

BOARD ORDER: MGB 230/98

IN THE MATTER OF THE "Municipal Government Act" being Chapter M-26.1 of the Statutes of Alberta 1994.

AND IN THE MATTER OF AN APPEAL from a decision of the 1997 Assessment Review Board of the Municipal District of Big Lakes No. 125.

BETWEEN:

J. T. Consulting on behalf of POCO Petroleum Ltd. - Appellant

- a n d -

Municipal District of Big Lakes No. 125 - Respondent

BEFORE:

F. Martin, Presiding Officer

C. Hannah, Member

K. McDonald, Member

D. Marchand, Secretariat

Upon notice being given to the affected parties, a hearing was held in the City of Edmonton, in the Province of Alberta on June 29, 1998.

This is an appeal to the Municipal Government Board from a decision of the Assessment Review Board of the Municipal District of Big Lakes No. 125 with respect to property assessments entered in the assessment roll of the Respondent municipality as follows:

Roll No.	Location	Building	Machinery & Equipment	Total
107812	NW 23-70-18-5	\$7,300	\$33,550	\$40,850
107813	SE 33-70-18-5	\$23,070	\$69,060	\$92,130
107816	SW 10-71-18-5-	\$16,850	\$29,910	\$46,760
107817	SE 17-71-18-5	\$15,750	\$31,740	\$47,490
107818	NE 30-71-18-5	\$15,580	\$40,700	\$56,280
231481	NW 14-70-18-5	\$16,650	\$39,730	\$56,380
231483	NE 05-71-18-5	\$221,820	\$285,670	\$507,490
231484	NE 21-71-18-5	\$15,920	\$36,150	\$52,070
231485	NW 20-71-18-5	\$15,920	\$37,020	\$52,940
233849	SE 14-70-18-5	\$13,930	\$28,950	\$42,880

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PRELIMINARY MATTERS

The Board accepts that both parties agree to the assessment of the “office building” within Roll No. 231483 .in the amount of \$161,690 and that portion is not part of this appeal.

BACKGROUND

Nine of the ten roll numbers under appeal represent satellite test battery sites. The tenth roll number (Roll No. 231483) represents the Water Injection Facility at Snipe Lake. Each of satellite test battery sites contain equipment such as meters, separators, scrubbers, fittings, piping chemical injectors, chemical tanks, pig traps etc., together with building(s) housing this equipment and are at issue. The purpose of this equipment is to meet the metering requirements of the Alberta Energy Utilities Board. A satellite battery site provides for the metering of a number of well production volumes all tied into a particular satellite site. The Water Injection facility is used to draw water from Snipe Lake which undergoes deoxygenating prior to being redistributed to the field’s individual water injection wells.

ISSUES

There are two issues before the Board:

1. Are the components assessed including the buildings housing the components at each specific satellite test battery site, within the definition of “*linear property*” or are the components excluded from the definition and assessable as “*improvements*”(structures and machinery and equipment)?
2. Is the water injection facility; the equipment and the buildings housing the equipment; within the definition of “*linear property*” or are the components excluded from the definition and assessable as “*improvements*”(structures and machinery and equipment)?

LEGISLATION

Municipal Government Act Section 284(1)

- (j) “*improvement*” means
 - (i) a structure,
 - (ii) any thing attached or secured to a structure, that would be transferred without special mention by a transfer or sale of the structure,
 - (iv) machinery and equipment;

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(k) “linear property” means

(iii) pipelines, including

(A) any continuous string of pipe, including loops, by-passes, cleanouts, distribution meters, distribution regulators, remote telemetry units, valves, fittings and improvements used for the protection of pipelines intended for or used in gathering, distributing or transporting gas, oil, coal, salt, brine, wood or any combination, product or by-product of any of them, whether the string of pipe is used or not

(B) any pipe for the conveyance or disposal of water, steam, salt water, glycol, gas or any other substance intended for or used in the production of gas or oil, or both,

(C) any pipe in a well intended for or used in

(II) injecting or disposing of water, steam, salt water, glycol, gas or any other substance to an underground formation

(D) well head installations or other improvements located at a well site intended for or used for any of the purposes described in paragraph (C) or for the protection of the well head installations, and

but not including

(F) the inlet valve or outlet valve or any installations, materials, devices, fittings, apparatus, appliances, machinery or equipment between those valves in

(I) any processing, refining, manufacturing, marketing, transmission line pumping, heating, treating, separating or storage facilities, or

(II) a regulating or metering station,

or

(G) land or buildings;

(l) “machinery and equipment” has the meaning given to it in the regulations;

291(1) Unless subsection (2) applies, an assessment must be prepared for an improvement whether or not it is complete or capable of being used for its intended purpose..

292(1) Assessments for linear property must be prepared by the assessor designated by the Minister.

(2) Each assessment must reflect the valuation standard set out in the regulations for linear property.

293(1) In preparing an assessment, the assessor must, in a fair and equitable manner,

(a) apply the valuation standards set out in the regulations, and

(b) follow the procedures set out in the regulations.

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(2) If there are no procedures set out in the regulations for preparing assessments, the assessor must take into consideration assessments of similar property in the same municipality in which the property that is being assessed is located.

297(4)(a.1) "machinery and equipment" does not include

(i) any thing that fall within the definition of linear property as set out in section 284(1)(k), or....

298(1) No assessment is to be prepared for the following property.....

(g) a water conveyance system operated in connection with a manufacturing or processing plant, including any facilities designed and used to treat water to meet municipal standards, but not including any improvement designed and used for

(iv) the production or transmission of natural resource;....

(z) machinery and equipment, except to the extent prescribed in the regulations;

Alberta Regulation 365/94 (Standard of Assessment Regulation)

Valuation standard for linear property

6(1) The valuation standard for linear property is that calculated in accordance with the procedures referred to in subsection (2).

(2) In preparing an assessment for linear property, the assessor must follow the procedures set out in the Alberta Linear Property Assessment Ministers Guidelines established and maintained by the Department of Municipal Affairs, as amended from time to time.

Valuation standard for machinery and equipment

7(1) The valuation standard for machinery and equipment is that calculated in accordance with the procedures referred to in subsection (2).

(2) In preparing an assessment for machinery and equipment, the assessor must follow the procedures set out in the Alberta Machinery and Equipment Assessment Ministers Guidelines established and maintained by the Department of Municipal Affairs, as amended from time to time.

SUMMARY OF APPELLANT'S POSITION

Issue No. 1 - The satellite test battery sites.

The Appellant, submitted that each Satellite Battery Site is for metering purposes only. The test meter function is to measure production volumes of various wells depending on the number of wells tied into a particular satellite battery. The product entering a satellite battery site from the various wells is controlled and through the use of valves and a manifold one well's product at a

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time can be isolated for metering. The product from each well, in order to be metered, must first be separated and once metered it is recombined or commingled with all the other well's products into a single pipeline which carries on to the processing plant at Poco's Snipe Lake Facility. No permanent process takes place at each of the battery sites. The Appellant submitted that a permanent process should occur before an improvement is to be classified as machinery and equipment. In support of this the Appellant cited Municipal Government Board Order MGB 153/96. The equipment and the buildings housing this equipment at issue are incidental equipment used for production and are included in the standardized well head assessment as per the Assessment Commissioner's Bulletin 2/86 and are assessable as standardized linear property under Municipal Government Act section 284(k)(iii)(D), not as assessable machinery and equipment under Alberta Regulation 365/94, section 1(g)(iii).

Issue No. 2 - The water injection facility.

The Appellant concludes that the purpose of the water injection facility is to supply water for the water injection system and that the water is used to obtain production. Water from the subject location is the supply water for injection into the underground formations to obtain oil/gas. Water injection is a method used to compensate for low reservoir pressure and to enable production. The water is not used in a processing or manufacturing operation. The water injection facility is an integral part of the entire water injection pipeline and well system. As such meets the definition a linear property in accordance with section 284(1)(k)(iii) paragraphs (D)(C).

SUMMARY OF RESPONDENT'S POSITION

The Respondent submitted that neither the "physical characteristics" nor the "function and use of the improvements are in dispute. The Respondent acknowledges that the subject satellite batteries are used primarily for measurement purposes, and that the water injection facility is used to draw water from Snipe Lake for redistribution to individual water injection wells.

Issue No. 1 - The satellite test battery sites.

The Respondent submits that each of the test satellite sites essentially include separators, expansion tanks, orifice fittings with meters runs, samplers, control panels, indirect heater and chemical injectors and the buildings to house the equipment falls to the "but not including" clauses within the meaning of linear property sub-clauses (F) & (G) of section 284(1)(k)(iii).

The Respondent went on to point out that in order to meter the raw feedstock, it must be separated and the fact that the separated product, once metered, are recombined and transferred to the processing plant does not negate the fact that a separation function is taking place. The Respondent drew the Board's attention to the findings and conclusion that are contained in Municipal Government Board Order MGB 127/97 and MGB 114/98.

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Issue No. 2 - The water injection facility.

The Respondent submits that the facility cannot be linear property under section 284(k)(iii) (A) to (D) as the property is not a pipe in a well or a well head installation, or the improvements to protect pipelines. The facility is not located at a well site. The installations at the facility essentially include various water pumps, internal combustion engines and control panels, vacuum de-aerators, tanks, tank heaters, air compressors (for instrument air), and separators and buildings to house this equipment. The facility draws water (gravity feed) from Snipe Lake into a storage cistern, from here the water is filtered and treated with oxygen scavengers and is de-oxygenated. All these installations the Respondent submits falls to the “not including clauses within 284(k)(iii). The Respondent indicated to the Board that the manner by which the water is drawn from Snipe Lake is akin to a valve. The use of the Appellant’s cistern method is to control the water coming into the facility. It provides a mechanism for the operators to control the flow of water.

The Respondent submits the water injection facility does not form part of linear property under sections 284 or 298 of the Municipal Government Act and that it is properly assessed as machinery and equipment.

FINDINGS OF FACT

Upon hearing and considering the representations and the evidence of the parties shown on Appendix A and upon having read and considered the documents shown on Appendix B attached hereto, the Board finds the facts in the matter to be as follows:

As to Issue No. 1 - The satellite test battery sites.

1. The equipment under appeal is located between the inlet and outlet valves of separating facilities.

As to Issue No. 2. - The water injection facility.

1. The water entering into the facility is under the control of the operator and the cistern method used to control the intake of water is the intake valve.
2. The equipment under appeal is located between the inlet and outlet valves of a treating facility.

In consideration of the above and having regard to the provisions of the Municipal Government Act, the Board makes the following decision, for the reasons set out below.

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DECISION

The appeals are denied and accordingly, the improvements assessment and the machinery and equipment assessment of each roll number enumerated herein, is confirmed.

It is so ordered.

REASONS

As to Issue No. 1 - The satellite test battery sites.

While each of the satellite test battery sites exists for the purpose of metering; separating does take place within each site therefore all the equipment that is between the inlet and outlet valve of the separating facility falls to the not including portion within the definition of linear property. The Board is satisfied that all the equipment identified is properly assessed as machinery and equipment and the buildings housing the equipment is assessable as improvements.

As to Issue No. 2 - The water injection facility.

This site exists for the purpose of treating water that is redistributed to various water injection wells and the equipment that is between the inlet(cistern) and outlet valve of the treatment facility falls to the not including portion within the definition of linear property. The Board is satisfied that all the equipment identified is properly assessed as machinery and equipment and the buildings housing the equipment is assessable as improvements.

No costs to either party.

Dated at the City of Edmonton, in the Province of Alberta, this 16th day of September, 1998.

MUNICIPAL GOVERNMENT BOARD

F. Martin, Presiding Officer

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APPENDIX "A"

APPEARANCES

NAME	CAPACITY
Joe Thibault	For the Appellant
Roger Beaupre	For the Appellant
Don Price	For the Appellant
Alan McNaughton	For the Respondent
Reuban Ozubko	For the Respondent
Cherisse Killick-Dzenick	For the Respondent

APPENDIX "B"

DOCUMENTS RECEIVED AT THE HEARING AND CONSIDERED BY THE BOARD:

NO.	ITEM
Exhibit No. 1	Appellant's Brief: - J. T. Consulting
Exhibit No. 2	Well site Standardization material with Copy of Assessment Commissioner's Bulletin No: 2/86
Exhibit No. 3	Photos of typical Satellite Battery Site
Exhibit No. 4	Photos of Water Facility at Snipe Lake
Exhibit No. 5	Respondent's Brief. - Compass Assessment Consultants Inc.