



# MANITOBA ORDER IN COUNCIL

DATE: **August 23, 2023**

ORDER IN COUNCIL NO.: **296/2023**

RECOMMENDED BY: **Minister of Economic Development, Investment and Trade**

## ORDER

1. The minister may make a "unit order" to form a "unit area" under The Oil and Gas Act without the voluntary participation of all concerned owners (both royalty and working interest) in the unitized substances in the unitized zone.
2. The "unit tracts" comprising the unit area are the legal subdivisions (LSD) in the following lands:

LSD	Section	Township	Range
11	3	10	28W
14	3	10	28W
1	10	10	28W
2	10	10	28W
3	10	10	28W
6	10	10	28W
7	10	10	28W
8	10	10	28W

and shall be known as Daly Unit No. 20.

3. The unit order applies only to the Lodgepole formation underlying the lands within the unit area as same is shown on the density neutron log of the 100/13-24-009-28W1M well between the interval of 721.5 mKB and 823.4 mKB;
4. The unitized substances are petroleum, natural gas and related hydrocarbons (except coal) and all substances whether gaseous, liquid or solid, which are produced in association therewith, or any of them.

## AUTHORITY

*The Oil and Gas Act*, C.C.S.M. c. O34, states:

"unit agreement" means an agreement between one or more working interest owners and one or more royalty owners to consolidate, merge, integrate or otherwise combine their rights or interests in a field or pool into a unit operation, but does not include a pooling agreement;

"unit area" means

- (a) an area comprised of two or more unit tracts in which a unit operation is carried on under a unit agreement or a unit order, or
- (b) where a unit agreement or unit order applies only to certain formations under the unit tracts described in the unit agreement or unit order, the subsurface area comprised of those formations;

"unit operation" means an operation in which two or more unit tracts are, in accordance with the terms of a unit agreement or unit order, consolidated, merged, integrated or otherwise combined, without regard to the boundaries of the respective unit tracts to provide for the coordinated management of oil and gas rights in the unit area for the purpose of

- (a) more efficient production of oil and gas within the unit area,
- (b) implementing a program for the prevention of waste, or
- (c) protecting correlative rights;

"unit order" means an order of the minister under section 135 that a field or pool be subject to a unit operation;

"unit tract" means the part of a unit area to which a share of any production in the unit area is allocated by the terms of a unit agreement or unit order;

### **Objects and purposes of Act**

2(1) The objects and purposes of this Act are

- (a) to provide for, encourage and facilitate the safe and efficient development, and the maximum economic recovery, of the oil, gas, helium and oil shale resources of the province in accordance with the principles of sustainable development;
- (b) to prevent waste of oil, gas, helium and oil shale resources;
- (c) to protect the correlative rights of owners;
- (d) to provide for the safe and efficient construction and operation of pipelines; and
- (e) to provide for the safe and efficient development and operation of storage reservoirs.

### **Application by working interest owner**

134 Where the working interest owners in two or more spacing units are not able to conclude a unit agreement, any of the working interest owners may, in accordance with the regulations, make application to the minister to make a unit order in respect of the spacing units.

### **Minister may make unit order**

135(1) Subject to the approval of the Lieutenant Governor in Council, the minister may make a unit order where the minister is satisfied that, in respect of the proposed unit area, a unit operation

- (a) will result in more efficient production of oil and gas; or
- (b) is necessary or advisable to prevent waste or to protect correlative rights.

### **Provisions of unit order**

135(2) In a unit order made under subsection (1), the minister shall provide a plan of unit operation that

- (a) fixes the date on which the unit operation becomes effective;
- (b) includes a legal description of each unit tract in the unit area;
- (c) determines, or provides a method for determining, the credits and charges to be made in any financial adjustment required among the working interest owners, including the cost of the capital investment made by the working interest owners in the unit area before the effective date of the unit operation;
- (d) provides a method for allocating to each unit tract a share of the oil and gas recovered from the unit area;
- (e) allocates to each working interest owner a share of the operating costs of the unit operation and of the capital costs to be expended in the unit area;
- (f) establishes an operating committee composed of working interest owners or their representatives and
  - (i) specifies a period of time within which the committee must appoint a working interest owner as the unit operator,
  - (ii) establishes the voting interest of each member of the operating committee, and
  - (iii) specifies the method of voting on a motion brought before the committee and the voting interest required to carry a motion;
- (g) provides for termination of the unit operation, including the manner in which the unit operation may be terminated and circumstances in which the unit operation is deemed to be terminated; and
- (h) includes such further provisions as the minister considers necessary or advisable for the purpose of subsection (1).

## **BACKGROUND**

1. Corex Resources Ltd. has 100% of the working interests in the spacing units within the proposed unit area, but has been unable to obtain the consent of all royalty owners to a unit agreement.
2. Corex Resources Ltd. has applied to the minister to make a unit order in respect of the spacing units within the unit area.

3. The Minister is satisfied that the conditions in subsection 135(1) of The Oil and Gas Act have been met and proposes to make a unit order, which will provide a plan of unit operation in accordance with subsection 135(2) of The Oil and Gas Act