

61. Pooling of leases

- (1) Where two or more lessees have locations within a spacing area, or part of a spacing area, the lessees may pool their locations for the development and operation or the operation of the spacing area; and the Minister may enter into a pooling agreement on behalf of Her Majesty in right of the province on such terms and conditions as he considers advisable, which agreement may, without limiting the generality of the foregoing, be made subject to the provisions of subsection (7).

Application to Minister for order to pool

- (2) In the absence of a pooling agreement under subsection (1), a lessee who is the holder of a lease within, or partly within a spacing area, may apply to the Minister for an order directing the lessees who hold locations within, or partly within the spacing area, to pool those portions of the leases within the spacing area for the purposes of drilling and producing, or drilling or producing petroleum and natural gas, or either of them, from the spacing area.

Hearing, before order to pool

- (3) Upon receipt of an application made under subsection (2), the Minister shall hold a hearing, or cause a hearing to be held by a person or persons named by him and according to procedure that he may authorize, and at the hearing all interested parties shall be given an opportunity to be heard.

Order for leases to be developed

- (4) Subsequent to the hearing, the Minister may order the leases or portions thereof affected to be developed and operated or operated upon the terms and conditions set out in the order.

Order to provide

- (5) The Minister shall provide in every order under subsection (4) for

- (a) drilling and operation of a well on the spacing area, or, where a well that is capable of or could be made capable of production has been drilled on the spacing area before the making of the order, for the operation of the well;
- (b) the appointment of a person (hereinafter called the “operator”) to be responsible for the drilling, operation, or abandonment of the well, whether drilled before or after the order;
- (c) the allocation to each lessee of the lessee’s share of the oil and natural gas from the spacing area, which allocation shall be as prescribed unless it can be shown that such basis is inequitable in the circumstances;
- (d) in the event that no production of oil or natural gas is obtained, for the payment by the applicant of all costs incurred in the drilling and abandonment of the well;
- (e) where production has been obtained, for the payment of the actual costs of drilling the well, whether drilled before or after the making of the order, and for the payment of the actual costs of the operation and abandonment of the well, together with a penalty not exceeding one-half of the lessee’s share of the actual cost of drilling and completion, payable to the operator by a lessee who does not pay the other costs attributable to him by a date specified in the order; and
- (f) for the sale by the operator of any oil and natural gas allocated to a lessee under clause (c) where the owner thereof does not take or dispose of such production, and for the deduction to be made by the operator out of the proceeds.

Share of costs recoverable from

- (6) The share of the costs of the drilling, operating and abandonment of the well and penalty (if any) is recoverable only out of a lessee’s share of production from the spacing area if payment is not made by him by the time specified in the order.

Effect of pooling order

- (7) Where a pooling order has been made or the Minister has entered into a pooling agreement under subsection (1)
 - (a) the drilling for or the production of oil or natural gas from the spacing area and all operations incidental thereto shall for all purposes be deemed to be carried on or conducted by the several lessees respectively upon their separately owned leases in the spacing area; and
 - (b) that portion of the allowable production allocated to each lessee shall be deemed to have been produced by a well drilled on the lease of which the lessee is the holder.
R.S.P.E.I. 1974, Cap. O-3, s.63; 1999, c.38, s.14 {eff.} Nov. 14/00.

PART VII.1 — ROYALTIES

62. Royalties reserved to the province

- (1) Royalty is reserved to Her Majesty in right of the province on oil and natural gas and sulphur obtained by processing natural gas, any or all of which are obtained from any permit or lease acquired under this Act, in such amount and is payable in such manner as may from time to time be prescribed by the Lieutenant Governor in Council, but the amount thereof shall not be less than that payable immediately before the coming into effect of this Act.



Failure to comply with subsection (1)

- (2) Every holder of a location who fails to comply with subsection (1) commits an offence and is liable to the payment of the penalty prescribed by regulation. *R.S.P.E.I. 1974, Cap. O-3, s.64; 1981, c.24, s.2.*

63. Deductions when computing royalty

- (1) Deductions that may be allowed when computing the royalty on petroleum and natural gas, other than crude oil, for the costs, charges and expenses incurred in gathering or processing shall be the deductions specified by the Minister.

Agreements establishing royalties

- (2) Notwithstanding section 62, the Lieutenant Governor in Council may authorize the Minister to enter into an agreement establishing the amount of royalty to be paid and the method of calculating the royalty, on oil and natural gas produced from a unitized operation, or as the result of a conservation plan, scheme, or project, including, but not limited to, injection or pressurization schemes. *R.S.P.E.I. 1974, Cap. O-3, s.65.*

PART VIII — CROWN RESERVES**64. Crown reserves of oil and natural gas**

The following oil and natural gas is reserved to Her Majesty in right of the province;

- (a) all oil and natural gas within a permit area that does not become included in a lease area;
- (b) all oil and natural gas in cancelled, reverted, abandoned or surrendered permits or lease areas; and
- (c) oil and natural gas in whatever areas may from time to time be designated by regulations. *R.S.P.E.I. 1974, Cap. O-3, s.66.*

65. Disposal of Crown reserves

- (1) The Minister may dispose of the Crown reserves of oil and natural gas under such terms and conditions as are approved by the Lieutenant Governor in Council.

Application of Parts VI & VII

- (2) Nothing in Part VI or VII shall apply to a disposition of Crown reserves under subsection (1). *R.S.P.E.I. 1974, Cap. O-3, s.67; 1980, c.39, s.1; 1981, c.24, s.3.*

PART IX — CONSERVATION**66. Application of division**

- (1) This Part applies to every well situated in the province whenever drilled.

Well authorization, required

- (2) No person shall commence to drill, or drill or operate a well except in accordance with a valid and subsisting well authorization. *R.S.P.E.I. 1974, Cap. O-3, s.68.*

67. Applications for authorization

An application for a well authorization shall be made to the Chief Officer, and is not valid unless

- (a) it is accompanied by the prescribed fee and drilling deposit or such greater amount as may be required by the Minister where, in his opinion, special circumstances exist;
- (b) it is made in accordance with this Act and regulations;
- (c) the applicant is entitled as the lessee of the lease area upon which the well is to be drilled, or by agreement with the lessee, to drill the well for which the authorization is applied for and to produce oil or natural gas, or both, through the well;
- (d) there is set forth therein the number or other accurate identification of the area held by the applicant within which the well is to be drilled and, when an agreement exists, a letter of consent from the lessee; and
- (e) there is set forth therein a program of drilling operations proposed to be followed pursuant to the authorization. *R.S.P.E.I. 1974, Cap. O-3, s.69; 1978, c.16, s.18.*

68. Cancellation

A well authorization may be cancelled by the Minister

- (a) where the drilling of the well for which the authorization was issued is not commenced within one year of the day upon which the authorization was issued;
- (b) at the request of the person to whom the authorization was issued;
- (c) where it appears to the Minister that there has been a contravention of this Act or any regulation or order made hereunder with respect to the well for which the authorization was issued;
- (d) where the Chief Officer has mailed to the person to whom the authorization was issued a notice in writing requiring that person to prove to the satisfaction of the Minister he is entitled to drill the well for which the authorization was issued and to extract oil or natural gas, or both, through the well, and the person has not, on or before the thirtieth day after the day upon which the notice was mailed, complied with the requirements set forth in the notice; or
- (e) where the Minister is satisfied that the holder thereof is not entitled as a lessee or by agreement with the lessee to drill the well for which the authorization was issued, or to extract oil or natural gas, or both, through the well, whether or not a notice as mentioned in clause (d) has been mailed. *R.S.P.E.I. 1974, Cap. O-3, s.70.*

69. Suspension of a well authorization

The Minister may suspend a well authorization for a definite time or indefinitely where he is satisfied that a contravention of this Act or any regulation or order made hereunder has occurred with respect to the well for which the authorization was granted. *R.S.P.E.I. 1974, Cap. O-3, s.71.*

70. Suspension of a well authorization

A well authorization held by a person who is not entitled as a lessee, or by agreement with a lessee to drill the well for which the authorization was granted or to produce oil or natural gas, or both, through the well is null and void for all purposes, except that the person remains liable to complete or abandon any well or suspend operations in accordance with directions that may be given by the Minister. *R.S.P.E.I. 1974, Cap. O-3, s.72.*



71. Test hole authorization

No person shall commence to drill or drill a test-hole except in accordance with a valid and subsisting test hole authorization issued under this Act. *R.S.P.E.I. 1974, Cap. O-3, s.73.*

72. Application for

Application for a test-hole authorization shall be made to the Chief Officer and is not valid unless

- (a) it is accompanied by the prescribed fee;
- (b) it is in accordance with this Act and the regulations;
- (c) the applicant is the holder of a valid and subsisting geophysical license;
- (d) there is set forth therein a statement showing
 - (i) the maximum number of test-holes proposed,
 - (ii) the areas in which the test-holes are proposed to be drilled,
 - (iii) the approximate depth of the test-holes, and
 - (iv) the formation, stratum, or zone in which the drilling is to terminate; and
- (e) there is set forth therein a program of drilling operations proposed to be followed pursuant to the authorization. *R.S.P.E.I. 1974, Cap. O-3, s.74; 1978, c.16, s.19.*

73. Cancellation

A test-hole authorization may be cancelled by the Minister

- (a) where the drilling of the test-holes for which the authorization is issued is not commenced within six months of the day upon which the authorization was issued;
- (b) at the request of the person to whom the authorization was issued;
- (c) where it appears to the Minister that a contravention of this Act or any regulation or order made hereunder has occurred with respect to any test-hole for which authorization was issued; or
- (d) if the geophysical license expires. *R.S.P.E.I. 1974, Cap. O-3, s.75.*

74. Suspension of a test-hole authorization

The Minister may suspend a test-hole authorization for a definite time or indefinitely where he is satisfied that a contravention of this Act or of any regulation, or order made hereunder has occurred with respect to any test-hole for which the authorization was issued. *R.S.P.E.I. 1974, Cap. O-3, s.76.*

75. Rig license

- (1) No person shall operate a drilling rig, or service rig, except in accordance with a valid and subsisting rig license issued under this Act.

Termination of license

- (2) A rig license shall terminate one year from the date of issue thereof. *R.S.P.E.I. 1974, Cap. O-3, s.77.*

76. Application for license

Application for a rig license shall be made to the Chief Officer and is not valid unless

- (a) it is accompanied by the prescribed fee;
- (b) it is made in accordance with this Act and the regulations. *R.S.P.E.I. 1974, Cap. O-3, s.78; 1978, c.16, s.20.*

77. Cancellation

A rig license may be cancelled by the Minister

- (a) at the request of the person to whom the license was issued; or
- (b) where it appears to the Minister that a contravention of this Act or of any regulation or order made hereunder has occurred with respect to the rig for which the license was issued. *R.S.P.E.I. 1974, Cap. O-3, s.79.*

78. Suspension of rig license

The Minister may suspend a rig license for a definite time or indefinitely where he is satisfied that a contravention of this Act, or of any regulation or order made hereunder has occurred with respect to the rig for which the license was issued. *R.S.P.E.I. 1974, Cap. O-3, s.80.*

79. Granting or refusing well authorization

- (1) The Minister or the Chief Officer authorized by him to do so may, in his discretion, grant, subject to conditions, restrictions, and stipulations, or refuse to grant a well authorization, test-hole authorization, or a rig license.

Record of well authorization

- (2) The Chief Officer shall keep a record of each well authorization, test-hole authorization and rig license issued. *R.S.P.E.I. 1974, Cap. O-3, s.81.*

80. Transfer of authorization

- (1) A well authorization, test-hole authorization or rig license shall not be transferred unless
 - (a) the Minister has consented to the transfer in writing;
 - (b) the document that is the evidence of the transfer is filed with the Chief Officer; and
 - (c) the fee prescribed by regulation has been paid to the Chief Officer.

Record of transfers

- (2) The Chief Officer shall keep a record of every transfer to which the Minister has given consent. *R.S.P.E.I. 1974, Cap. O-3, s.82.*

81. Well Register

The Chief Officer shall maintain a record of each well drilled, to be known as the “Well Register” and in which shall be entered with respect to each well

- (a) the name given to the well, any changes made thereto, and the location of the well;
- (b) the well authorization number;
- (c) the name of the person to whom the well authorization was issued or transferred and his agents; and
- (d) the name of the drilling contractor or contractors. *R.S.P.E.I. 1974, Cap. O-3, s.83.*



82. Regulations and special orders

The Lieutenant Governor in Council may make regulations or special orders governing the drilling of wells and the production and conservation of oil and natural gas and, without limiting the generality of the foregoing, may

- (a.0) prescribe the manner and system by which areas are identified and described with respect to geophysical licenses, permits and leases;
- (a) prescribe normal spacing areas for oil and natural gas wells;
- (b) prescribe other than normal spacing areas in any field, pool, or other area;
- (c) prohibit the drilling of a well at any point within a prescribed distance of any boundary roadway, right-of-way, building of any specified type; or any specified works, either public or private;
- (d) prescribe and describe the part of a spacing area within which a well is to be completed, and provide penalties for and prohibitions against completing the well in other parts of the spacing area;
- (e) require the submission of an application and the obtaining of the approval of the Minister before
 - (i) deepening a well beyond the formation from which production is being taken or has been taken,
 - (ii) recompleting a well by perforating any casing with a view to producing from any formation other than that from which production is being taken or has been taken,
 - (iii) suspending normal drilling operations,
 - (iv) suspending normal producing operations for a period longer than three consecutive months,
 - (v) resuming drilling operations after a previous completion, suspension, or abandonment of a well,
 - (vi) resuming producing operations after a previous suspension,
 - (vii) reworking a well to alter the producing characteristics of the well, or
 - (viii) abandoning a well,and authorizing the Minister to prescribe the conditions under which approval is granted in any such case, and prescribing the methods to be employed in any drilling or abandonment operations;
- (f) prescribe the conditions under which drilling operations may be carried out in water-covered areas, and any special measures to be taken in such operations;
- (g) prescribe the measures to be adopted to confine any oil, natural gas, or water encountered during drilling operations to its original stratum, and to protect the contents of the stratum from infiltration, inundation, and migration;
- (h) prescribe the minimum standards of tools, casing, equipment, and materials that may be used for drilling, development, and production of oil or natural gas;
- (i) govern the drilling of multi-zone wells, prohibit completion of a well as a multi-zone well without the permission of the Minister, prohibit the use of a well for the production from or injection to more than one zone without the approval of the Minister, and authorize the Minister to prescribe the terms and conditions under which he grants his approval in any such case;
- (j) prohibit the drilling through oil, natural gas, water, coal or other minerals without taking adequate measures to confine oil, natural gas, or water to its own stratum, and

- to protect any coal seam or other mineral deposit or any workings therein from injury, and prescribe the nature and extent of such measures;
- (k) require the provision of adequate well casing and the proper anchorage and cementation thereof;
 - (l) require and prescribe the taking and method of taking samples of any kind and their submission to the Minister;
 - (m) require and prescribe any tests, analyses, surveys and logs and the obtaining of other necessary information and the submission of all such records and information to the Minister;
 - (n) prescribe the measures to be taken before the commencement of drilling and during drilling and production to conserve any oil, natural gas or water likely to be encountered;
 - (o) prescribe or limit the methods of operation to be observed during drilling and in the subsequent management of any well and the conduct of any operation for any purpose, including, without restricting the generality of the foregoing
 - (i) the protection of life and property,
 - (ii) the prevention and extinguishment of fires,
 - (iii) the prevention of wells flowing out of control, and
 - (iv) the prevention of pollution of water;
 - (p) regulate the location and equipping of production batteries;
 - (q) regulate the conditioning or reconditioning of wells by mechanical, chemical, or explosive means;
 - (r) regulate the inspection of wells both during and after drilling;
 - (s) provide for the capping or otherwise closing in of wells for the purpose of preventing waste;
 - (t) prescribe the conditions under which the Minister or the Chief Officer may order the suspension of drilling or producing operations at a well;
 - (u) require the cleaning-out of any wells;
 - (v) regulate the unitization of a pool or field for the purpose of drilling and producing;
 - (w) prescribe records that must be maintained and filed with the Chief Officer;
 - (x) regulate the release of well records and well data;
 - (y) regulate the naming of wells and batteries;
 - (z) regulate general conservation of oil and natural gas, the waste or improvident disposition thereof, and any other matter incidental to the development and drilling of oil and natural gas wells, the operation thereof, and the production therefrom;
 - (z.1) establish a tariff of fees for well authorizations, test-hole authorizations, and rig licenses, the transfer of same, well name changes, and for such other purposes as may be required; and
 - (z.2) establish the amount and disposition of drilling or other deposits required under this Act;
 - (z.3) regulate all aspects of licenses granted pursuant to this Act;
 - (z.4) regulate all aspects of permits granted pursuant to this Act, including permits governed by section 39;
 - (z.5) regulate all aspects of leases granted pursuant to this Act
 - (z.6) prescribe a bidding system under this Act;

- (z.7) prescribing forms for the purposes of this Act. *R.S.P.E.I. 1974, Cap. O-3, s.84; 1999, c.38, s.16 [eff.] Nov. 14/00.*

83. Ministerial orders

The Minister may, by general or special orders

- (a) designate a field by describing the surface area thereof;
- (b) designate a pool by describing the surface area vertically above the pool and by naming the geological formation and the zone in which the pool occurs;
- (c) determine whether a field or pool as described under clause (a) or (b) shall be operated for the production of oil or natural gas, or both;
- (d) designate the area that is to be allocated to a well in connection with fixing allowable production;
- (e) control and regulate the production of oil, natural gas, and water by restriction, proration, or prohibition; and
- (f) require the disposal into an underground formation or otherwise, in accordance with such terms and conditions as he may prescribe, of any water produced. *R.S.P.E.I. 1974, Cap. O-3, s.85.*

84. Restrictions on production of oil or natural gas

The Minister may, by general or special order, restrict the amount of oil or natural gas, or both, that may be produced in the province by

- (a) fixing a provincial allowable rate of production for oil not exceeding the market demand as determined by him;
- (b) allocating the provincial allowable rate of production for oil in a reasonable manner among the producing pools in the province by fixing the amount of oil that may be produced from each pool without waste to meet the provincial allowable rate of production so determined;
- (c) distributing the portion of the provincial allowable rate of production allocated to a pool among the wells in the pool in such a manner that each lessee may produce or receive his fair share of the oil in the pool;
- (d) limiting the total amount of natural gas that may be produced from any pool without waste, having regard to the market demand for natural gas, as determined by him, to an amount required for the efficient use of natural gas for the production of oil and for the efficient utilization of the natural gas reserves of the province. *R.S.P.E.I. 1974, Cap. O-3, s.86.*

85. Prevention of waste

In order to prevent waste, the Minister may

- (a) require the repressuring, recycling, or pressure maintenance of any pool or portion thereof, and for or incidental to that purpose require the introduction or injection into any pool or portion thereof of natural gas, air, water, or other substance; and
- (b) require that any natural gas be gathered, processed if necessary, and that the natural gas or liquid hydrocarbons extracted therefrom be marketed or injected into an underground reservoir for storage or for any other purpose. *R.S.P.E.I. 1974, Cap. O-3, s.87.*

86. Approval of schemes

No scheme for

- (a) repressuring, recycling, or pressure maintenance in any field or pool;
- (b) the processing, storage or disposal of natural gas; or
- (c) the gathering, storage and disposal of water produced from any field or pool,

shall be proceeded with unless the Minister, by order, has approved the scheme upon such terms and conditions as the Minister may prescribe. *R.S.P.E.I. 1974, Cap. O-3, s.88.*

87. Publication

Every regulation and general or special order made under sections 82 to 86 shall be published in the *Gazette*. *R.S.P.E.I. 1974, Cap. O-3, s.89.*

88. Escape of oil or natural gas or water

If at any time an escape of oil or natural gas from a well is not prevented or if a flow of water is not controlled, the Minister may take such means as may appear to him to be necessary or expedient in the public interest to control and prevent the escape of oil, natural gas, or water. *R.S.P.E.I. 1974, Cap. O-3, s.90.*

89. Discontinuance of operations

- (1) If the Minister is satisfied, after an inquiry held upon such notice and to such persons as he considers proper, that a well is being operated in such a way that any provision of this Act or of the regulations, or of an order of the Minister is contravened or not complied with, the Minister may order that on and after a date to be fixed by the order no production is to be permitted from the well and that it is to be shut in and kept shut in until such time as the Minister orders to the contrary.

Order for well to be shut down

- (2) If, in the opinion of the Minister, waste, damage to property, or pollution can thereby be prevented, the Minister may order the well to be shut down pending an inquiry under subsection (1), which inquiry shall be held within fifteen days of the making of the order.

Drilling methods or practices inadequate, Ministerial order

- (3) Where it appears to the Minister that a method or practice being employed in any drilling, completion, suspension, abandonment, or production operation is in any way inadequate, improper or hazardous, he may order orally, confirmed by a note in the daily drilling report, that the operation be discontinued until methods approved by him are adopted. *R.S.P.E.I. 1974, Cap. O-3, s.91.*

90. Prescribing methods of measurements

- (1) The Minister may prescribe the methods to be used for the measurement of oil, natural gas, and water, and the standard conditions to which such measurements are to be converted.

Methods and standard conditions, use of

- (2) If methods of measurement and standard conditions are prescribed under this section, the methods and standard conditions shall be used whenever the measurement of oil, natural gas, or water is required as a result of the provisions of this Act. *R.S.P.E.I. 1974, Cap. O-3, s.92.*



91. Wild-well control

- (1) When the Minister is of the opinion that, because of hazardous conditions in a field or at a well, it is necessary or expedient to close any area and to shut out therefrom all persons except such as are specifically authorized, the Minister may make an order in writing setting out and delimiting the closed area prohibiting anyone during the time the order is in effect from entering, travelling about, or remaining therein without a travel permit issued under the authority of the Minister.

Terms and conditions of order

- (2) An order under subsection (1) may contain any terms and conditions that the Minister considers necessary for the prevention of fire in the closed area.

Notice

- (3) The Minister may provide for such notice as is practicable under the circumstances, and may cause notice of the order setting out the area closed to be published as in his opinion will give adequate publicity.

Advising Government of Canada

- (4) In addition to the notice provided by the subsection (3), the Minister shall advise an appropriate representative of the Department of Transport of Canada of the contents of the order made under subsection (1). *R.S.P.E.I. 1974, Cap. O-3, s.93.*

92. Enforcement of orders and costs

- (1) Without restricting the generality of section 91, if, in the opinion of the Minister, the control of a well or any completion, suspension, or abandonment is not in accordance with an order, direction, or requirement of the Minister, the Chief Officer, or any person duly authorized by the Minister, shall have access to and may enter upon the well-site or any structure thereon and do whatever the Minister considers necessary because of the failure to comply with the order, direction or requirement.

Use of deposits to defray costs

- (2) The Minister of Finance may use or expend all or any part of the deposit made by the lessee to defray the costs, determined by the Minister, of or incidental to the work of control, completion, suspension, or abandonment of the well to the satisfaction of the Minister.

Return of deposit, effect on liability

- (3) The return of the deposit or any part thereof, does not relieve the lessee of the well of liability for any costs or of incidental to the control, completion, suspension or abandonment of a well and does not reduce his liability for such costs.

Costs incurred by Minister

- (4) The costs incurred by the Minister under this section remaining unpaid after applying thereto a deposit held by the Minister of Finance are a debt payable by the lessee of the well to the Minister of Finance. *R.S.P.E.I. 1974, Cap. O-3, s.94; 1983, c.1, s.6; 1986, c.5, s.2; 1993, c.29, s.4; 2010, c.31, s.3; 2012, c.17, s.2; 2015, c.28, s.3.*

93. Enforcement of Ministerial orders

- (1) The Minister, for the enforcement of any order made by him under sections 91 and 92 may
- (a) take such steps and employ such persons as he considers necessary;

- (b) forcibly or otherwise enter upon, seize, and take possession of any well, together with the whole or part of the movable and immovable property in, on, or about the well or used in connection therewith or appertaining thereto together with any of the records pertinent thereto;
- (c) either discontinue all production or take over the management and control of it;
- (d) plug the well at any depth; and
- (e) take such steps as he considers necessary to prevent the flow of or escape of oil, natural gas, or water from any stratum that the well enters.

Obeying order of Minister

- (2) Upon the Minister taking possession of a well and so long as the possession continues, every officer and employee of the lessee or the well agent, or contractor shall obey the orders concerning the well given by the Minister, or by such person or persons as may be placed in charge or control of the well.

Disposition of oil and natural gas

- (3) Upon possession being taken of any well, the Minister may take, deal with, and dispose of all oil and natural gas produced at the well as if it were the property of the Crown, subject to the payment of the net proceeds thereof as provided in this section.

Costs and expenses of proceedings

- (4) The costs and expenses of and incidental to proceedings taken by the Minister under this section are in the discretion of the Minister, and the Minister may direct by whom and to what extent they are to be paid.

Payments from proceeds of oil and natural gas

- (5) Without restricting the generality of the foregoing subsections, the Minister may pay, from the proceeds of the oil and natural gas produced at the well
 - (a) all costs and expenses of and incidental to the proceedings taken by the Minister under this section, including the costs and expenses of the management, operation, and control of the well by the Minister; and
 - (b) all costs and expenses of carrying out investigations and conservation measures that the Minister considers necessary in connection with the well.

Payment of net proceeds into court

- (6) The net proceeds of the oil and natural gas produced at the well remaining after the payment of the costs and expenses under subsection (5) shall be paid by the Minister into the Supreme Court of Prince Edward Island and thereafter shall be paid out to such persons and in such amounts as may be determined by a judge of the Supreme Court upon the application of any person claiming to be entitled to any of the proceeds.

Proceeds insufficient to pay costs and expenses

- (7) If the proceeds of the oil and natural gas produced at the well are not sufficient to pay all costs and expenses of and incidental to the proceedings, investigations, and measures taken, and the Minister directs that the balance of the costs and expenses or any part of it is to be paid by the lessee of the well, then the provisions of section 92 regarding the use of the deposit and regarding the further liability of the lessee of the well with respect to the costs referred to in that section apply, with the necessary changes, to the use of the deposit, and to the further liability of the lessee, to defray the balance of the costs and expenses that are incurred under this section. *R.S.P.E.I. 1974, Cap. O-3, s.95.*



PART X — GENERAL**94. Production of oil and natural gas**

With the approval of the Minister, a permittee may, for testing purposes only, produce oil or natural gas from one or more wells on his location in accordance with whatever terms and conditions are prescribed, but in no event shall the production continue for more than ninety days. *R.S.P.E.I. 1974, Cap. O-3, s.96.*

95. Lease not invalidated by

The inclusion in a permit or lease of oil or natural gas that does not belong or is not reserved to Her Majesty in right of the province does not invalidate a permit or a lease, with respect to the remainder of the permit or lease. *R.S.P.E.I. 1974, Cap. O-3, s.97.*

96. Unitization agreement

The Lieutenant Governor in Council may authorize the Minister to enter into a unitization agreement for the unitized operation of a field or pool or any part thereof, and upon its execution the unitization agreement shall be binding on all parties thereto. *R.S.P.E.I. 1974, Cap. O-3, s.98.*

97. Exploration work, notice of

No person shall commence exploratory work until he has notified the Chief Officer in writing of his intention to do so. *R.S.P.E.I. 1974, Cap. O-3, s.99.*

PART XI — TRANSFERS AND ASSIGNMENTS**98. Transfers and assignments**

A permittee or lessee shall not assign, transfer, sublet or part with the possession of the rights described in his permit or lease, or any part thereof without the approval of the Minister. *R.S.P.E.I. 1974, Cap. O-3, s.100.*

99. Preconditions to transfers etc.

- (1) No transfer, assignment, agreement or instrument affecting the title to a location shall be recorded or effective unless
- (a) the transfer, assignment, agreement, or instrument does not conflict or result in any conflict with the provisions of this Act;
 - (b) the transfer, assignment, agreement, or instrument is made by or on behalf of the permittee or of the lessee; or
 - (c) a transfer, assignment, agreement, or instrument affecting the title to a location shall be deemed to be recorded and be effective from and after the time that the application to record the transfer, assignment, agreement, or instrument is received by the Chief Officer.

Failure to record a transfer etc.

- (2) Failure to record a transfer, assignment, agreement or instrument affecting the title to a location does not invalidate the transfer, assignment, agreement, or instrument as between the

parties thereto, but the provisions of subsection (1) govern the effectiveness thereof with respect to any other person.

Fee for recording

- (3) No transfer, assignment, agreement, or instrument affecting title to a location shall be recorded unless it is accompanied by the prescribed fee.

Transfer etc. to be witnessed

- (4) Every transfer, assignment, agreement, or instrument affecting title to a location when made by an individual under this Act shall be witnessed, and he shall sign his name and address, and when made by a corporation shall be properly executed under the seal of the corporation or its duly authorized attorney.

Registration of certain documents with Chief Officer

- (5) Where, by an instrument made pursuant to section 177 of the *Bank Act* (Canada), R.S.C. 1985, Chap. B-1, a lease of oil or natural gas, or both, or any interest in the lease, is assigned, transferred, or set over as security to a chartered bank by the lessee of, or by a person having an interest in the lease, there shall be registered with the Chief Officer upon payment of the prescribed fee
- (a) an original or an executed copy of the instrument giving the security; or
 - (b) a copy of the instrument giving the security certified by an officer or employee of the bank to be a true copy.

Transfer of permit or lease, to whom permitted

- (6) A holder of a permit or lease may make a valid transfer of his permit, or lease, directly to himself, jointly with another or others; and where the permit or lease is held by more than one person, they may make a transfer directly to one or more of their number either alone or jointly with some other person; and a trustee, executor, or administrator may make a valid transfer of a permit or lease to himself individually where the making of the transfer is otherwise within his power. *R.S.P.E.I. 1974, Cap. O-3, s.101; 1978, c.16, s.21.*

PART XII — SURVEYS

100. Surveys of leases and wells

- (1) The location and the boundaries of every lease shall be surveyed by a Prince Edward Island land surveyor within one year from the date of instructions by the Minister to do so, and any such location not surveyed within that time may be cancelled, unless the lessee can prove to the Minister that, through no fault on his part, he has been unable to obtain a Prince Edward Island land surveyor to survey the location.

Surveys

- (2) A survey under this section shall be made in conformity with the requirements of the Chief Surveyor. *1971, c.27, s.103; 1999, c.38, s.16 {eff.} Nov. 14/00.*



PART XIII — CONFIDENTIAL INFORMATION**101. Public inspection of records and instruments**

- (1) Subject to subsection (2), all records and instruments relating to oil and natural gas titles recorded pursuant to this Act shall, during normal office hours be open to public inspection free of charge.

Release of certain reports restricted

- (2) Geological, geophysical, and reports other than well reports and well data received by the Chief Officer in the course of the administration of this Act, and designated by the Minister as confidential, shall not be released except pursuant to the order of the Lieutenant Governor in Council.

Release of information by Minister

- (3) Notwithstanding subsection (2), with the permission in writing of the person who is the holder of the permit, or lease, the location of which is dealt within the report, the Minister may, at his sole discretion, release information contained therein.

Release of factual information

- (4) Notwithstanding subsection (2), the Lieutenant Governor in Council may release factual information considered confidential when it is considered to be in the public interest to do so. *R.S.P.E.I. 1974, Cap. O-3, s.103.*

PART XIV — MISCELLANEOUS**102. Address for service**

Every permittee, or lessee shall register with the Chief Officer an address for service. *R.S.P.E.I. 1974, Cap. O-3, s.104.*

103. Execution of permits and leases by Crown

Every permit and lease shall be executed on the part of the Crown by the Minister under his hand and seal, and shall be kept on file in the office of the Chief Officer; and a duplicate thereof, or a copy thereof, certified by the Minister, shall be executed and delivered to the permittee or lessee, and shall in all courts have the like effect and force as the original on file in the office of the Chief Officer. *R.S.P.E.I. 1974, Cap. O-3, s.105.*

104. Specific orders directed at specific people

In any case where the Lieutenant Governor in Council may make a regulation of general or particular application, the Minister may, if it appears to him necessary to do so for the preservation or protection of life or property, or oil or natural gas, or oil or natural gas field or part thereof, or any well or other work, or any investment, make a specific order directed to a particular person or persons which order shall without publication in the Gazette, be of the same effect as a regulation, for such period not exceeding thirty days as the Minister specified in such order, but the Lieutenant Governor in Council or the Minister may at any time revoke or suspend any such order. *R.S.P.E.I. 1974, Cap. O-3, s.106.*

105. Effective date of regulations

Any regulation and any amendment, alteration or repeal thereof made under this Act become effective in all respects as if enacted in this Act upon the publication thereof in the Gazette. *R.S.P.E.I. 1974, Cap. O-3, s.107.*

106. Penalties

Any person who contravenes any provision of this Act or of any regulations or order made hereunder in addition to any other penalty provided for in the regulations is liable upon summary conviction to a penalty not exceeding \$1,000 and every day during which a contravention continues may constitute a separate offence. *R.S.P.E.I. 1974, Cap. O-3, s.108; 1994, c.58, s.6.*

107. Fees, fines, etc.

All fees, fines and penalties collected under this Act shall be made payable to the Minister of Finance and submitted to the Chief Officer. *1971, c.27, s.110; 1983, c.1, s.6; 1986, c.5, s.2; 1993, c.29, s.4; 2010, c.31, s.3; 2012, c.17, s.2; 2015, c.28, s.3.*

