

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

and

IN THE MATTER OF AN APPLICATION BY
SILVERTON RESOURCES LTD.

DECISION

July 6, 1981

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

TABLE OF CONTENTS

	<u>Page</u>
APPEARANCES	i
LIST OF EXHIBITS	ii
INTRODUCTION	1
DECISION	2
Issue 1 Drainage	2
Issue 2 Allocation of Pool Production	3
APPENDIX I	
Commission Order COM-10-81	

APPEARANCES

R.B. WALLACE	for the British Columbia Utilities Commission
T.A. DUNNETT	for the Applicant
B. BIRD	for Anadarko Petroleum of Canada Ltd.
D.C. MORLEY	for the British Columbia Petroleum Corporation
HEARING SECRETARY	W.R. Harper
COMMISSION STAFF	W.J. Grant
MINISTRY STAFF	A.G.T. Weaver R. Stewart
COURT REPORTER	Allwest Reporting Ltd.

LIST OF EXHIBITS

1. Commission Order No. COM-5-81.
2. Designation of D.B. Kilpatrick as Division Chairman of Silverton Resources Ltd. Application hearing.
3. Notice of Public Hearing - Calgary Herald and Vancouver Province.
4. Application of Silverton Resources Ltd.
5. Map - British Columbia Ministry of Energy, Mines and Petroleum Resources, Buick Creek Bluesky C Pool, Net Gas Pay.
6. Map - Anadarko Petroleum of Canada Ltd., Buick Creek Bluesky C Pool, Net Gas Pay.

SILVERTON RESOURCES LTD.

Decision dated July 6, 1981

INTRODUCTION

On March 23, 1981, Silverton Resources Ltd. ("Silverton") 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 Buick Creek Bluesky C Pool. The Application was set down for public hearing on June 2, 1981, by Order No. COM-5-81. Notice of Public Hearing was published by the Applicant and the Commission mailed copies of the Notice to designated interested parties. Anadarko Petroleum of Canada Ltd. ("Anadarko") was the only formal intervenor in the proceedings.

DECISION

The Commission was faced with determining if the Silverton well, Silverton et al Rigel b-A22-L/94-A-10, was in the Buick Creek Bluesky C 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 direct static pressure measurements in the Silverton well at b-A22-L/94-A-10 indicate that the pressure in this well has declined and that this provides evidence that drainage of gas from the spacing area of the well has occurred and is still occurring. Pressure data accepted by the Commission are as follows:

Original Pressure	7625 KPa
Pressure February 1980	7462 KPa
Pressure November 1980	7348 KPa

The Commission has considered Anadarko's proposal in closing argument that the pressure drop between the February and November 1980 measurements could have been due to the depletion effect of gas produced during an Open Flow Potential test on the well. Silverton accepted that such depletion could have taken place if their well was located in a separate small gas pool. The Commission however, sees no evidence to indicate that the amount of pressure loss prior to February 1980 could have been caused by production from the well before this date. Therefore the Commission believes that based on the evidence, the geological interpretation which includes the well in the Buick Creek Bluesky C Pool is the most reasonable. The Commission therefore concludes that the Applicant's well at b-A22-L/94-A-10 is completed in the Buick Creek Bluesky C Pool and is suffering drainage from that pool. The Applicant presented adequate evidence that he was unsuccessful in attempts to obtain a gas purchase contract for the subject well. Accordingly the Commission will order that BCPC is a common purchaser of natural gas in the Buick Creek Bluesky C Pool.

Issue #2 - Allocation of Pool Production


In testimony, Silverton accepted the formula for allocation of pool production based on volumetric gas well allowables as used in previous common purchaser applications, and there was no additional testimony on this issue.

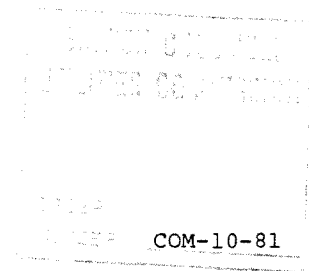
The Commission therefore concludes that the volumetric gas allowables method is the most appropriate method of allocating pool production and will so order.

DATED at the City of Vancouver, in the Province of British Columbia, this 6th day of July, 1981.



D.B. Kilpatrick, Division Chairman


J.D.V. Neelands, Commissioner
B.M. Sullivan, Commissioner



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 Silverton
Resources Ltd. for an Order declaring the
British Columbia Petroleum Corporation a
common purchaser of natural gas in the Buick
Creek Bluesky C Pool

BEFORE: D.B. Kilpatrick,)
Division Chairman;)
J.D.V. Newlands,)
Commissioner; and) July 6, 1981
B.M. Sullivan,)
Commissioner)

ORDER

WHEREAS Silverton Resources Ltd. ("Silverton")
applied March 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 Buick Creek Bluesky C
Pool; and

WHEREAS pursuant to Order No. COM-5-81 the British
Columbia Utilities Commission ("the Commission") considered the
application at a public hearing in Vancouver on June 2, 1981;
and

WHEREAS from the evidence with respect to well
pressures and geology of the area, the Commission concludes
that the Applicant's well, Silverton et al Rigel
b-A22-L/94-A-10, is capable of production of natural gas from
the Buick Creek Bluesky C Pool; and

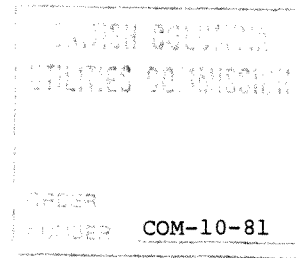
.../2

WHEREAS it appears that Silverton 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 Silverton 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 Buick Creek Bluesky C Pool ("Pool") effective the date of this Order.
2. The Applicant's well, Silverton et al Rigel b-A22-L/94-A-10 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 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 m³ set for some wells.
4. The effective date on which the Applicant is entitled to share in the production and revenues from the 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 30 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 Pool as of the effective date.
5. The portion of total Pool production allocated to the Applicant 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 Applicant, by such method and timing as may be agreed upon by the interested parties to achieve that result.



6. If by the effective date of the Applicant, 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 allowable 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, Silverton b-A22, 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 Buick Creek Bluesky C 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 6th day of July, 1981.

BY ORDER

D. B. Kilpatrick
Division Chairman