

ALBERTA ENERGY AND UTILITIES BOARD

IN THE MATTER OF THE ENERGY RESOURCES
CONSERVATION ACT, Ch. E-10 OF THE REVISED
STATUTES OF ALBERTA 2000;

AND IN THE MATTER OF PROCEEDING NO. 145147
RESPECTING A REVIEW HEARING IN CONNECTION WITH
THE ISSUANCE OF CERTAIN WELL LICENCES, AND
COMPULSORY POOLING AND SPECIAL SPACING ORDERS
IN THE CLIVE, EWING LAKE, STETTLER AND WIMBORNE
FIELDS

PART 2

FURTHER JOINT SUPPLEMENTAL AUTHORITIES OF
DEVON CANADA CORPORATION AND FAIRBORNE ENERGY LTD.

1. John Bishop Ballem, "The Oil and Gas Lease in Canada" 3rd ed. (Toronto: University of Toronto Press, 1999) 229.

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JOHN BISHOP BALLEM

The Oil and Gas Lease
in Canada

THIRD EDITION

UNIVERSITY OF TORONTO PRESS
Toronto Buffalo London

Administrative and Procedural Provisions

The pooling and unitization clause marks the end of what might be called the substantive portion of the lease in that it deals with the actual grant of the minerals and what may be done with them. The remaining clauses, for the most part, constitute the machinery for administering the lessor-lessee relationship. Because of their "boilerplate" nature, these provisions in both the conventional and the CAPL lease display, for the most part, a remarkable degree of uniformity. That does not mean, however, that they do not have an important role to play in how the lease functions, and whether or not it continues in force.

Operations

Oil and gas are inflammable, explosive, and volatile. In a word, they are dangerous substances. Under the lease, the lessee is given the entire management and control over the operations connected with these substances.

The relationship between lessor and lessee is such as to create a duty on the lessee to protect the lessor against damage. The lessor retains a vested interest in the minerals; he is entitled to a royalty and, if the minerals are lost or dissipated through the negligence of the lessee, the lessor has suffered damages. There are three areas in which the negligent conduct of the lessee may cause damage to the lessor: (a) wasting of the reserves; (b) if the mineral owner is also the surface owner, his property may be damaged by escape of the substances or by the surface operations of the lessee; (c) the lessor may suffer personal injury as a result of an accident at the well.

What is the standard of care required of the lessee? The common law is deliberately unspecific in this field, saying only that the standard of conduct