

# **ALBERTA ENERGY AND UTILITIES BOARD**

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Calgary, Alberta

**ATCO GAS – NORTH  
A DIVISION OF ATCO GAS AND PIPELINES LTD.  
SALE OF CERTAIN PETROLEUM AND NATURAL  
GAS RIGHTS, PRODUCTION AND GATHERING  
ASSETS, STORAGE ASSETS AND INVENTORY**

**Decision 2001-46  
Application Nos. 2001017,  
2001020, 2001030 & 2001070  
File No. 6405-14, 6405-15,  
6405-16 and 6405-18**

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## **1 INTRODUCTION**

By letters dated January 22, 2001, January 25, 2001, February 2, 2001 and March 6, 2001, respectively, ATCO Gas – North<sup>1</sup> (AGN), a division of ATCO Gas and Pipelines Ltd., submitted applications (collectively, the Applications) to the Alberta Energy and Utilities Board (Board) for approval of the following:

- Application No. 2001017 - Sale of certain petroleum and natural gas rights and production and gathering assets in the Viking Kinsella Field to Burlington Resources Canada Energy Ltd. (Viking Application)
- Application No. 2001020 - Sale of certain petroleum and natural gas rights and production and gathering assets in the Westlock, Peace River Arch, Phoenix and other fields not operated by AGN to Trioco Resources Inc. (Westlock Application)
- Application No. 2001030 - Sale of certain petroleum and natural gas rights and production and gathering assets in the Beaverhill Lake and Fort Saskatchewan fields to NCE Petrofund Corp. and NCE Energy Corporation (Beaverhill Application).
- Application No. 2001070 - Sale of certain petroleum and natural gas rights and production and gathering assets, storage assets and inventory in the Lloydminster field to AltaGas (Sask.) Inc. and AltaGas Services Inc. (Lloydminster Application)

Based on the information provided by AGN in the Applications, a summary of the properties encompassed by each Application and the proceeds associated with each sale is provided in Appendix A to this Decision. The Board notes that this summary is only provided in order to give some context to this Decision and does not reflect the views of other parties to the proceedings.

AGN's request for approval of the Applications for the sale of its petroleum and natural gas assets (collectively, the P&NG assets) was made pursuant to section 25.1 of the *Gas Utilities Act*,

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<sup>1</sup> ATCO Gas – North was previously a division of Northwestern Utilities Limited. Effective January 1, 2001 Northwestern Utilities Limited was wound up into ATCO Gas and Pipelines Ltd.

which provides, inter alia, that no owner of a gas utility may dispose of its property without the approval of the Board unless it is in the ordinary course of the owner's business.

AGN indicated that it set a target of using approximately fifteen per cent of company owned production (COP) in its aggregate sales portfolio. AGN stated that generally the P&NG assets were used for operational, rather than price, considerations. However, AGN submitted that its P&NG assets were no longer required for those purposes as the natural gas market place had changed in nature and was sufficiently liquid to allow it to meet all of its utility obligations without the need for COP. AGN believed that its decision to offer the properties for sale would allow it to capture the recently increased value of all of the gas reserves in the ground.

## **2 NOTICE AND THE HEARING**

The Board published Notices of Hearing for the Viking, Westlock and Beaverhill Applications in daily newspapers having a general circulation in AGN's service areas. Notice of Hearing for the Viking Application was also published in the *Viking Weekly*. The Board also served the Notices on intervenors and interested parties registered on the mailing list of AGN's last gas cost recovery rate application.

Because of time constraints with respect to the hearing schedule, the Board served a Notice for Objections in respect of hearing the Lloydminster Application in conjunction with the other three Applications. That Notice was served on the interested parties already served with the Notice of Hearing for the other Applications. The Board received no objections to the inclusion of the Lloydminster Application in the hearing of the other three Applications. Therefore, the Applications were heard concurrently.

Interested parties representing consumers presented evidence and arguments at the hearing opposing the Applications. These parties considered that approval of the Applications would not be in the public interest as there would be insufficient proceeds to keep the customers harmless. They also considered that, given today's natural gas price levels, COP should be increased above that proposed by AGN.

The Applications were considered by the Board at a public hearing in Edmonton, Alberta lasting six days, commencing on April 5, 2001, before a Division of the Board consisting of B. F. Bietz, Ph.D., B. T. McManus, Q.C. and T. McGee.

## **3 AGN'S POSITION ON TIMELY RELEASE OF THE BOARD'S DECISION**

AGN noted that three of the agreements for sale of the P&NG assets contemplated by the Applications contained price adjustment clauses that diminish the sale proceeds with any delay in the closing dates. AGN indicated that if the disposition of the proceeds was controversial it was requesting approval of the sale prior to the approval of the disposition of the proceeds.

#### **4 BOARD FINDINGS**

The Board has carefully considered the evidence and argument presented by all parties, including the arguments concerning the public interest, the Board's jurisdiction, and the applicable legal principles. The Board notes that AGN is prepared to accept the risk associated with any conditions that the Board may attach, including any ultimate disposition of proceeds to customers with respect to the Applications that are approved.

The Board notes AGN's concern with the need for an early decision and is prepared to issue this Decision with reasons and conditions to follow. A detailed report setting out the reasons for the Board's decision in relation to the Applications will be issued as soon as possible.

#### **5 ORDER**

IT IS HEREBY ORDERED THAT:

1. The Application for the sale of certain petroleum and natural gas rights and production and gathering assets in the Viking Kinsella Field to Burlington Resources Canada Energy Ltd. is denied;
2. The Application for the sale of certain petroleum and natural gas rights and production and gathering assets in the Westlock, Peace River Arch, Phoenix and other fields not operated by ATCO Gas – North to Trioco Resources Inc. is approved;
3. The Application for the sale of certain petroleum and natural gas rights and production and gathering assets in the Beaverhill Lake and Fort Saskatchewan fields to NCE Petrofund Corp. and NCE Energy Corporation is denied; and
4. The Application for the sale of certain petroleum and natural gas rights and production and gathering assets, storage assets and inventory in the Lloydminster field to AltaGas (Sask.) Inc. and AltaGas Services Inc. is approved.

DATED at Calgary, Alberta on May 29, 2001.

**ALBERTA ENERGY AND UTILITIES BOARD**

(Original signed “B. F. Bietz”)

B. F. Bietz, Ph.D.  
Presiding Member

(Original signed “B. T. McManus”)

B. T. McManus, Q.C.  
Member

(Original signed “T. McGee”)

T. McGee  
Member

APPENDIX 1

SUMMARY OF THE APPLICATIONS

**Application No. 2001017 (Viking Application):**

The proposed agreement for sale included AGN's interest in the Viking Kinsella area in:

- the Viking rights and associated infrastructure, which comprises a land base in excess of 314,000 acres of predominately 100% working interest in the Viking zone and
- all remaining non-Viking zones, the majority of lands of which include petroleum and natural gas (P&NG) rights surface to basement but with varying interval ownership.

AGN provided the following financial information (\$000s) with respect to the proposed sale:

Gross proceeds	490,000
Cost of disposition	(5,414)
Proceeds associated with seismic	(1,500)
Proceeds for petroleum rights	<u>(7,670)</u>
Net proceeds	<u>475,416</u>

**Application No. 2001020 (Westlock Application):**

AGN provided a list of the gas fields concerned in the proposed sale with its application. With respect to these properties AGN noted the following:

- all are non-operated and cost control is limited,
- all are considered to be non-core,
- production represents about 7% of its total annual production, and
- over the period 1996 – 2000, average growth in capital expenditures exceeded 50%.

AGN provided the following financial information (\$000s) with respect to the proposed sale:

Gross proceeds	15,400
Cost of disposition	(286)
Proceeds for petroleum rights	<u>(35)</u>
Net proceeds	<u>15,079</u>

**Application No. 2001030 (Beaverhill Application):**

For the Beaverhill Lake area, the agreement for sale includes AGN's:

- 95.548% gas Unit working interest,
- 100% working interest in P&NG rights, surface to basement, in approximately 11,400 acres, and
- 100% working interest in natural gas rights, surface to basement, in approximately 2,560 acres outside the Unit boundaries.

For the Fort Saskatchewan area, the agreement for sale includes AGN's:

- 100% working interest in 12 producing wells and 4 suspended wells,
- 75% % working interest in 1 producing well, and
- 88% % working interest in 1 producing well.

AGN advised that production from those properties represents approximately 15% of its total annual COP and that they are core production properties.

AGN provided the following financial information (\$000s) with respect to the proposed sale:

Gross proceeds	37,000
Cost of disposition	(265)
Proceeds for petroleum rights	<u>(37)</u>
Net proceeds	<u>36,698</u>

**Application No. 2001070 (Lloydminster Application):**

AGN advised that it had discontinued production from the Lloydminster wells and use of the storage facility in 1996 but that the wells were not abandoned as some remaining reserves were recoverable. However, it noted that recovery would involve additional capital investment. AGN considered that the proposed sale would allow it to maximize the value of those assets.

AGN provided the following financial information (\$000s) with respect to the proposed sale:

Gross proceeds	3,800
Cost of disposition	(69)
Proceeds for petroleum rights and storage inventory	<u>(135)</u>
Net proceeds	<u>3,596</u>