IN THE MATTER OF THE UTILITIES
COMMISSION ACT, SBC 1980, c. 60

and

IN THE MATTER OF AN APPLICATION BY
ORBIT OIL & GAS LTD.

DECISION

May 28, 1981

Before D.B. Kilpatrick, Division Chairman,
J.D.V. Newlands and B.M. Sullivan, Commissioners

TABLE OF CONTENTS

APPEARANCES

R.J. Ludgate	for the British Columbia Utilities Commission
M. Chow	for the Applicant
W.F. Muscoby	for Texaco Canada Resources Ltd.
D.C. Morley	for the British Columbia Petroleum Corporation
Hearing Secretary	A.C. Michelson
Commission Staff	Staff: W.J. Grant Consultants: B.T. Barber R. Stewart
Court Reporter	Allwest Reporting Ltd.

LIST OF EXHIBITS

ORBIT OIL & GAS LTD

Decision dated May 28, 1981

INTRODUCTION

On January 23, 1981, Orbit Oil & Gas Ltd. ("Orbit") made application to the British Columbia Utilities Commission ("the Commission") for an Order of the Commission declaring the British Columbia Petroleum Corporation ("BCPC") to be a common purchaser of natural gas in the Boundary Lake North Halfway E pool. The application was set down for public hearing on April 28, 1981, by Order COM-4-81. Notice of public hearing was published by the Applicant and the Commission mailed copies of the notice to designated interested parties. A submission from Texaco Canada Resources Ltd. ("Texaco") proved to be the only formal intervention in the proceedings.

The Application was heard on April 28, 1981 in the Hearing Room of the Commission.

DECISION

The Commission was faced with determining if the Orbit well, Orbit et al N. Boundary 7-22-87-14 W6M, was in the Boundary Lake North Halfway E Pool and, hence, being drained. The appropriate allocation of future production from the pool was also an issue at the hearing.

Issue #1 - Drainage

The Commission believes that the pressure measurements in the well Orbit et al N. Boundary 7-22-87-14 indicate that the pressure in this well is declining and therefore provides evidence that drainage of gas from the spacing area of the well has occurred and is still occurring.

No evidence was presented to prove that drainage of gas from the spacing area of the well Orbit et al N. Boundary 7-22-87-14 could occur for any cause except production from the well Texaco NFA N. Boundary 7-15-87-14.

The Commission therefore concludes that the Applicant's well is completed in the Boundary Lake North Halfway E pool and drainage is occuring. The Applicant presented adequate evidence and testimony that he was unsuccessful in attempts to obtain a gas purchase contract for the subject well. Accordingly the Commission will order that BCPC is found to be a common purchaser of natural gas in the Boundary Lake North Halfway E pool.

Issue #2 - Allocation of Pool Production

The Commission has considered Texaco's testimony that a gas-water contact may be present in the Orbit well only 2 metres from the top of the formation. However, the well is perforated down to 1.7 metres from the top of the formation and yet, during the AOFP test, produced no water despite substantial draw down. Consequently, the Commission concludes that the Texaco claim is not substantiated.

Texaco proposed that any allocation of pool production should be based on well bore parameters. In testimony, Orbit stated a preference for allocation based on the well spacing area. The Commission recognizes that the volumetric gas allowables approved and issued by the Ministry of Energy, Mines & Petroleum Resources are based on well bore parameters and are proportional to reserves under the well spacing area. The Commission therefore concludes that the gas allowables method as used in previous common purchaser applications, is the most appropriate method of allocating pool production and will so order.

Dated at the City of Vancouver in the Province of British Columbia, this 28th day of May, 1981.

D. B. Kilpatrick

D. B. Kilpatrick, Division Chairman

J. D. V. Newlands, Commissioner

B. M. Sullivan, Commissioner

APPENDIX 1

BRITISH COLUMBIA UTILITIES COMMISSION

ORDER NUMBER COM-8-81

PROVINCE OF BRITISH COLUMBIA

BRITISH COLUMBIA UTILITIES COMMISSION

IN THE MATTER OF the Utilities Commission Act, SBC 1980, c. 60

and

IN THE MATTER OF an Application by Orbit Oil & Gas Ltd. for an Order declaring the British Columbia Petroleum Corporation a common purchaser of natural gas in the Boundary Lake North Halfway E Pool

BEFORE:	D.B. Kilpatrick, Division Chairman; J.D.V. Newlands, Commissioner; and B.M. Sullivan, Commissioner	May 28, 1981

O R D E R

WHEREAS Orbit Oil & Gas Ltd. ("Orbit") applied January 23, 1981 for an Order of the Commission declaring the British Columbia Petroleum Corporation ("B.C.P.C.") a common purchaser of natural gas from the Boundary Lake North Halfway E Pool; and

WHEREAS pursuant to Order COM-4-81 the British Columbia Utilities Commission ("the Commission") considered the application at a public hearing in Vancouver on April 28, 1981; and

WHEREAS from the evidence with respect to well pressures and the geology of the area, the Commission concludes that the Applicant's well, Orbit et al N. Boundary 7-22-87-14 W6M, is capable of production of natural gas from the Boundary Lake North Halfway E Pool; and

.../2

BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER
NUMBER COM-8-81

5. That portion of total pool production allocated to the new producer will be taken from the existing contracts in the pool in such proportions as will maintain the relative share of pool production of each existing producer prior to the effective date applicable to the new producer, by such method and timing as may be agreed upon by the interested parties to achieve that result.

6. If within three months of the effective date, existing producers in the pool and the B.C.P.C. are unable to all agree on a satisfactory method of reducing the gas volume purchase obligation of existing contracts in the pool, the B.C.P.C. shall reduce each of the existing contracts providing for delivery of gas from the pool by a percentage of the maximum volume of gas which B.C.P.C. is obliged to purchase each day or each year (whichever is specified in the contract) applicable to the lands within the Pool. The percentage shall be the same as the percentage which the daily gas allowables of the well of the new producer is of the total of the daily gas allowables for the Pool. The effective date for all reductions to contracted volumes shall be the same effective date as determined for the new producer.

7. Where the new well, Orbit 7-22, proves unable to produce the gas volume allocated, the volume which the well fails to deliver shall be reallocated back to the producers whose contracts were reduced to accommodate the new well. Such reallocations will be made so as to maintain the relative share of pool production of each existing producer prior to the effective date applicable to the new well, by such method and timing as may be agreed upon by the interested parties to achieve that result.

8. Compliance with this Order shall not require the British Columbia Petroleum Corporation to purchase natural gas from the Boundary Lake North Halfway E Pool in a greater total amount or at a greater rate than required under gas purchase contracts for such Pool.

DATED at the City of Vancouver, in the Province of British Columbia, this 28th day of May, 1981.

BY ORDER

D.B. Kilpatrick

Division Chairman

BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER NUMBER COM-8-81

WHEREAS it appears that Orbit has made reasonable efforts to arrange a gas sales contract for the subject well with B.C.P.C. without success; and

WHEREAS the evidence further establishes that Orbit is suffering drainage of natural gas because of an inability to bring the subject well into production.

NOW THEREFORE the Commission hereby orders as follows:

1. The British Columbia Petroleum Corporation is declared a common purchaser of natural gas from the Boundary Lake North Halfway E Pool effective the date of this Order.

2. The Applicant's well, Orbit et al N. Boundary 7-22-87-14 W6M is capable of production from the said pool.

3. The contract quantity applicable to the production of natural gas from the said well shall be the lesser of the volume determined on the basis of the ratio of the daily gas allowable of the said well to the sum of the daily gas allowables determined for the Boundary Lake North Halfway E Pool, or the actual production capability. The term daily gas allowable refers to the volumetric allowable for natural gas wells and designated areas approved and issued from time to time by the Ministry of Energy, Mines and Petroleum Resources, exclusive of the minimum of 60,000 m^3 set for some wells. The gas pool boundary is that determined by the said Ministry.

4. The effective date on which the said well is entitled to share in the production and revenues from the common pool shall be the date on which the Applicant has completed all required of him to effect delivery of specification gas from the new well. If within thirty days of this effective date, the Applicant has failed to negotiate actual connection and makes a common carrier application, the said application, if successful, will establish his entitlement to share in the production and revenues from the common pool as of the effective date.

APPENDIX I

BRITISH COLUMBIA UTILITIES COMMISSION

ORDER NUMBER COM-8-81

PROVINCE OF BRITISH COLUMBIA

BRITISH COLUMBIA UTILITIES COMMISSION

IN THE MATTER OF the Utilities Commission Act, SBC 1980, c. 60

and

IN THE MATTER OF an Application by Orbit Oil & Gas Ltd. for an Order declaring the British Columbia Petroleum Corporation a common purchaser of natural gas in the Boundary Lake North Halfway E Pool

BEFORE:	D.B. Kilpatrick, Division Chairman; J.D.V. Newlands, Commissioner; and B.M. Sullivan, Commissioner	May 28, 1981

O R D E R

WHEREAS Orbit Oil & Gas Ltd. ("Orbit") applied January 23, 1981 for an Order of the Commission declaring the British Columbia Petroleum Corporation ("B.C.P.C.") a common purchaser of natural gas from the Boundary Lake North Halfway E Pool; and

WHEREAS pursuant to Order COM-4-81 the British Columbia Utilities Commission ("the Commission") considered the application at a public hearing in Vancouver on April 28, 1981; and

WHEREAS from the evidence with respect to well pressures and the geology of the area, the Commission concludes that the Applicant's well, Orbit et al N. Boundary 7-22-87-14 W6M, is capable of production of natural gas from the Boundary Lake North Halfway E Pool; and

.../2

WHEREAS it appears that Orbit has made reasonable efforts to arrange a gas sales contract for the subject well with B.C.P.C. without success; and

WHEREAS the evidence further establishes that Orbit is suffering drainage of natural gas because of an inability to bring the subject well into production.

NOW THEREFORE the Commission hereby orders as follows:

1. The British Columbia Petroleum Corporation is declared a common purchaser of natural gas from the Boundary Lake North Halfway E Pool effective the date of this Order.

2. The Applicant's well, Orbit et al N. Boundary 7-22-87-14 W6M is capable of production from the said pool.

3. The contract quantity applicable to the production of natural gas from the said well shall be the lesser of the volume determined on the basis of the ratio of the daily gas allowable of the said well to the sum of the daily gas allowables determined for the Boundary Lake North Halfway E Pool, or the actual production capability. The term daily gas allowable refers to the volumetric allowable for natural gas wells and designated areas approved and issued from time to time by the Ministry of Energy, Mines and Petroleum Resources, exclusive of the minimum of 60,000 m^3 set for some wells. The gas pool boundary is that determined by the said Ministry.

4. The effective date on which the said well is entitled to share in the production and revenues from the common pool shall be the date on which the Applicant has completed all required of him to effect delivery of specification gas from the new well. If within thirty days of this effective date, the Applicant has failed to negotiate actual connection and makes a common carrier application, the said application, if successful, will establish his entitlement to share in the production and revenues from the common pool as of the effective date.

.../3

BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER
NUMBER COM-8-81

5. That portion of total pool production allocated to the new producer will be taken from the existing contracts in the pool in such proportions as will maintain the relative share of pool production of each existing producer prior to the effective date applicable to the new producer, by such method and timing as may be agreed upon by the interested parties to achieve that result.

6. If within three months of the effective date, existing producers in the pool and the B.C.P.C. are unable to all agree on a satisfactory method of reducing the gas volume purchase obligation of existing contracts in the pool, the B.C.P.C. shall reduce each of the existing contracts providing for delivery of gas from the pool by a percentage of the maximum volume of gas which B.C.P.C. is obliged to purchase each day or each year (whichever is specified in the contract) applicable to the lands within the Pool. The percentage shall be the same as the percentage which the daily gas allowables of the well of the new producer is of the total of the daily gas allowables for the Pool. The effective date for all reductions to contracted volumes shall be the same effective date as determined for the new producer.

7. Where the new well, Orbit 7-22, proves unable to produce the gas volume allocated, the volume which the well fails to deliver shall be reallocated back to the producers whose contracts were reduced to accommodate the new well. Such reallocations will be made so as to maintain the relative share of pool production of each existing producer prior to the effective date applicable to the new well, by such method and timing as may be agreed upon by the interested parties to achieve that result.

8. Compliance with this Order shall not require the British Columbia Petroleum Corporation to purchase natural gas from the Boundary Lake North Halfway E Pool in a greater total amount or at a greater rate than required under gas purchase contracts for such Pool.

DATED at the City of Vancouver, in the Province of British Columbia, this 28th day of May, 1981.

BY ORDER

D.B. Kilpatrick

Division Chairman