



Province of Saskatchewan

Order in Council

Approved and Ordered:

Lieutenant Governor

On the recommendation of the undersigned, the Lieutenant Governor, by and with the advice and consent of the Executive Council, makes *The Oil and Gas Tenure Registry Regulations* in accordance with the attached Schedule.

President of the Executive Council

(For administrative purposes only)

Recommended by: Minister of Energy and Resources

Authority: *The Crown Minerals Act* - sections 17, 22, 27.56 and 29

D R A F T

R.R.S. c.C-50.2 Reg 31

SCHEDULE

PART I
Preliminary Matters

Title

1-1 These regulations may be cited as *The Oil and Gas Tenure Registry Regulations*.

Interpretation

1-2 In these regulations:

“**Act**” means *The Crown Minerals Act*;

“**adjoin**” or “**adjoining**”, when used in connection with subdivisions of land, means lands that are touching at one or more points and subdivisions that are separated by a correction line, road allowance, railway or other right of way;

“**administrator**”, for the purposes of these regulations, means the Administrator of Oil and Gas Tenure in the Lands and Mineral Tenure Branch of the ministry;

“**annual work commitment bid**” means the amount of money that a bidder agrees to spend in eligible work on permit lands during each of the first two years of the term of the permit as set out in a bid submitted in accordance with section 10-1;

“**approved**”, except in sections 9-5 and 9-6, means approved by the minister;

“**associated gases**” means naturally occurring non-hydrocarbon gas or gases but does not include helium and natural gases;

“**brine**” means water having a concentration of total dissolved solids greater than that of seawater (35 000 milligrams per litre);

“**business day**” means a day other than a Saturday, Sunday or holiday;

“**collateral**” means:

(a) the interest of a holder in a mineral disposition that is subject to a security interest; or

(b) an interest in a mineral disposition that is:

(i) derived directly or indirectly from a holder or former holder of the mineral disposition; and

(ii) subject to a security interest;

and includes any interest that the holder of the interest satisfies the administrator is an interest in a mineral disposition;

“commercial quantities” means the production from a well or mining operation of a quantity of oil or natural gas, oil sands products, oil shale products or helium and associated gases that would, in the opinion of the minister, economically warrant drilling a similar well or carrying out a similar mining operation in the vicinity of that first-mentioned well or mining operation to produce the oil or natural gas, oil sands products, oil shale products or helium and associated gases, taking into consideration:

(a) the cost of drilling, mining and production operations;

(b) available markets for the oil or natural gas, oil sands products, oil shale products or helium and associated gases, as the case may be; and

(c) the value, nature and quality of the oil or natural gas, oil sands products, oil shale products or helium and associated gases;

“designated heavy oil area” means an area designated by the minister pursuant to subsection 9-19(2);

“drainage unit”, with respect to the zone of an oil, natural gas or helium and associated gases well, as the case may be, means the area established as a drainage unit pursuant to Part III of *The Oil and Gas Conservation Act*;

“EOR oil” means EOR oil as defined in *The Crown Oil and Gas Royalty Regulations, 2012*;

“EOR project” means, subject to subsection 9-19(1), an EOR project as defined in *The Crown Oil and Gas Royalty Regulations, 2012*;

“expenditure deposit” means a deposit made by a holder of a permit pursuant to subsection 7-3(1);

“exploration licence” means an exploration licence issued pursuant to these regulations and includes an exploration licence that was issued before the implementation date and that is continued pursuant to these regulations as a legacy disposition;

“helium and associated gases permit” means a permit with respect to rights for helium and associated gases;

“horizontal well” means a horizontal well as defined in *The Oil and Gas Conservation Regulations, 2012*;

“implementation date” means the implementation date as defined in Part VII of the Act;

“instrument” means an instrument as defined in Part VII of the Act;

“instrument number” means the unique alphanumeric identifier assigned to each registered instrument;

“investment” means an investment as defined in section 30 of *The Crown Oil and Gas Royalty Regulations, 2012*;

“lease” means a lease issued pursuant to these regulations and includes a lease that was issued before the implementation date and that is continued pursuant to these regulations as a legacy disposition;

“lease block” means:

(a) for leases converted from permits with rights for petroleum and natural gas or helium and associated gases permits, a solid block of permit lands with minimum surface dimensions of 1.6 kilometres by 1.6 kilometres and maximum surface dimensions of 4.8 kilometres by 4.8 kilometres, more or less; or

(b) for leases converted from permits with rights for oil sands or oil shale, a solid block of permit lands with minimum surface dimensions of 1.6 kilometres by 1.6 kilometres and maximum surface dimensions of 9.7 kilometres by 9.7 kilometres, more or less;

“lease lands” means the Crown mineral lands that are the subject of a lease;

“lease of a space” means a lease of a space entered into pursuant to Part VI of the Act;

“legacy disposition” means a legacy disposition as defined in Part VII of the Act;

“mineral disposition” means a Crown mineral disposition registered pursuant to a permit, exploration licence or lease, and includes the rights pursuant to any legacy disposition registered in accordance with Part V, by which the Crown has granted any rights with respect to the Crown minerals and spaces and whose boundaries conform to the SaskGrid system, with any necessary modification;

“mineral disposition area” means the surface area of the mineral disposition lands expressed in hectares to which the rights constituting a mineral disposition relate;

“mineral disposition lands” means the Crown mineral lands that are the subject of a mineral disposition;

“mineral disposition number” means the unique alphanumeric identifier assigned to each registered mineral disposition;

“mining operations” means tunnelling, shaft-sinking, cross-cutting, drifting, raising, stoping, open-pit mining and surface and underground drilling operations;

“month” means any period calculated from a date in one calendar month to the same date in the preceding or succeeding calendar month, as the case may be, unless there is no corresponding date in the preceding or succeeding month, in which case the period ends on the last day of that month;

“natural gas” means natural gas, including casinghead, solution or dissolved gas and all hydrocarbons not defined as oil, oil sands products or oil shale products in these regulations, but does not include helium and associated gases;

“new oil shale” means rights with respect to oil shale that are the subject of a lease issued pursuant to “The Petroleum and Natural Gas Regulations, 1969” or these regulations;

“oil”, “crude”, “crude oil” or “petroleum” means crude petroleum oil and all other hydrocarbons, regardless of density, that are produced at a well in liquid form by ordinary production methods and that are not:

- (a) oil sands products or oil shale products; or
- (b) the result of condensation of gas;

“oil and natural gas”, “oil or natural gas”, “petroleum and natural gas”, “petroleum or natural gas”, “helium and associated gases”, and “helium or associated gases” means, with respect to the two substances in each pair of terms, both or either of them;

“oil sands” means all sands and rocks that:

- (a) contain a highly viscous mixture, composed mainly of hydrocarbons heavier than pentanes, that will not normally flow, in its natural state, to a well;
- (b) lie above the top of the Devonian System; and
- (c) lie north of Township 73;

“oil sands products” means oil, associated natural gas and all minerals and substances that may be recovered when processing oil sands;

“oil shale” means a compact rock of sedimentary origin containing disseminated organic matter from which oil shale products can be extracted through destructive distillation;

“oil shale products” means oil and associated natural gas that can be extracted through the destructive distillation of oil shale and includes all minerals and substances that may be recovered when processing oil shale;

“old oil shale” means rights with respect to oil shale that are the subject of a lease issued pursuant to The Oil Shale Regulations, 1964;

“permit” means a permit issued pursuant to these regulations with respect to rights for oil and natural gas, oil sands, oil shale or helium and associated gases, as the case may be, and includes a permit with respect to rights for petroleum, natural gas, petroleum and natural gas, petroleum or natural gas, oil sands, oil shale or helium and associated gases, as the case may be, that was issued before the implementation date and that is continued pursuant to these regulations as a legacy disposition;

“permit area” means the surface area of the permit lands expressed in hectares to which the rights constituting a permit relate;

“permit lands” means the Crown mineral lands that are the subject of a special exploratory permit or a helium and associated gases permit, as the case may be;

“Petrinex” means the organization in which the Government of Saskatchewan is a member along with petroleum producer associations and that is recognized by the minister as the organization that provides information to and about petroleum producers and includes any successor to that organization that is recognized by the minister;

“primary recovery methods” includes horizontal well technology;

“primary term” means the term of a lease set out in subsection 9-5(3);

“registered”, except in sections 11-11 and 11-14, means registered as defined in Part VII of the Act;

“registry” means the registry as defined in Part VII of the Act;

“rent” means the rent payable pursuant to these regulations;

“royalty payer” means a person or partnership that owns a working interest;

“SaskGrid” means the collection of geomatics feature layers established in accordance with the SaskGrid system, with any necessary modification;

“SaskGrid system” means the geographic information reference system established and maintained by Information Services Corporation or its successors;

“secured party” means a person who has a security interest;

“security instrument” means a contract or other agreement that creates or provides for a security interest and that includes a short description of the security interest in writing and a document evidencing the security interest;

“security interest” means an interest in or charge on collateral that secures payment or the performance of an obligation and includes an assignment pursuant to the *Bank Act* (Canada);

“security notice” means a security instrument registered with respect to a security interest;

“spaces” means the spaces occupied or formerly occupied by a Crown mineral;

“special exploration area” means:

(a) Crown oil and natural gas and oil shale rights lying within:

(i) Township 20 north to the Precambrian Shield and from Range 30, West 1 to Range 27, West 2, inclusive;

(ii) Township 1 north to the Precambrian Shield and from Range 28, West 2 to Range 3, West 3, inclusive; and

(iii) Township 4 north to the Precambrian Shield and from Range 4, West 3 to Range 11, West 3, inclusive; and

(b) Crown oil sands rights lying within Township 74 north to the Precambrian Shield, and from the Fourth Meridian east to the Precambrian Shield; or

(c) any approved area;

“special exploratory permit” means a permit with respect to rights for oil and natural gas, oil sands or oil shale that is with respect to Crown lands that are situated within the special exploration area;

“surveyed section” means a section of land as described in the SaskGrid system and includes both surveyed and theoretic sections;

“transfer” means an instrument, other than a farmout agreement, a sublease or a security notice, by which a holder conveys a specific interest in a mineral disposition to another person or partnership and includes:

(a) an unconditional assignment; and

(b) a surrender that is carried out or approved pursuant to these regulations of all or part of a mineral disposition;

“vertical well” means a well that is not a horizontal well;

“well” means:

(a) any opening in the ground made within Saskatchewan from which any oil, natural gas or helium and associated gases are, have been or are capable of being produced from a reservoir;

(b) any opening in the ground that is made for the purpose of:

(i) obtaining water to inject into an underground formation;

(ii) injecting any substance into an underground formation;

(iii) storing oil, natural gas or other hydrocarbons, helium or associated gases underground; or

(iv) monitoring reservoir performance and obtaining geological information;
or

(c) any opening in the ground made for informational purposes pursuant to *The Subsurface Mineral Conservation Regulations*;

but does not include seismic shot holes, structure test holes or oil shale core holes;

“working interest” means an interest acquired pursuant to a Crown lease or exploration licence, or a lease associated with acquired oil and gas rights as defined in subsection 23(1)

of the Act, including an interest acquired from the person who is the holder of the lease or exploration licence, that:

(a) entitles a person or partnership to share in the oil or gas or helium and associated gases produced from or allocated to the Crown lands that are the subject of the lease or exploration licence or in the proceeds from the disposition of the oil or gas or helium and associated gases; and

(b) requires a person or partnership to bear or contribute to the costs associated with producing oil or gas or helium and associated gases from or allocated to the Crown lands that are the subject of the lease or exploration licence.

Application of Act and regulations

1-3(1) These regulations apply to all Crown minerals and spaces other than any Crown minerals and spaces that are subject to:

(a) *The Mineral Tenure Registry Regulations*;

(b) *The Coal Disposition Regulations, 1988*;

(c) The Quarrying Regulations, 1957, being Sask Reg 553/67; or

(d) *The Subsurface Mineral Tenure Regulations*.

(2) These regulations do not apply to palaeontological objects as defined in *The Heritage Property Act*.

(3) For the purposes of section 27.31 of the Act:

(a) the date prescribed as the implementation date is November 19, 2015; and

(b) on and after the implementation date, Part VII of the Act applies to all Crown minerals and spaces mentioned in subsection (1).

PART II Registry

Contact information

2-1 For the purposes of these regulations, if the minister is required or authorized to provide documents or information to a person or partnership pursuant to the Act or these regulations, the minister shall provide those documents or that information to the contact information, if any, that is supplied by the person or partnership to Petrinex and may provide those documents and that information to the person or partnership in any other manner that the minister considers appropriate to ensure that the documents and information are brought to their attention.

Registrable instrument

2-2(1) Subject to payment of the fee set out in Part I of the Appendix, an instrument may be registered that transfers:

- (a) the entire interest of the holder in a mineral disposition;
 - (b) subject to subsection (2), a specified percentage of the interest of the holder in a mineral disposition;
 - (c) all or part of the interest of the holder in a formation, stratum or zone of the Crown lands contained in the mineral disposition; or
 - (d) a part of the area included in a mineral disposition.
- (2) No instrument is to be registered that conveys an interest that is less than 1% of an interest in a mineral disposition.
- (3) Subject to subsections (1) and (2), the following instruments may be registered:
- (a) an instrument that evidences:
 - (i) a transfer; or
 - (ii) a change of name;
 - (b) a court order;
 - (c) a certificate issued pursuant to *The Business Corporations Act* or the *Canada Business Corporations Act* of:
 - (i) amalgamation; or
 - (ii) amendment;
 - (d) a notice of sublease;
 - (e) an Order in Council.

Searches

2-3 Subject to payment of the fee set out in Part I of the Appendix, a user of the registry may:

- (a) conduct a search of the information and instruments registered;
- (b) obtain a copy, certified by the minister, of a search report of any instrument contained in the registry; or
- (c) make any other search request not included in clause (a) or (b).

Fees for registration and other matters

2-4 If a user of the registry fails to pay any fee required pursuant to these regulations, the minister may issue a notice of cancellation in accordance with section 9 of the Act.

Deletion from registry or correction of entry in registry

2-5(1) On application by a holder, or on the initiative of the administrator, the administrator may:

- (a) amend an entry in the registry; or
 - (b) cancel or discharge an entry made in error in the registry.
- (2) The administrator shall record the reason for any amendment or cancellation made to the registry pursuant to this section.
- (3) The administrator shall notify parties affected by the amendment or cancellation:
- (a) before the amendment or cancellation unless the administrator is of the opinion that a delay in making the amendment or cancellation would have a deleterious effect on the registry; or
 - (b) as soon as is reasonably possible after making the amendment or cancellation.

Registration of mineral dispositions and instruments

2-6(1) The administrator shall register a mineral disposition granting rights or interests in petroleum and natural gas, oil sands, oil shale or helium and associated gases.

- (2) The administrator shall register any instrument that is:
- (a) received by the ministry pursuant to section 2-2; and
 - (b) in the administrator's opinion, registrable.
- (3) A record of a mineral disposition or instrument entered in the registry must contain:
- (a) a short description of the mineral disposition or instrument; and
 - (b) the date of registration of the mineral disposition or instrument.
- (4) The assignment of a mineral disposition number or instrument number in the registry constitutes registration of the mineral disposition or instrument.

Other records

2-7 The administrator may make any other entries and keep any other records that the administrator considers necessary with respect to mineral dispositions and instruments registered pursuant to these regulations.

PART III Registration of Instruments

Instrument number

3-1 The administrator shall assign instrument numbers consecutively in the order in which instruments are registered.

Priority of registration

3-2(1) The order of registration is determined by the registration date assigned an instrument on registration in the registry.

(2) The registration date of an instrument establishes priority among and between transfers and security notices.

Submission for registration

3-3(1) A holder shall submit to the registry every instrument and its supporting documentation that affects a mineral disposition of the holder on execution of the instrument.

(2) Nothing in subsection (1) prevents any other person or partnership from submitting an instrument for registration.

(3) A person or partnership shall apply to register an instrument and must submit with the application an electronic version of the executed copy of the instrument to be registered.

Registration procedure

3-4 Subject to section 27.46 of the Act, when the administrator accepts an application for registration, the administrator shall register the instrument by:

- (a) identifying on the mineral disposition or on the instrument to which the instrument relates the date on which the instrument was received by the registry;
- (b) recording the registration of the instrument in the registry; and
- (c) notifying the applicant of the outcome of the application for registration.

Effect of registration

3-5(1) An instrument that is not registered pursuant to this Part does not bind the Crown.

(2) An instrument that is registered pursuant to this Part binds the Crown on and from the day of registration.

Effect of transfer on mineral disposition

3-6(1) The administrator may amend an original mineral disposition and issue a new mineral disposition to a transferee in accordance with the terms and conditions of the original mineral disposition if the administrator registers a transfer of:

- (a) a specified percentage of an interest in a mineral disposition;
- (b) part of the area of a lease;
- (c) a specified strata of a lease; or

(d) any other divided interest in a lease.

(2) A new mineral disposition issued pursuant to subsection (1) is subject to any instruments registered with respect to the original mineral disposition.

PART IV Registration of Notices

Registration of notices

4-1(1) Subject to payment of the fee set out in Part I of the Appendix and subject to section 27.46 of the Act, the following notices may be registered:

- (a) a notice of amendment;
- (b) a notice of assignment;
- (c) a notice of discharge;
- (d) a security notice;
- (e) a sublease.

(2) Subject to payment of the fee set out in Part I of the Appendix, a person or partnership that intends to register a notice shall submit to the registry:

- (a) an application for registration; and
- (b) a copy of the original notice with the application mentioned in clause (a).

Registration procedure

4-2 On acceptance of a notice for registration, the administrator shall:

- (a) record in the registry the day on which the notice was submitted to the registry;
- (b) assign to the notice the next consecutive unused instrument number and record the registration of the notice in the registry; and
- (c) record on the mineral disposition with respect to which the notice is registered any other information that in the opinion of the administrator is relevant to the registration of that notice.

Amended mineral dispositions

4-3(1) Subject to subsections (2) and (3), when the minister, on the initiative of the minister, subdivides a mineral disposition and, as a result of that subdivision, the minister amends the mineral disposition or issues one or more new mineral dispositions for all or part of the Crown lands affected by the subdivision, any notice that is registered with respect to the new mineral disposition continues to be registered with respect to:

- (a) the mineral disposition; and
 - (b) any new mineral disposition created by the subdivision.
- (2) The registration of a security notice is continued:
- (a) with respect to the original mineral disposition if the collateral to which the security notice relates remains in the original mineral disposition; and
 - (b) with respect to the amended or new mineral disposition if the collateral to which the security notice relates is in the amended or new mineral disposition.
- (3) The administrator shall:
- (a) endorse an amended or new mineral disposition mentioned in subsection (1) with a registration that is continued pursuant to clause (2)(b); and
 - (b) cancel the registration of the security notice with respect to all or any part of the mineral disposition with respect to which it:
 - (i) was originally registered; and
 - (ii) no longer relates.

Grouped mineral dispositions

4-4 Notwithstanding the approval of a grouping pursuant to section 7-7 or 9-11, a notice registered with respect to a mineral disposition that is grouped continues to be registered with respect to that mineral disposition only.

Amended security interest

4-5(1) The administrator may register a notice of amendment with respect to a registered security notice described in clause (3)(a).

(2) The administrator shall register a notice of amendment with respect to a registered security notice described in clauses (3)(b) to (d).

(3) For the purposes of subsections (1) and (2), the following are registrable amendments:

- (a) a change in the mineral disposition number assigned by the ministry to a mineral disposition with respect to which a security notice is registered;
- (b) a change in the secured party's address for service as set out in a registered security notice;
- (c) a change in the secured party's name as set out in a registered security notice, if the identity of the secured party has not changed despite the name change;
- (d) a change in the debtor's name as set out in a registered security notice, if the identity of the debtor has not changed despite the name change.

Assignment of security interest

4-6 A notice of assignment may be registered with respect to an assignment of a security interest for which a security notice has been registered.

Discharge of security interest

4-7 A notice of discharge may be registered with respect to a discharge of a security interest for which a security notice has been registered.

Registration procedure for discharge

4-8 On acceptance of a notice of discharge for registration, the administrator shall:

- (a) record the discharge on the mineral disposition; and
- (b) record on the registered instrument to which the discharge applies the day on which the notice of discharge was received by the registry.

Notice to lapse

4-9(1) A notice to lapse may be served on a secured party that has registered a security notice at the address set out in the registered security notice by:

- (a) the administrator, on his or her own initiative; or
- (b) by any person or partnership that claims an interest in:
 - (i) a mineral disposition affected by the registered security notice; or
 - (ii) the collateral mentioned in the registered security notice.

(2) The notice to lapse mentioned in subsection (1) must specify that at the expiration of one month after the date of receipt of the notice to lapse, the registration of the security notice is discharged unless the secured party files with the administrator before the expiration of that one-month period an order of the Court of Queen's Bench that provides for the continuation of the registration beyond that period.

(3) The person or partnership mentioned in subsection (1) shall, at the same time he, she or it serves the secured party pursuant to this section, submit to the registry a copy of the notice to lapse.

(4) If an order of the court mentioned in subsection (2) has not been submitted to the registry, the administrator shall discharge the registration of the security notice in accordance with the notice to lapse:

- (a) on evidence satisfactory to the administrator that:
 - (i) the secured party has been served with the notice to lapse; and

- (ii) one month has expired since that notice to lapse was received by the secured party; and
 - (b) on request of the person who served the notice to lapse.
- (5) The administrator may discharge the registration of the security notice on the expiration of one month from the date of receipt of the notice to lapse by the secured party if:
- (a) an order of the court mentioned in subsection (2) has not been submitted to the registry; and
 - (b) the administrator has served the notice to lapse.
- (6) The judge of the court to whom the application for an order mentioned in subsection (2) is made may continue, discharge or substitute, in whole or in part, the registration of the security notice:
- (a) after any notice and hearing that the judge considers proper; and
 - (b) on any terms and conditions that the judge may make.

PART V Legacy Dispositions

Registration of legacy dispositions

- 5-1(1)** On the implementation date, the minister shall register a legacy disposition on behalf of a holder in accordance with this Part.
- (2) On registration of a legacy disposition, the administrator, on behalf of the legacy disposition holder, shall register any information, document, notice or other matter that is recorded by the ministry with respect to a legacy disposition on the implementation date if that information, document, notice or other recorded matter would have been an instrument if it were registered on or after the implementation date.
- (3) A holder of a legacy disposition may verify and, if necessary, advise the administrator of any error that occurs in the registration of the legacy disposition.
- (4) Pursuant to section 27.49 of the Act, the information in the registry prevails if there is a difference between electronic information in the registry and other information, whether or not the other information is contained in a document that contains an original signature or seal.
- (5) With respect to each legacy disposition in the register, the minister shall register:
- (a) the legacy disposition containing any information that the minister is required to provide to meet the requirements of the registry; and
 - (b) if the minister considers it necessary to do so, an instrument that sets out the correct ownership information for that legacy disposition.
- (6) If there is any conflict between the information in the legacy disposition set out in clause (5)(a) and the instrument set out in clause (5)(b), the information in the instrument prevails.

Term of legacy disposition

5-2(1) The term of a legacy disposition:

- (a) commences on the date the legacy disposition was issued; and
- (b) expires pursuant to the provisions of these regulations governing the term of a mineral disposition.

(2) The provisions of these regulations respecting termination of dispositions apply, with any necessary modification, to a legacy disposition as if that disposition was issued on or after the implementation date.

PART VI Permits

Bid for special exploratory permit

6-1 Any person or partnership that intends to obtain a special exploratory permit shall submit a bid to the minister pursuant to section 10-1.

Application for helium and associated gases permit

6-2(1) Any person or partnership that intends to obtain a helium and associated gases permit shall apply to the minister.

(2) An application for a helium and associated gases permit must be accompanied by all of the following:

- (a) a plan and description of the lands applied for that is satisfactory to the minister;
- (b) a program of work that the applicant intends to carry out with respect to the lands mentioned in clause (a);
- (c) a statement that is satisfactory to the minister establishing the applicant's ability to have the proposed work done if a statement to that effect is not already on record in the ministry;
- (d) the names and addresses of the directors and officers of the applicant if the applicant is a corporation and that information is not on record in the ministry.

(3) The rent for the first year required by section 6-8 is to be invoiced by the minister if the permit is issued.

Issuance of special exploratory permit

6-3(1) The minister may issue a special exploratory permit to an applicant who:

- (a) the minister is satisfied has complied with the requirements of this Part;
- (b) submits a bid acceptable to the minister pursuant to section 10-1 specifying:

(i) in the case of an annual work commitment bid for a permit respecting oil and natural gas or oil shale, as the case may be, the amount of money that the applicant agrees to spend in eligible work on the permit lands during the first two years of the term of the special exploratory permit in accordance with the minimum expenditure requirements for that permit set out in Part VII; or

(ii) in the case of a bid respecting oil sands, the amount the applicant agrees to pay to acquire a special exploratory permit with rights for oil sands; and

(c) agrees to accept the permit and to be bound by its terms and conditions and by the Act and any regulations made pursuant to the Act.

(2) The area of Crown mineral lands for which a special exploratory permit may be issued is:

(a) a minimum of 36 surveyed sections or 9 324 hectares, more or less; and

(b) a maximum of:

(i) 720 surveyed sections or 186 500 hectares, more or less, for petroleum and natural gas rights; or

(ii) 360 surveyed sections or 93 240 hectares, more or less, for oil sands rights or oil shale rights.

Issuance of helium and associated gases permit

6-4(1) On receipt of an application pursuant to section 6-2, the minister may issue the helium and associated gases permit applied for if the minister is satisfied that the applicant has complied with the requirements of this Part.

(2) The area of Crown mineral lands for which a helium and associated gases permit may be issued is a maximum of 156.25 surveyed sections or 40 468 hectares, more or less.

Powers of minister

6-5(1) The minister may determine the configuration of the permit area for any permit issued pursuant to this Part.

(2) The minister may place any environmental, drilling or developmental restrictions on a permit.

(3) If the minister is satisfied that a holder of a permit has contravened any terms or conditions of the permit, the minister may, after giving the holder written notice of the minister's intention and an opportunity to be heard, cancel the permit and all interests in any lands affected by the permit revert to the Crown.

Rights granted by and condition of permit

6-6(1) Subject to *The Seismic Exploration Regulations, 1999*, a permit grants to the holder the exclusive right to explore the permit lands for oil and natural gas, oil sands, oil shale or helium and associated gases, as the case may be.

(2) Subject to subsection (3), no holder of a permit shall remove, produce, recover or extract any oil and natural gas, oil shale or oil shale products, oil sands or oil sands products, or helium and associated gases, as the case may be, discovered by exploration pursuant to a permit until a lease is issued to the holder pursuant to this Part.

(3) The holder of a permit may apply to the minister:

(a) to place a well on the permit lands for production test purposes; or

(b) to remove, produce, recover or extract from the permit lands for test purposes or for the purpose of analyzing and testing the samples and for mineralogical or other scientific studies:

(i) oil shale and oil shale products; or

(ii) oil sands and oil sands products.

(4) On receipt of an application pursuant to clause (3)(a) or (b) and if the minister is satisfied that it is advisable to do so, the minister, by order, may grant the permission for a period specified in the order and on any terms and conditions that the minister may set out in the order.

(5) During the term of the permit, no holder of a permit shall fail to comply with:

(a) section 89 of *The Oil and Gas Conservation Regulations, 2012*; and

(b) the terms and conditions set out in this Part and with the terms and conditions imposed on the permit in accordance with this Part.

Term of permit

6-7(1) Unless sooner surrendered or terminated and subject to subsections (2) to (6), the maximum term of a permit is five years from the date on which it is issued.

(2) The minister may grant a one-year extension to the term of a permit if the holder of the permit:

(a) applies in the registry to the minister for approval of an exploration program at least one month before the permit expires; and

(b) submits evidence that the holder has performed the minimum exploratory work required by the permit.

(3) The minister may grant up to three one-year extensions of the term of the permit pursuant to subsection (2).

(4) On the application of a holder of a permit, the minister may extend the term of the permit:

(a) if the exploratory work required to be carried out pursuant to these regulations is delayed:

(i) by an action taken by a government agency or a member of the Executive Council for environmental, regulatory, jurisdictional or consultation purposes with respect to the surface of the land; or

(ii) for any reason that is satisfactory to the minister; and

(b) the delay mentioned in clause (a) is greater than two consecutive months.

(5) In accordance with subsection (4), the minister may extend the term of the permit for a period equivalent to the length of the delay or any longer period that the minister may determine.

(6) On the application of a holder of a permit, the minister may extend the term of a permit for a period not to exceed three months if the holder of the permit is in compliance with these regulations and the terms and conditions of the permit and:

(a) the holder of the permit is carrying out drilling or mining operations on the permit lands when the period for which the permit is valid expires; or

(b) a well licence has been issued to the holder of the permit but drilling operations have not begun for reasons beyond the control of the holder of the licence.

(7) If the term of a permit is extended pursuant to subsection (4), the holder of the permit is not required to pay rent with respect to the period of the extension of the term of the permit.

Annual permit rent

6-8(1) During the term of the permit, the holder of the permit shall pay to the ministry an annual rent as follows:

(a) for a special exploratory permit, \$0.25 per hectare of permit lands for each year of the term of the permit;

(b) for a helium and associated gases permit:

(i) for the first and second years of the term of the permit, \$0.05 per hectare of permit lands for each year;

(ii) for the third year of the term of the permit, \$0.12 per hectare of permit lands; and

(iii) for the fourth, fifth and any extension years of the term of the permit, \$0.25 per hectare of permit lands for each year.

(2) If a holder of a permit fails to pay rent in accordance with this section, the minister shall cancel the permit in accordance with section 9 of the Act, and all interests in any lands affected by the permit revert to the Crown.

(3) If the minister cancels the permit, no refund of rent is to be made to the holder of the permit.

Drilling commitment and expenditure requirements for permit

6-9(1) Every holder of a permit shall satisfy the drilling commitment and permit expenditure requirements set out in Part VII during the term of the permit, and a holder who fails to do so forfeits the right to convert the permit to a lease pursuant to section 6-11.

(2) Expenditures claimed for the purposes of satisfying drilling commitments and expenditure requirements with respect to the permit must comply with Part VII.

Surrender of all or part of a permit

6-10(1) The holder of a permit may surrender all or any part of the permit lands at any time during the term of the permit.

(2) If the holder of the permit surrenders permit lands:

(a) no refund of rent is to be made to the holder; and

(b) the adjusted required work expenditure for the year for the permit lands is the amount C calculated as follows:

$$\frac{C - ER \cdot \frac{D}{P}}{9}$$

where:

ER is the required work expenditure for the year for the total area of the permit lands at the time of the surrender;

D is the number of days in the current year of the permit subsequent to the date of surrender;

S is the area of the permit lands surrendered, in hectares; and

P is the original area of the permit lands before the surrender, in hectares.

Conversion of permit to lease

6-11(1) In this section and in sections 6-12 and 6-13, “lease” means a lease issued pursuant to Part IX.

(2) If the holder of a permit makes a discovery on permit lands of commercial quantities of oil or natural gas or helium and associated gases or of oil sands or oil shale capable of producing oil sands products or oil shale products in commercial quantities, as the case may be, on permit lands, and the holder of the permit intends to obtain a lease for that land, the holder shall, if the holder has complied with the terms and conditions of the permit, within six months after the discovery:

(a) select one or more lease blocks; and

(b) apply for a lease of the selected lease blocks in accordance with these regulations.

(3) The lease blocks selected pursuant to subsection (2) must include the well whose drilling or mining operations whose making resulted in the discovery of oil or natural gas, helium and associated gases, or of oil sands or oil shale capable of producing oil sands products or oil shale products, as the case may be, in commercial quantities.

(4) In addition to any lease blocks selected pursuant to subsection (2), the holder of the permit has the exclusive right at the expiry of the term of the permit or within two months after the expiry to select one or more lease blocks and apply for a lease of the areas included in the lease blocks if the holder of the permit:

- (a) complies with sections 6-9 and 7-1; and
- (b) applies for the lease in accordance with these regulations.

(5) The total area of the lease blocks selected by a holder of a permit pursuant to this section is to comprise:

- (a) in the case of a petroleum and natural gas permit, no more than 25% of the permit lands covered by the permit on the day on which the permit is issued;
- (b) in the case of an oil shale permit, no more than 25% of the permit lands covered by the permit on the day on which the permit is issued;
- (c) in the case of an oil sands permit, no more than 50% of the permit lands covered by the permit on the day on which the permit is issued; or
- (d) in the case of a helium and associated gases permit:
 - (i) if the conversion to a lease is based on a commercial discovery of helium and associated gases:
 - (A) not less than nine surveyed sections or 2 331 hectares, more or less, but only if all lands in the lease are adjoining; or
 - (B) if the permit lands are fewer than nine surveyed sections or 2 331 hectares, more or less, 100% of the permit lands; or
 - (ii) if the conversion to a lease is not based on a commercial discovery of helium and associated gases and occurs during the first three years of the term of the permit, 100% of the helium and associated gases permit lands;
 - (iii) if the conversion to a lease is not based on a commercial discovery of helium and associated gases and occurs during the fourth year of the term of the permit and the holder of the permit has expended in actual drilling on the permit lands an amount equal to at least \$0.40 per hectare of permit lands, 100% of the helium and associated gases permit lands; or
 - (iv) if the conversion to a lease is not based on a commercial discovery of helium and associated gases and occurs during in the fifth year of the term of the permit and the holder of the permit has expended in actual drilling on the permit lands an amount equal to at least \$0.75 per hectare of permit lands, 100% of the helium and associated gases permit lands.

(6) If a holder of a permit selects more than one lease block from a petroleum and natural gas permit, each lease block is to be situated so that any side of one block is at least 1.6 kilometres, more or less, perpendicularly distant from any side of another block except that the blocks may be diagonally situated so as to have a common corner.

(7) If a holder of a permit selects more than one lease block from an oil sands or oil shale permit and that holder has not discovered oil sands or oil shale capable of producing oil sands products or oil shale products in commercial quantities within the area covered by the permit, each lease block is to be situated so that any side of one block is at least 4.8 kilometres, more or less, perpendicularly distant from any side of another block except that the blocks may be diagonally situated so as to have a common corner.

(8) If a holder of a permit selects more than one lease block from an oil sands or oil shale permit and the holder has discovered oil sands or oil shale capable of producing oil sands products or oil shale products in commercial quantities in the area covered by the permit, the holder may select each lease block in a random configuration.

Natural gas discovery

6-12(1) If a holder of a permit with oil and natural gas rights has determined that natural gas is present in commercial quantities in a zone of a formation in the permit lands, the holder may select in a random configuration for lease up to 25% of the oil and natural gas rights owned by the Crown within the zone of the formation in which the discovery is made in addition to any leases selected pursuant to subsection 6-11(5).

(2) No holder of a permit with oil sands or oil shale rights who has determined that oil or natural gas is present in commercial quantities in a zone of a formation in the permit lands shall remove, produce or recover the oil or natural gas.

Application for lease selection from permit

6-13 Every application for a lease selection from a permit must include:

- (a) a legal description of the lands whose boundaries conform to the SaskGrid system, with any necessary modification;
- (b) subject to section 6-14, the rent for the period from the effective date of the lease to April 1 of the next year at the rate of the greater of:
 - (i) \$0.25 per hectare of permit lands for each calendar month or portion of a calendar month; and
 - (ii) \$50; and
- (c) the application fee set out in Part I of the Appendix.

Credit for lease rent

6-14(1) If the minister is satisfied that the holder of a permit has during the term of the permit fulfilled all the requirements of these regulations, the minister shall grant a credit to the holder in an amount equal to the positive difference between:

- (a) the expenditures made by the holder and approved pursuant to Part VII with respect to the term of the permit; and

- (b) the expenditures required to be made by the holder pursuant to section 6-9.
- (2) Any credit granted pursuant to subsection (1) must be applied against the rent:
- (a) for the first 24 calendar months of the term of the lease; or
 - (b) at the option of the holder, commencing from the first April 1 after the issuing of the lease, for the first 24 calendar months of the term of any lease that was or is issued to the holder with respect to the permit lands.
- (3) Notwithstanding subsections (1) and (2), no credit for excess expenditures is to be applied against the rent for a lease taken out in the first, second, third or fourth year of the term of the permit unless the holder of the permit has incurred expenditures on drilling a well before the conversion of the permit to the lease.

PART VII

Drilling Commitment and Permit Expenditure Requirements

Drilling commitment

- 7-1(1)** The holder of a special exploratory permit shall drill a minimum of one well on the permit lands per permit with rights for petroleum, natural gas or petroleum and natural gas to a depth that is satisfactory to the minister.
- (2) If the permit lands covered by a special exploratory permit with rights for petroleum, natural gas or petroleum and natural gas exceed 100 000 hectares, the holder of the permit shall drill at least two wells on the permit lands to depths that are satisfactory to the minister.
- (3) Wells drilled in satisfaction of the requirements of subsections (1) and (2) are to be separated by a distance of at least eight kilometres.
- (4) If a helium and associated gases permit includes a fourth year and the holder of the permit applies for a lease selection, the holder shall:
- (a) drill no later than during the fourth year of the term of the permit; and
 - (b) expend an amount in actual drilling with respect to the permit equal to not less than \$0.40 per hectare of permit lands.
- (5) If a helium and associated gases permit includes a fifth year and the holder of the permit applies for a lease selection, the holder shall:
- (a) drill no later than during the fifth year of the term of the permit; and
 - (b) expend an amount in actual drilling with respect to the permit equal to not less than \$0.75 per hectare of permit lands.
- (6) A holder of a helium and associated gases permit who fails to comply with the requirements set out in subsection (4) or (5) forfeits the right to convert the permit to a lease.

Expenditure requirements

7-2(1) In the case of a permit issued to explore for oil and natural gas, the holder of the permit shall explore for oil and natural gas in the permit lands and expend the following amounts each year in exploring for oil and natural gas:

(a) during each of the first and second years of the term of the permit, the greater of:

- (i) the amount of the annual work commitment bid made by the holder; and
- (ii) \$2 per hectare of permit lands;

(b) during each of the third, fourth and fifth years of the term of the permit, \$4 per hectare of permit lands;

(c) if the permit has been extended pursuant to subsection 6-7(2), \$6 per hectare of permit lands for each year that the permit is extended.

(2) In the case of a permit issued to explore for oil sands, the holder of the permit shall explore for oil sands in the permit lands and expend the following amounts each year in exploring for oil sands:

(a) during each of the first and second years of the term of the permit, \$1 per hectare of permit lands;

(b) during each of the third, fourth and fifth years of the term of the permit, \$2 per hectare of permit lands;

(c) if the permit has been extended pursuant to subsection 6-7(2), \$3 per hectare of permit lands for each year that the permit is extended.

(3) In the case of a permit issued to explore for oil shale, the holder of the permit shall explore for oil shale in the permit lands and expend the following amounts each year in exploring for oil shale:

(a) during each of the first and second years of the term of the permit, the greater of:

- (i) the amount of the annual work commitment bid made by the holder of the permit; and
- (ii) \$1 per hectare of permit lands;

(b) during each of the third, fourth and fifth years of the term of the permit, \$2 per hectare of permit lands;

(c) if the permit has been extended pursuant to subsection 6-7(2), \$3 per hectare of permit lands for each year that the permit is extended.

(4) In the case of a permit issued to explore for helium and associated gases, the holder of the permit shall explore for helium and associated gases in the permit lands and expend the following amounts each year in exploring for helium and associated gases:

(a) during each of the first and second years of the term of the permit, the greater of:

- (i) \$0.50 per hectare of permit lands; and
 - (ii) \$10,000;
 - (b) during the third year of the term of the permit, the greater of:
 - (i) \$1 per hectare of permit lands; and
 - (ii) \$15,000;
 - (c) during each of the fourth and fifth years of the term of the permit, and if the permit has been extended pursuant to subsection 6-7(2) for each year that the permit is extended, the greater of:
 - (i) \$1.50 per hectare of permit lands; and
 - (ii) \$20,000.
- (5) At the option of the holder of the permit, excess expenditures made pursuant to subsection (1), (2), (3) or (4) may:
- (a) be applied for credit towards lease rents pursuant to section 6-14; or
 - (b) be deemed to have been expended in any year the permit has been extended to a maximum of:
 - (i) \$2 per hectare of permit lands for a permit issued to explore for oil and natural gas; or
 - (ii) \$1 per hectare of permit lands for a permit issued to explore for oil sands, oil shale or helium and associated gases.
- (6) Subject to section 7-8, if a holder of a permit fails to meet the holder's required work expenditure during the year, the minister shall cancel the permit, and all interests in any lands affected by the permit revert to the Crown.

Expenditure deposit

7-3(1) The holder of a permit with rights for petroleum, natural gas or petroleum and natural gas shall submit an expenditure deposit with respect to the required work expenditure for the year pursuant to the permit as follows:

- (a) for each of the first and second years of the term of the permit, the expenditure deposit is 25% of the required work expenditure for the year;
 - (b) for the third year and each subsequent year of the term of the permit, the expenditure deposit is \$1 per hectare of permit lands.
- (2) An expenditure deposit made pursuant to subsection (1) is due and payable to the ministry in advance of the anniversary date of the permit.

(3) If the holder of a permit with rights for petroleum, natural gas or petroleum and natural gas submits evidence satisfactory to the minister of actual exploration expenditures to the minister, the minister shall refund 25% of the eligible expenditures.

(4) For the purposes of subsection (3), a deficiency payment is not an exploration expenditure.

(5) If a holder of a permit with rights for petroleum, natural gas or petroleum and natural gas fails to submit an expenditure deposit pursuant to this section, the minister shall cancel the permit, and all interests in any lands affected by the permit revert to the Crown.

Evidence of expenditures

7-4(1) Within one month after the anniversary date of each year of the term of the permit, the holder of the permit shall submit to the minister a statement setting out the estimated sums of money expended during that year in carrying out the work and operations on:

(a) the permit lands; and

(b) any other lands with respect to which credit for work expenditures is claimed by the holder.

(2) Within four months after the anniversary date of each year of the term of the permit, the holder of the permit shall submit to the minister a detailed statement setting out the sums of money expended during that year in carrying out work and operations on:

(a) the permit lands; and

(b) any other lands with respect to which credit for work expenditures is claimed by the holder.

(3) Every statement mentioned in subsection (2) must be:

(a) certified by a member in good standing of a recognized accounting profession that is regulated by an Act who is satisfactory to the minister; or

(b) verified by a statutory declaration by a person with personal knowledge of the facts and accompanied by original vouchers or certified copies of those vouchers, verifying the expenditures.

(4) The minister may require that all or any part of a statement verified by a statutory declaration in accordance with clause (3)(b) be certified by a member in good standing of a recognized accounting profession that is regulated by an Act who is satisfactory to the minister.

Holder of a permit to submit annual statements

7-5(1) Within four months after the end of each year of the term of a permit, every holder of a permit shall submit to the minister:

(a) a detailed statement setting forth full particulars of the work and operations carried out on the permit lands and on any lands with respect to which a credit for work expenditures is claimed during the preceding year; and

- (b) the evidence set out in Part II of the Appendix.
- (2) The minister may request copies of the seismograms taken at each shot point, with the necessary computational data included on the face of each record submitted in accordance with subsection (1), and the minister may, at any time, examine the original seismograms and any pertinent data related to them.
- (3) Seismograms submitted pursuant to subsection (2) are not to be made public.

Credit for expenditures

7-6(1) The amount of approved expenditures with respect to the work and operations carried out by the holder of a permit during any year of the term of the permit must be credited to the holder against the required work expenditures to be made during that year.

(2) If the holder of a permit expends during any year an amount of money greater than the holder is required to expend during that year pursuant to section 7-2, the excess expenditures:

- (a) are deemed to have been expended in work and operations in succeeding years of the permit; or

- (b) at the option of the holder, may be applied for credit against lease rents pursuant to section 6-14.

(3) For the purpose of determining the amount expended from time to time by the holder of the permit:

- (a) only direct expenditures applicable to exploration are allowable;

- (b) the maximum capital charges must not exceed the maximum capital cost allowance as provided for in the *Income Tax Act* (Canada);

- (c) if the permit lands are in land that is not the subject of a plan of survey as defined in *The Land Surveys Act, 2000*, the cost of a recognized legal survey of the area lands must be accepted by the minister as an expenditure in the year in which any work in connection with the survey was done, but the total credit for that survey must not exceed 20% of the expenditure required to be made during the permit year.

(4) The following expenditures are not allowable pursuant to clause (3)(a):

- (a) administrative overhead and office expenses;

- (b) well levy payment;

- (c) legal fees or the fees and expenses of procuring the surface lease;

- (d) equipment required to put a well in production or salvageable equipment used in drilling the well, including the following equipment:

- (i) recoverable casing;

- (ii) liner;
- (iii) float equipment;
- (iv) endless tubing;
- (v) casing bowl;
- (vi) wellhead;
- (vii) unsalvageable packers;
- (viii) plugs and downhole equipment;

(e) any recoverable equipment not mentioned in clause (d);

(f) any Goods and Services Tax paid pursuant to the *Excise Tax Act* (Canada) on the items listed in clauses (a) to (e).

(5) If any part of the permit lands is surrendered in accordance with these regulations, expenditures in excess of those required by section 7-2 must, for the purpose of calculating credit for expenditures, be reduced proportionately by the ratio of the area of the permit lands surrendered to the area of the permit lands held before the surrender.

(6) Subject to subsection (7), if the holder of a helium and associated gases permit drills a well on freehold lands or on Crown lands other than the holder's permit lands, the holder may claim a credit for the expenditures made in drilling that well in the amount CR calculated in accordance with the following formula:

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$\text{FUNC} = \frac{\text{EX}}{\text{ACL} - \text{AL}}$
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where:

EX is the amount of the expenditure in drilling the well;

ACL is the area in hectares of all Crown lands in an eight-kilometre-square area centred by the surveyed section in which the well is located;

AL is the area in hectares of all lands in the eight-kilometre-square area centred by the surveyed section in which the well is located.

(7) A holder of a helium and associated gases permit may claim a credit pursuant to subsection (6) only if:

- (a) the well is located within the holder's permit area and not more than 1.6 kilometres from the holder's permit lands; and
- (b) no other well producing in commercial quantities has been previously drilled within the eight-kilometre-square area.

Grouping of permits

7-7(1) For the purpose of meeting the required work expenditure during the year, a holder of a permit may request that the minister group:

- (a) up to three special exploratory permits; or
- (b) two or more helium and associated gases permits.

(2) The minister may approve a request made pursuant to subsection (1) to group the permits mentioned in subsection (1) if:

- (a) the ownership of the permits to be grouped is common;
- (b) the permit lands are not separated by more than 10 kilometres, more or less;
- (c) the grouping includes all lands covered by the permits concerned; and
- (d) none of the permits to be grouped is a permit the term of which has been extended.

(3) Excess expenditures credited pursuant to subsection 7-6(2) must be prorated among all the permit lands in each permit in the grouping, including those permits that have met the required work expenditure during the year.

(4) If permit lands are grouped pursuant to this section, any work or operations performed on those permit lands subsequent to the grouping that is attributable to those permit lands as credit for work expenditures must, for the purposes of determining expenditures and credits, be deemed to be work and operations carried out on the permit lands in the grouping.

(5) A grouping for a helium and associated gases permit continues for one year.

(6) A grouping for a special exploratory permit continues:

- (a) until the holder of the permit requests that the grouping be cancelled; or
- (b) until the ownership of the permit changes.

Deficiency payments

7-8(1) Subject to subsections (2) and (3), if the holder of a special exploratory permit does not meet the holder's required work expenditure during the year pursuant to section 7-2, the holder may make a non-refundable cash payment in the amount of the deficiency in order to maintain the permit in good standing.

(2) Subsection (1) does not apply if the holder of the permit fails to meet the required work expenditure in two or more consecutive years.

(3) Subsection (1) does not apply with respect to a permit that has been extended pursuant to subsection 6-7(2).

Confidentiality of information

7-9 Notwithstanding *The Oil and Gas Conservation Act* and the regulations made pursuant to that Act or any provisions of these regulations, the minister shall not make information or material submitted pursuant to section 7-5 and described in Part II of the Appendix available to the public until one year after the permit expires, is surrendered in its entirety or is cancelled or terminated.

Termination

7-10 If a special exploratory permit is terminated, cancelled or surrendered pursuant to subsection 6-5(3), 6-8(2), 7-2(6) or 7-3(5) or section 6-10, any remaining expenditure deposit made pursuant to section 7-3 held by the ministry is forfeited to the Crown by the holder of the permit.

PART VIII Exploration Licences

Bid for exploration licence

8-1 Any person or partnership that intends to obtain an exploration licence shall submit a bid to the minister pursuant to section 10-1.

Issuance of exploration licence

8-2(1) The minister may issue an exploration licence to an applicant who:

- (a) the minister is satisfied has complied with the requirements of this Part;
- (b) submits a bid acceptable to the minister pursuant to section 10-1;
- (c) submits the application fee set out in Part I of the Appendix; and
- (d) agrees to accept the exploration licence and to be bound by its terms and conditions and by the provisions of the Act and these regulations.

(2) The area of Crown mineral lands for which an exploration licence may be issued is:

- (a) a minimum of one surveyed section or 259 hectares, more or less; and
- (b) a maximum of 36 surveyed sections or 9 324 hectares, more or less.

Powers of minister

8-3(1) The minister may determine the configuration of the lands covered by the exploration licence for any exploration licence issued pursuant to this Part.

(2) The minister may place any environmental, drilling or developmental restrictions on an exploration licence.

(3) If the minister is satisfied that a holder of an exploration licence has contravened any terms or conditions of the exploration licence, the minister may, after giving the holder written notice of the minister's intention and an opportunity to be heard, cancel the exploration licence, and all interests in any lands affected by the exploration licence revert to the Crown.

Rights granted to holder and condition of exploration licence

8-4(1) Subject to these regulations and unless otherwise specifically stated in the exploration licence, an exploration licence grants to the holder the exclusive right to:

(a) search, dig, bore and drill for oil and natural gas or oil sands, as the case may be, within the lands covered by the exploration licence; and

(b) win, get, recover, extract, procure, carry away, dispose of and sell the oil and natural gas or oil sands products found within the lands covered by the exploration licence.

(2) During the term of the exploration licence, no holder of an exploration licence shall fail to comply with the terms and conditions set out in this Part and with the terms and conditions imposed on the exploration licence in accordance with this Part.

Term of exploration licence

8-5(1) Unless sooner surrendered or terminated and subject to subsections (2) to (4), an exploration licence is valid for:

(a) two years after the date of its issuance, if any of the lands with respect to which the exploration licence is issued are located south of Township 55;

(b) three years after the date of its issuance, if:

(i) all of the lands with respect to which the exploration licence is issued are located north of Township 54 but south of Township 66; or

(ii) some of the lands with respect to which the exploration licence is issued are located north of Township 54 but south of Township 66 and the remainder of the lands are located north of Township 65;

(c) four years after the date of its issuance, if all of the lands with respect to which the exploration licence is issued are located north of Township 65; or

(d) five years after the date of its issuance if the rights pursuant to the exploration licence are for oil sands.

(2) On the application of a holder of an exploration licence, the minister may extend the term of the exploration licence:

(a) if the exploratory work required to be carried out pursuant to these regulations is delayed:

(i) by an action taken by a government agency or a member of the Executive Council for environmental, regulatory, jurisdictional or consultation purposes with respect to the surface of the land; or

(ii) for any reason that is satisfactory to the minister; and

(b) the delay mentioned in clause (a) is greater than two consecutive months.

(3) In accordance with subsection (2), the minister may extend the term of the exploration licence for a period equivalent to the length of the delay or any longer period that the minister may determine.

(4) On the application of a holder of an exploration licence, the minister may extend the term of an exploration licence for a period not to exceed three months if:

(a) the holder of the exploration licence is in compliance with these regulations and the terms of the exploration licence; and

(b) any of the following apply:

(i) the holder of the exploration licence is carrying out drilling operations on a well within the land covered by the exploration licence when the period for which the licence is valid expires;

(ii) a well licence has been issued to the holder of the exploration licence but drilling operations have not begun for reasons beyond the control of the holder;

(iii) if the rights pursuant to the exploration licence are for oil sands, mining operations have been delayed for reasons beyond the control of the holder of the exploration licence.

Exploration licence deemed to be Crown lease

8-6 An exploration licence is deemed to be a Crown lease within the meaning of the Act for the purpose of determining royalties payable on oil and natural gas or oil sands products produced from or allocated to the lands with respect to which the exploration licence is issued.

Annual exploration licence rent

8-7(1) During the term of an exploration licence, the holder of the exploration licence shall pay annually to the ministry a rent of \$1.75 per hectare of land covered by the exploration licence.

(2) If the holder of an exploration licence surrenders the lands covered by the exploration licence or the minister cancels the exploration licence, no refund of rent is to be made.

(3) If the term of an exploration licence is extended pursuant to subsection 8-5(2) for a period that is three months or longer, the holder of the exploration licence shall pay the full amount of the annual rent required pursuant to this section for the extended term even if the extended term is less than a full year.

(4) If a holder of an exploration licence fails to pay rent in accordance with this section, the minister shall cancel the exploration licence in accordance with section 9 of the Act, and all interests in any lands affected by the exploration licence reverts to the Crown.

Surrender of all or part of an exploration licence

8-8 The holder of an exploration licence may surrender all or any part of the lands covered by the exploration licence at any time during the term of the exploration licence.

Exploration licence terminated when lease issued

8-9 If the holder of an exploration licence obtains a lease pursuant to Part IX for lands covered by the exploration licence before the end of the term of the exploration licence, the exploration licence terminates at the time the lease is issued.

Application for lease from exploration licence

8-10 Every application for a lease selection from an exploration licence must include:

- (a) a legal description of the lands whose boundaries conform to the SaskGrid system, with any necessary modification;
- (b) subject to section 6-14, the rent for the period from the effective date of the lease to April 1 of the next year at the rate of the greater of:
 - (i) \$0.25 per hectare of lease lands for each calendar month or portion of a calendar month: and
 - (ii) \$50; and
- (c) the application fee set out in Part I of the Appendix.

Conversion of exploration licence to lease

8-11(1) In this section and in section 8-12, “**lease**” means a lease issued pursuant to Part IX.

(2) If the holder of an exploration licence is in compliance with section 89 of *The Oil and Gas Conservation Regulations, 2012*, the holder may apply to convert the exploration licence to one or more leases.

(3) The holder of an exploration licence who intends to apply to convert the exploration licence to a lease shall apply on or before the day that is two months after the expiry of the exploration licence.

(4) Subject to subsection (6), the maximum area that may be covered by a lease resulting from a conversion pursuant to subsection (2) is equal to the sum of area factors for all wells drilled or mining operations made within the area covered by the exploration licence.

(5) The area factor mentioned in subsection (4) for a well or mining operation is calculated in accordance with whichever of the following formulas applies:

(a) in the case of a well drilled or mining operation made on exploration licences the rights pursuant to which are for oil sands, the area factor, measured in surveyed sections, is calculated in accordance with the following formula:

$$A = 1$$

but only if:

(i) the well is drilled or mining operation is made sufficiently deep, in the minister's opinion, to completely intersect or access the oil sands zone; and

(ii) any core recovered from the well is in compliance with section 89 of *The Oil and Gas Conservation Regulations, 2012*;

(b) in the case of a well drilled on exploration licences the rights pursuant to which are for petroleum, natural gas or petroleum and natural gas, the area factor, in surveyed sections rounded to the nearest quarter-section, is calculated in accordance with the following formula:

$$A = TD \times F$$

where:

TD is the total measured depth, as determined by the minister, expressed in metres, for the well;

F is:

(a) 0.004 surveyed sections, if the well is drilled to 1 800 metres or less; or

(b) 0.006 surveyed sections, if the well is drilled to more than 1 800 metres.

(6) The holder of an exploration licence may group the area factors of any or all wells drilled in one other area covered by another exploration licence if:

(a) the other exploration licence is held by the same holder; and

(b) the area covered by the other exploration licence is not more than 3.2 kilometres, more or less, distant from the area that is the subject of the application.

(7) If the holder of an exploration licence groups the area factor of wells drilled in another area pursuant to subsection (6), the holder may not include the area factors that were grouped in any other application pursuant to this section.

Effective date of lease selected from exploration licence

8-12 The effective date of a lease that is issued pursuant to this Part respecting lands covered by an exploration licence is the date on which the lease is registered.

PART IX Leases

DIVISION 1
Basic Rights

Bid for lease for petroleum and natural gas, oil sands or oil shale rights

9-1 Subject to sections 6-11, 8-11 and 10-2, every person or partnership that intends to obtain a lease for petroleum and natural gas, oil sands or oil shale rights shall submit a bid pursuant to section 10-1.

Application for lease for helium and associated gases or use of spaces

9-2 Any person or partnership that intends to obtain a lease for the following shall apply to the minister:

- (a) helium and associated gases rights;
- (b) the use of spaces.

Issuance of lease

9-3(1) The minister may issue a lease to an applicant who:

- (a) the minister is satisfied has complied with the requirements of this Part;
 - (b) for petroleum, natural gas, petroleum and natural gas, oil sands or oil shale rights, submits a bid amount acceptable to the minister pursuant to subsection 10-1(7) or clauses 10-2(1)(a), (d) or (f);
 - (c) submits the application fee set out in Part I of the Appendix; and
 - (d) agrees to accept the lease and to be bound by its terms and conditions and by the provisions of the Act and these regulations.
- (2) The area that may be the subject of a lease for petroleum, natural gas, or petroleum and natural gas rights, unless otherwise approved, must be:
- (a) a minimum of one legal subdivision or 16.18 hectares, more or less, as described in the SaskGrid legal subdivision feature layer; and
 - (b) a maximum of 49 quarter-sections or 3 173 hectares, more or less, but only if all lands in the lease are adjoining.
- (3) The area that may be the subject of a lease for oil sands or oil shale rights, unless otherwise approved, must be:
- (a) a minimum of one legal subdivision or 16.18 hectares, more or less, as described in the SaskGrid legal subdivision feature layer; and
 - (b) a maximum of 36 surveyed sections or 9 324 hectares, more or less, in the configuration as described in subsection 6-11(6) or (7), as the case may be, but only if all lands in the lease are adjoining.

(4) The area that may be the subject of a lease for helium and associated gases rights, unless otherwise approved, must be:

(a) a minimum of one legal subdivision or 16.18 hectares, more or less, as described in the SaskGrid legal subdivision feature layer; and

(b) a maximum of 49 quarter-sections or 3 173 hectares, more or less, but only if all lands in the lease are adjoining.

(5) The minister shall determine the area that may be the subject of a lease for the use of spaces.

Rights granted to holder and condition of lease

9-4(1) Subject to the other provisions of these regulations, each lease, unless otherwise specifically provided for in the lease, grants to the holder of the lease the exclusive right:

(a) to search, dig, bore and drill for oil and natural gas, oil sands, oil shale or helium and associated gases, as the case may be, within the lease lands; and

(b) to win, get, recover, extract, procure, carry away, dispose of and sell the oil and natural gas, oil sands or oil sands products, oil shale or oil shale products, or helium and associated gases, as the case may be, found within the lease lands; or

(c) to use the spaces within the lease lands.

(2) During the term of the lease, no holder of a lease shall fail to comply with the terms and conditions set out in this Part and with the terms and conditions imposed on the lease in accordance with this Part.

Term of lease

9-5(1) In this section and in section 9-12, “**deeper rights**” means deeper rights on leases with rights for petroleum, natural gas or petroleum and natural gas as determined by the minister pursuant to section 16.1 of the Act.

(2) The minister may, by order pursuant to section 16.1 of the Act, determine deeper rights for the purposes of this section and sections 9-12 and 10-1 and, if the minister issues an order determining deeper rights, shall cause that order to be published on the Government of Saskatchewan’s website.

(3) A lease is effective on the effective date entered in the registry and continues:

(a) if the rights are for petroleum, natural gas or petroleum and natural gas, for five years, beginning on the first day of April following the effective date of the lease, or, if the effective date of the lease is April 1, for five years from that date;

(b) if the rights are for oil sands or new oil shale, for 15 years, beginning on the first day of April following the effective date of the lease or, if the effective date of the lease is April 1, for 15 years from that date;

(c) if the rights are for old oil shale or helium and associated gases, for 21 years, beginning on the first day of April following the effective date of the lease or, if the effective date of the lease is April 1, for 21 years from that date; or

(d) if the rights are for the use of spaces, for 20 years, beginning on the first day of April following the effective date of the lease or, if the effective date of the lease is April 1, for 20 years from that date.

(4) Subject to subsections (5), (6), (7), (9) and (11) and to the termination of any deeper rights pursuant to section 16.1 of the Act, a lease continues after the period mentioned in subsection (3) if:

(a) the holder of the lease is in compliance with these regulations and the terms and conditions of the lease; and

(b) any of the following circumstances apply:

(i) a well is being drilled or mining operations are taking place at the time that the period mentioned in subsection (3) expires;

(ii) there are one or more producing wells or producing mining operations on the lease lands, but, in that case, the lease continues only for that portion of the lease lands in each surveyed section that contains the producing well or wells and only for a period ending:

(A) three months after production from that portion of the lease lands ceases;
or

(B) on any later date approved by the minister;

(iii) any part of the lease lands is under unit operation approved by the minister or by an order of the Lieutenant Governor in Council, but, in that case, the lease continues only for that part or all of the lease lands and only for a period ending six months after that part is no longer subject to that unit operation;

(iv) any part of the lease lands is included within a designated natural gas area pursuant to section 9-18, but, in that case, the lease continues only for that part of the lease lands that is within the designated natural gas area;

(v) the lease is continued pursuant to sections 9-20 to 9-25;

(vi) compensatory royalty payments are being made pursuant to section 9-16 respecting a location designated by the minister pursuant to section 9-15 on the lease lands, but, in that case, the lease continues only for that portion of the lease lands in the surveyed section containing the location;

(vii) access to the lease lands has been denied:

(A) by an action taken by a government agency or a member of the Executive Council for environmental, regulatory, jurisdictional or consultation reasons;
or

(B) for any reason that is satisfactory to the minister; and

(C) the denial has resulted in a delay in exercising rights of more than two consecutive months.

(5) Unless otherwise specified in this section, a lease is continued pursuant to subsection (4) for one year after the period mentioned in subsection (3) expires.

(6) Subject to the termination of any deeper rights pursuant to section 16.1 of the Act, a lease continues after the period mentioned in subsection (3) if:

(a) the holder of the lease is in compliance with these regulations and the terms and conditions of the lease; and

(b) a well licence has been issued but drilling operations have not begun.

(7) A lease is continued pursuant to subsection (6) for three months, or any longer period that the minister may determine, after the expiry of the period mentioned in subsection (3).

(8) Unless otherwise specified in this section, if a lease is continued pursuant to this section, the holder of the lease shall pay the full amount of the annual rent payable even if the lease continues for less than a full year.

(9) A lease with rights for petroleum, natural gas, or petroleum and natural gas is continued pursuant to this section only to the base of the deepest productive zone for that lease as determined by the minister.

(10) In accordance with subclause (4)(b)(vii), the minister may extend the term of the lease:

(a) for a period equivalent to the length of the delay; or

(b) for any longer period that the minister may determine.

(11) On the expiration of the 21-year period mentioned in clause (3)(c) for a lease with rights for old oil shale and the 20-year period mentioned in clause (3)(d) for a lease of spaces, the lease is renewable for successive terms of 21 or 20 years, as the case may be, each on the application of the holder of the lease, if the holder has complied fully with the terms and conditions of the lease or renewal of the lease and with the provisions of these regulations.

Net royalty leases

9-6(1) Subject to subsections (2) and (3) but notwithstanding any other provision of these regulations, net royalty leases must be in the form and contain the terms and conditions approved by the Lieutenant Governor in Council.

(2) Notwithstanding section 9-14, a holder of a net royalty lease may surrender an interest in all or any part of the lands covered by the net royalty lease if:

(a) the surrender meets the requirements of section 9-17;

(b) the holder of the net royalty lease applies pursuant to subsection (3) for a standard lease of the lands to be surrendered pursuant to this subsection; and

(c) the minister approves the application of the holder of the net royalty lease for a standard lease.

(3) The minister may issue a standard lease of the surrendered lands to the holder of the net royalty lease in accordance with this Part if a holder of the net royalty lease who has surrendered an interest pursuant to subsection (2):

(a) applies pursuant to this section for a standard lease of the surrendered lands;

(b) submits a bid in an amount acceptable to the minister; and

(c) makes a commitment, in a form acceptable to the minister, with respect to the terms and conditions that the minister may require.

(4) If a holder of a net royalty lease fails to comply with a commitment made pursuant to clause (3)(c) within any period determined by the minister, the minister may cancel the lease in accordance with section 9 of the Act.

(5) Notwithstanding any other provision of these regulations, the minister shall not issue any new net royalty leases pursuant to these regulations.

Production after January 1, 1994

9-7 Notwithstanding anything to the contrary in a net royalty lease:

(a) the cash proceeds of production from any of the following are not to be included for the purpose of determining the net royalty payable as specified in the net royalty lease:

(i) all oil and natural gas production from or allocated to a well with a finished drilling date on or after January 1, 1994;

(ii) incremental oil and natural gas production:

(A) with respect to an enhanced recovery project approved pursuant to *The Oil and Gas Conservation Act* that has an operation commencement date on or after January 1, 1994; and

(B) that is determined by the same method as is used in determining incremental waterflood oil pursuant to *The Crown Oil and Gas Royalty Regulations, 2012*; and

(b) payments, costs, charges, expenses or allowances, as determined by the minister, that relate to the oil and natural gas production mentioned in clause (a) are not to be deducted when determining the net proceeds of production for the net royalty lease.

Farmout agreements

9-8(1) Subsections 9-6(2) to (4) and section 9-7 apply, with any necessary modification, to:

- (a) the termination or surrender of a farmout agreement with respect to Crown lands;
 - (b) the issuing of a standard lease in substitution for the farmout agreement mentioned in clause (a); and
 - (c) net royalty payable determinations for farmout agreements.
- (2) Notwithstanding any other provision of these regulations, the minister shall not issue any new farmout agreements pursuant to these regulations.

Annual lease rent

9-9(1) Subject to subsections (2) to (4) and section 6-14, during the term of a lease, the holder of a lease shall pay to the minister an annual rent of the greater of:

- (a) \$3.50 per hectare of lease lands per year; and
- (b) \$50 per year.

(2) If the holder of a lease elects to apply credits granted pursuant to section 6-14 instead of paying rent for the first 24 calendar months of the lease, the rent for that portion of the rental year after the termination of the credit period to the commencement of the next rental year is due and payable on the termination date of the credit period.

(3) If the minister is satisfied that, for a rental year, an adequate market for helium or associated gases in which the holder of a lease with rights for helium and associated gases may participate is not available, the minister may reduce the rent with respect to that rental year for that lease.

(4) If a holder of a lease fails to pay rent in accordance with this section, the minister shall cancel the lease in accordance with section 9 of the Act, and all interests in any lands affected by the lease revert to the Crown.

(5) If the minister cancels the lease, no refund of rent is to be made to the holder of the lease.

Helium and associated gases lease refund of rent

9-10(1) Subject to subsections (6) and (7), if, during or within six months after the first year of the term of a lease with rights for helium and associated gases commencing on April 1, the holder of the lease submits evidence satisfactory to the minister that during that rental year actual drilling operations for helium or associated gases have been carried out on the lease lands, a refund of all or any portion of the rent paid in advance for that rental year may be made to the holder.

(2) Subject to subsections (6) and (7), if, during or within six months after the second year of the term of a lease with rights for helium and associated gases, the holder of the lease submits evidence satisfactory to the minister that actual drilling operations for helium or associated gases have been carried out on the lease lands during that rental year, a refund of all or any portion of the rent paid in advance for the second rental year may be made to the holder.

(3) Subject to subsections (6) and (7), if, during or within six months after the third year of the term of a lease with rights for helium and associated gases, the holder of the lease submits evidence satisfactory to the minister that actual drilling operations for helium or associated gases have been

carried out on the lease lands during that rental year, a refund of all or any portion of the rent paid in advance for the third rental year may be made to the holder.

(4) Subject to subsections (5) to (7), if, during or within six months after the fourth and subsequent years of the term of a lease with rights for helium and associated gases, the holder of the lease submits evidence satisfactory to the minister that actual drilling operations for helium or associated gases have been carried out on the lease lands during that rental year and that the wells drilled do not produce commercial quantities of helium or associated gases, a refund of all or any portion of rent paid in advance for that rental year may be made to the holder.

(5) For the purposes of subsection (4), the eligibility for a refund is to be determined as follows:

(a) for a well in the lease lands that is drilled beyond 1 220 metres, a refund may be made only for the fourth rental year of the term of the lease;

(b) for a well in the lease lands that is drilled beyond 1 524 metres, a refund may be made only for the fourth and fifth rental years of the term of the lease;

(c) for a well in the lease lands that is drilled beyond 1,829 metres, a refund may be made only for the fourth to sixth rental years of the term of the lease;

(d) for a well in the lease lands that is drilled beyond 2 134 metres, a refund may be made only for the fourth to seventh rental years of the term of the lease;

(e) for a well in the lease lands that is drilled beyond 2 439 metres, a refund may be made only for the fourth to eighth rental years of the term of the lease;

(f) for a well in the lease lands that is drilled beyond 2 743 metres, a refund may be made only for the fourth to ninth rental years of the term of the lease;

(g) for a well in the lease lands that is drilled beyond 3 048 metres, a refund may be made only for the fourth to tenth rental years of the term of the lease.

(6) The amount of a refund pursuant to this section is not to exceed the lesser of:

(a) the rent paid for the rental year for which the refund is applied for; and

(b) the amount of expenditures approved pursuant to subsection (8).

(7) Subject to subsection (6), if, in the opinion of the minister certain geophysical work performed by the holder of a lease on the lease lands is in an acceptable and necessary form of preliminary development before drilling a well, the minister may, if the minister considers it advisable and in the public interest to do so, approve a refund of rent paid in advance in an amount that the minister may determine.

(8) For the purposes of this section:

(a) the holder of a lease shall submit as evidence to the minister an itemized statement of amounts expended in drilling verified by the statutory declaration of a person or partnership having personal knowledge of the facts; and

(b) subject to subsection (9) and based on the evidence submitted to the minister, the minister may approve an amount of expenditures.

(9) In determining the amount of expenditures to approve pursuant to subsection (8), the minister shall not consider:

(a) the cost of machinery;
(b) the cost of production casing; or

(c) any other item that, in the opinion of the minister, does not constitute an actual drilling expenditure.

(10) If a well is drilled in any rental year of the lease or grouping of leases for which the rent has been satisfied by previous credits granted pursuant to section 6-14 or otherwise, the minister may, instead of making a refund, approve for a credit an amount not to exceed the expenditures incurred in drilling the well.

(11) A credit approved pursuant to subsection (10) may be used in a subsequent rental year on the lease or grouping of leases for which the credit is granted.

Grouping and regrouping of helium and associated gases leases

9-11(1) The minister may approve the grouping or regrouping of all or any portion of Crown lands covered by two or more leases with rights for helium and associated gases.

(2) For the purpose of section 9-10, if lands are grouped or regrouped pursuant to this section, the operations carried out on the lands grouped or regrouped are deemed to be operations carried out on the lands in the grouping.

(3) No land is to be included in the grouping if it is separated by more than 10 kilometres from any other land to be included in the grouping.

(4) The maximum area to be included in a grouping is as follows:

(a) for an area containing a well that does not penetrate into any part of a formation older than the Devonian System, 144 quarter-sections or 9 324 hectares, more or less;

(b) for an area containing a well that penetrates into any part of a formation older than the Devonian System, 288 quarter-sections or 18 648 hectares, more or less.

(5) If lands are regrouped into a new grouping pursuant to this section, the regrouping cancels all previously established groupings with respect to any lands included in the new grouping.

(6) Every assignment, surrender or cancellation of part of the area included in a grouping decreases the size of the grouping accordingly without the necessity of regrouping unless the areas remaining in the grouping must be regrouped in order to comply with subsection (3).

(7) When considering whether or not to approve a grouping or regrouping, the minister may consider:

(a) the size and shape of the proposed groupings;

- (b) the location of any well to be drilled for rent refund purposes within the grouping; and
 - (c) any other matters the minister considers relevant.
- (8) An application for grouping or regrouping must be submitted to the registry.

Continuation of deeper rights

9-12(1) In accordance with section 16.1 of the Act, the holder of a lease may apply to the minister for approval to have the deeper rights continue as part of the lease.

(2) The application mentioned in subsection (1) must:

(a) be in a form acceptable to the minister; and

(b) contain information that demonstrates to the minister's satisfaction that access to the lease lands has been denied:

(i) by an action taken by a government agency or a member of the Executive Council for environmental, regulatory, jurisdictional or consultation reasons; or

(ii) for any reason that is satisfactory to the minister.

When work must commence

9-13(1) Subject to subsection (3), within six months after receiving a written request from the minister to do so, the holder of a lease with rights for petroleum, natural gas or petroleum and natural gas shall:

(a) commence drilling operations on the lands described in the lease or grouping of leases; and

(b) continue the drilling operations mentioned in clause (a) with reasonable diligence to the satisfaction of the minister with a view to the discovery of oil or natural gas.

(2) If the holder of the lease with rights for petroleum, natural gas or petroleum and natural gas does not commence drilling operations within the time specified pursuant to subsection (1) or, having commenced drilling operations, does not continue those operations with reasonable diligence to the satisfaction of the minister or, without the consent of the minister, ceases to carry on those operations for a period of more than six months, the minister may cancel the lease or grouping of leases after giving the holder of the lease two months' written notice.

(3) The minister may extend the time specified pursuant to subsection (1) for any period the minister considers appropriate.

(4) This section does not apply to a lease in its primary term.

Operations continuous if reporting production

9-14 If the lands described in a lease produce oil or natural gas or helium and associated gases in commercial quantities, or produce oil sands products or oil shale products from an active EOR project, the holder of the lease shall produce and work the wells on those lands:

- (a) in accordance with these regulations; and
- (b) to the satisfaction of the minister.

Offset obligation

9-15(1) In this section and in section 9-16, “**non-Crown mineral lands**” means lands in which the Crown holds less than a 50% interest.

(2) If the lands covered by a lease adjoin lands that are non-Crown mineral lands and the adjoining lands contain a vertical well or any portion of the horizontal section of a horizontal well producing oil or natural gas or helium and associated gases from a zone or formation to which the lease applies, the holder of the lease, within one year after receiving notification of an offset obligation from the minister, shall comply with one of the following:

- (a) commence drilling a well on the location designated by the minister to a depth sufficient to test that producing zone or formation and, if the well is capable of commercial production in the opinion of the minister, shall ensure that the well enters into production and continues to report production in a manner satisfactory to the minister;
- (b) in the case of a lease with rights for petroleum, natural gas or petroleum and natural gas, pay to the Crown a compensatory royalty in accordance with section 9-16;
- (c) surrender to the Crown the drainage unit on which the well is required pursuant to clause (a), including all the zones or formations or stratigraphic units covered by the lease except any zone or formation with respect to which oil or natural gas or helium and associated gases are being produced by the holder of the lease to the satisfaction of the minister.

(3) For the purposes of subsection (2), a location designated by the minister may be:

- (a) in the case of spacing areas of one-quarter, one, four or 16 legal subdivisions, as described in the SaskGrid legal subdivision feature layer, a lateral location on the lands covered by the lease; or
- (b) in the case of spacing areas of one-half, two or eight legal subdivisions, as described in the SaskGrid legal subdivision feature layer, a diagonal location on the lands covered by the lease.

(4) Notwithstanding subsection (2), if the holder of the lease mentioned in subsection (2) submits an application for relief from an offset obligation that is supported by maps, reports and other pertinent information satisfactory to the minister, the minister may cancel that offset obligation.

Calculation of compensatory royalty

9-16(1) Subject to subsection (2), for the purposes of clause 9-15(2)(b), the compensatory royalty is equal to the amount of the royalty that would have been payable pursuant to *The Crown Oil and Gas Royalty Regulations, 2012* if:

(a) either:

(i) in the case of a vertical well creating the offset obligation, the oil or natural gas produced from the vertical well had actually been produced from a vertical well on the location designated by the minister; or

(ii) in the case of a horizontal well creating the offset obligation, the percentage A, calculated in accordance with the following formula, of oil or natural gas produced from the horizontal well had actually been produced from a vertical well on the

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$$\frac{\text{FUNCTION}}{\text{LENGTH}} \times L$$

signed by the minister:

where:

L is the length of the portion of the horizontal well that:

- (i) is located within the drainage unit creating the offset obligation; and
- (ii) is, in the opinion of the minister, capable of producing oil or natural gas; and

T is the portion of the total length of the horizontal well that is, in the opinion of the minister, capable of producing oil or natural gas; and

(b) Parts III and V of *The Crown Oil and Gas Royalty Regulations, 2012* did not exist; and

(c) the wellhead value of the oil or natural gas is the fair value determined by the minister.

(2) The compensatory royalty calculated pursuant to subsection (1) is to be prorated in accordance with the following formula:

$$\text{FCR} = \text{CR} (100\% - \text{CI})$$

where:

FCR is the compensatory royalty payable pursuant to clause 9-15(2)(b);

CR is the compensatory royalty calculated pursuant to subsection (1);

CI is the percentage interest of the Crown in the adjoining lands that are non-Crown mineral lands.

(3) The royalty payable to the Crown is to be based on the well generating the greatest revenue among any wells that create an offset obligation pursuant to subsection 9-15(2).

(4) Notwithstanding clause 9-15(2)(b), the minister may exempt any holder of a lease from the payment of a compensatory royalty if the holder of the lease satisfies the minister that the holder is prevented from drilling the well at the location designated pursuant to clause 9-15(2)(a) for reasons beyond the control of the holder of the lease for:

- (a) a period equivalent to the length of the delay; or
- (b) any longer period that the minister may determine.

Surrender of all or part of a lease

9-17(1) Subject to section 9-14, a holder of a lease may surrender all or any part of the lands covered by the holder's lease during the term of the lease if:

- (a) the surrendered portions conform to legally described parcels of land in the SaskGrid system and include all the rights in the lease at the time of surrender; and
- (b) any retained portion of the lease is not less than a legal subdivision as described in the SaskGrid legal subdivision feature layer.

(2) If a holder of a lease surrenders the lease, no refund of rent is to be made to the holder.

(3) Notwithstanding subsection (1), the minister has the unqualified right to refuse to grant an application to surrender.

Designation of natural gas areas

9-18(1) A holder of a lease may apply to the minister to have an area designated as a natural gas area if the holder:

- (a) submits evidence satisfactory to the minister to establish that the holder has made a discovery of natural gas in the area; and
- (b) delimits the area mentioned in clause (a) by drilling wells that are adequately spaced to the satisfaction of the minister within the confines of the lease.

(2) An application pursuant to subsection (1) must be received by the minister not less than one month before the lease expires.

(3) The minister may designate an area as a natural gas area for a period of one year beyond the expiry date of the lease if the minister is satisfied that:

- (a) the wells drilled pursuant to clause (1)(b) by the holder of the lease sufficiently delimit the area for which designation is sought; and

- (b) further development and production of natural gas from the area:

- (i) is not warranted because of any or all of the following:

(A) economic considerations;

(B) lack of accessible transportation for natural gas or an adequate market for natural gas;

(C) environmental considerations; or

(ii) is not consistent with good oil and natural gas conservation practices.

(4) Notwithstanding any other provision of these regulations, if an area has been designated as a natural gas area pursuant to subsection (3), the holder of the lease is relieved from the development and production requirements of the lease set out in clause 9-5(4)(b) with respect to the natural gas area.

DIVISION 2 Heavy Oil and EOR

Designation of heavy oil area

9-19(1) In this Division, notwithstanding that the minister has determined that two or more EOR projects are to be treated as one EOR project for the purposes of *The Crown Oil and Gas Royalty Regulations, 2012*, each of the EOR projects is to be considered a separate project for the purposes of these regulations.

(2) For the purposes of this Division, the minister may, on application by the holder of a lease, designate as a heavy oil area an area:

(a) that contains one or more oil, oil sands or oil shale deposits that:

(i) in the opinion of the minister, are not economically recoverable through primary recovery methods; and

(ii) are defined:

(A) by wells spaced at a frequency of not less than one well per surveyed section; or

(B) by other means that, in the opinion of the minister, are adequate;

(b) that is, in the opinion of the minister, suited to the application of enhanced recovery methods;

(c) that contains not less than one quarter-section or 64.75 hectares, more or less, and not more than 36 surveyed sections or 9 324 hectares, more or less, of Crown lands, unless the minister approves otherwise;

(d) that is wholly contained within a square measuring 16.1 kilometres by 16.1 kilometres, more or less; and

(e) in which the ownership is common for each of the leases.

(3) The minister may, from time to time, amend the boundaries of a designated heavy oil area.

Power to grant or refuse continuances

9-20(1) Notwithstanding any other provision of these regulations, the minister may, on the application of a holder of a lease, grant a continuance of a lease in accordance with this Division.

(2) Any holder of a lease who intends to obtain a continuance of the lease must apply in the registry to the minister.

(3) The holder of the lease mentioned in subsection (2) shall submit with the application a work plan that sets out in detail the holder's plans to carry out one or more of the activities mentioned in subsection 9-22(3).

(4) The minister may refuse to grant a continuance of a lease for any reason that the minister considers sufficient, including any failure of the holder of the lease to comply with the Act, these regulations or the terms or conditions of the lease.

(5) If a term or condition of a lease continued pursuant to sections 9-19 to 9-25 is inconsistent with a provision of those sections, that provision supersedes the term or condition of the lease.

Continuance before designation

9-21(1) If a holder of a lease who needs additional time to define an area and apply for designation of the area pursuant to subsection 9-19(2) submits an application not less than one month before the end of the primary term of the lease, the minister may grant a continuance of the lease:

(a) for a period of one year, commencing on the day immediately following the last day of the primary term; and

(b) at an annual rent of the greater of:

(i) \$7 per hectare of the lands to which the continuance applies per year; and

(ii) \$50 per year.

(2) If a holder of a lease who is granted a continuance of a lease pursuant to subsection (1) submits an application not less than one month before the end of the year of continuance, the minister may grant a continuance of the lease:

(a) for a period of one additional year, commencing on the day immediately following the last day of the year of continuance; and

(b) at an annual rent of the greater of:

(i) \$10.50 per hectare of the lands to which the continuance applies per year; and

(ii) \$50 per year.

Continuance after designation

9-22(1) The minister may grant a continuance of a lease if:

- (a) a heavy oil area has been designated on the leased Crown lands; and
- (b) the holder of the lease submits an application not less than one month before the expiry of the lease.

(2) A continuance granted pursuant to subsection (1) is:

- (a) with respect only to the leased Crown lands included in the designated heavy oil area mentioned in subsection (1);
- (b) for a period of five years, commencing on the day immediately following the last day of the previous term of the lease; and
- (c) at an annual rent of the greater of:
 - (i) \$5 per hectare of the lands to which the continuance applies per year; or
 - (ii) \$50 per year.

(3) A holder of a lease who is granted a continuance pursuant to subsection (1) shall expend not less than \$25 per hectare of the lands to which the continuance applies per year during the period of the continuance on:

- (a) reservoir studies;
- (b) combustion tube studies;
- (c) injectivity tests;
- (d) a pilot EOR project related to a specific oil, oil sands or oil shale deposit;
- (e) any other activity approved for the purposes of this section; or
- (f) any combination of the studies, tests, projects and activities described in clauses (a) to (e).

(4) An expenditure for drilling to further define an oil, oil sands or oil shale deposit does not qualify as an expenditure pursuant to subsection (3).

(5) A holder of a lease who is granted a continuance pursuant to subsection (1) shall, not later than two months after each anniversary date of the lease, file with the administrator expenditure statements containing any information that the minister may require.

(6) If, in any year of a continuance granted pursuant to subsection (1), the holder of the lease has expended more than the amount set out in subsection (3), the minister may permit the holder to carry forward any expenditures in excess of that amount to be applied against the expenditure requirements for subsequent years of the period of the continuance.

(7) On the application of the holder of a lease made within the period mentioned in subsection (5), the minister may permit the holder to make a payment, within the time specified by the minister, to maintain the lease in good standing if, in any year of a continuance granted pursuant to subsection (1):

- (a) the holder has expended less than the amount set out in subsection (3); and
- (b) there are not sufficient expenditures carried forward from previous years pursuant to subsection (6) to satisfy the expenditure requirement for that year.

(8) The amount of the payment required pursuant to subsection (7) is equal to the difference between:

- (a) the amount set out in subsection (3) for the year in question; and
- (b) the sum of:
 - (i) the amount of actual expenditures made pursuant to subsection (3) for the year in question; and
 - (ii) the amount of expenditures carried forward from previous years pursuant to subsection (6) that have not been applied against the expenditure requirements of other years.

(9) On the holder of the lease submitting evidence satisfactory to the minister of the amount of expenditures pursuant to subsection (3) made by the holder in the year following the year in which the deficiency of expenditures mentioned in subsection (7) occurred:

- (a) if the amount of expenditures evidenced is equal to or greater than the sum of the following, the minister shall refund to the holder the entire amount of a payment made by the holder pursuant to subsection (7):
 - (i) the required expenditures pursuant to subsection (3) for the year following the year in which the deficiency occurred;
 - (ii) the amount of the payment made pursuant to subsection (7); or
- (b) if the amount of expenditures evidenced is less than the sum determined pursuant to clause (a), the minister shall refund to the holder the portion of the payment made by the holder pursuant to subsection (6) that is equal to the difference between:
 - (i) the amount of expenditures evidenced; and
 - (ii) the amount required pursuant to subsection (3) for the year following the year in which the deficiency occurred.

(10) If a portion of a payment made pursuant to subsection (7) is refunded pursuant to subsection (9), the balance of the payment is forfeited to the Crown.

(11) If no expenditures are made by the holder of the lease pursuant to subsection (3) in the year following the year in which the deficiency of expenditures occurred, the entire payment made pursuant to subsection (7) is forfeited to the Crown.

(12) In any year of a continuance granted pursuant to subsection (1), the lease terminates at the end of that year of continuance with respect to that portion of the designated heavy oil area, in hectares rounded off to the nearest quarter-section, that bears the same proportional relationship to the total of the leased Crown lands as the deficiency in expenditures for the year bears to the expenditure requirement for that year if:

- (a) the holder of the lease has expended less than the amount described in subsection (3);
- (b) expenditures carried forward from previous years pursuant to subsection (6) are not sufficient to satisfy the expenditure requirement for that year; and
- (c) the holder of the lease has not made a payment pursuant to subsection (7).

(13) If a lease terminates pursuant to subsection (12):

- (a) the holder of the lease may, within two months after the expiry of the time for filing expenditure statements, designate the portion of the designated heavy oil area with respect to which the lease terminates; and
- (b) if the holder of the lease fails to designate a portion of the leased Crown lands within the period set out in clause (a), the minister shall designate the portion of the designated heavy oil area with respect to which the lease terminates.

Continuance - no EOR project in operation

9-23(1) The minister may grant a continuance of a lease if:

- (a) a continuance was granted pursuant to subsection 9-22(1);
- (b) no EOR project is in operation in the designated heavy oil area at the end of the period of the continuance; and
- (c) the holder of the lease submits an application not less than one month before the end of the period of the continuance.

(2) A continuance granted pursuant to subsection (1) is:

- (a) with respect only to the leased Crown lands included in the designated heavy oil area mentioned in subsection (1);
- (b) for a further period of five years, commencing on the day following the last day of the previous continuance; and
- (c) at an annual rent of the greater of:

- (i) \$7 per hectare of the lands to which the continuance applies per year; and
- (ii) \$50 per year.

(3) A holder of a lease who is granted a continuance pursuant to subsection (1) shall expend not less than \$50 per hectare of the lands to which the continuance applies per year during the period of

the continuance on any of the studies, tests, projects and activities mentioned in clauses 9-22(3)(a) to (f).

(4) No person shall claim as an expenditure pursuant to this section an expenditure claimed pursuant to section 9-22.

(5) Subsections 9-22(4) to (12) apply, with any necessary modification, to holders of leases and continuances granted pursuant to subsection (1).

(6) At the expiry of a continuance granted pursuant to subsection (1), no further continuance is to be granted except in accordance with section 9-24 or 9-25.

Continuance - EOR project in operation

9-24(1) A lease the primary term of which has expired or a lease continuance granted pursuant to this Division may be continued if, on the expiry of the primary term of that lease or of the period of any continuance of that lease:

(a) the minister has approved an EOR project on leased Crown lands included in the designated heavy oil area; and

(b) operations are being carried out on those lands pursuant to that project.

(2) A continuance continued pursuant to subsection (1) is:

(a) with respect only to the leased Crown lands included in the designated heavy oil area mentioned in clause (1)(a);

(b) for a period of two years, commencing on the day following the last day of the primary term or previous continuance, as the case may be, and, after the expiry of that period, for as long as EOR oil is produced from the EOR project; and

(c) at the rent provided for in section 9-9.

(3) Subject to subsections (4) and (5), if a lease is continued pursuant to subsection (1), the minister may, with respect to leased Crown lands included in designated heavy oil areas other than the one in which the EOR project is located, grant a continuance of a lease in which an owner of a working interest in the EOR project holds an interest recorded on the lease kept by the ministry that, in the opinion of the minister, is a sufficient interest if those designated heavy oil areas:

(a) contain oil, oil sands or oil shale deposits with characteristics similar to those of the deposits in the designated heavy oil area in which the EOR project is located; and

(b) are wholly contained within a square measuring 16.1 kilometres by 16.1 kilometres unless the minister approves otherwise.

(4) The minister shall not grant a continuance pursuant to subsection (3) with respect to any part of the designated heavy oil area in excess of the area equal to the product of:

(a) the holder of the lease's percentage interest in the EOR project; and

(b) either:

(i) 9 324; or

(ii) if the rights are for oil sands or oil shale, 18 648.

(5) The minister shall not grant a continuance pursuant to this section with respect to any area of leased Crown lands in excess of the number of surveyed sections equal to:

(a) the greater of:

(i) the number of wells on Crown lands in the EOR project; and

(ii) the number obtained by dividing the investment on Crown lands in the EOR project as evidenced in a manner satisfactory to the minister by \$250,000, rounded to the nearest quarter-section; or

(b) any other area that the holder satisfies the minister is appropriate for the purposes of these regulations and that is not contrary to the public interest.

Continuance - EOR project suspended

9-25(1) The minister may grant a continuance of a lease granted pursuant to this Division if, after the expiry of the primary term of the lease or of the period of any continuance of the lease, operations pursuant to an EOR project located in a designated heavy oil area are suspended for reasons that, in the opinion of the minister, are:

(a) beyond the control of the holder of the lease; and

(b) sufficient to justify the suspension of the project.

(2) A continuance granted pursuant to subsection (1) is:

(a) with respect only to the leased Crown lands included in the designated heavy oil area mentioned in subsection (1);

(b) for a period specified by the minister that does not exceed five years from the day on which EOR oil was last produced from the project or from any other day specified by the minister; and

(c) at an annual rent of the greater of:

(i) \$5 per hectare of the lands to which the continuance applies per year; and

(ii) \$50 per year.

(3) A holder of a lease who is granted a continuance of a lease pursuant to subsection (1) shall maintain the equipment of the EOR project in an operable state to the satisfaction of the minister.

(4) If a holder of a lease fails to maintain the equipment of an EOR project in accordance with subsection (3), the minister may, after giving the holder written notice of the minister's intention

and an opportunity to be heard, rescind the designation of the designated heavy oil area in which the EOR project is located.

DIVISION 3
Helium and Associated Gases Royalties

Helium and associated gases royalties

9-26(1) In this section:

“allowable transportation expenses” means:

- (a) transportation expenses actually incurred by the royalty payer in transporting helium and associated gases to the delivery point specified in an arm’s-length agreement for sale of the helium and associated gases; and
- (b) any other reasonable transportation expenses that are approved as allowable transportation expenses;

“month of production” means the calendar month in which the helium and associated gases are allocated to Crown lands and produced from a well;

“pre-authorized debit” means a withdrawal from a royalty payer’s account at a financial institution that is initiated by the minister on the authority of the royalty payer pursuant to subsection (11);

“SRC” means the Saskatchewan Resource Credit, which equals:

- (a) with respect to helium and associated gases produced before April 1, 2013, 1%; and
- (b) with respect to helium and associated gases produced on or after April 1, 2013, 0.75%.

(2) Subject to subsection (3), the wellhead price of helium and associated gases is the amount by which the price of that helium and any associated gases, expressed in dollars per thousand cubic metres, received by a royalty payer pursuant to the first arm’s-length agreement for the sale of helium and associated gases exceeds allowable transportation expenses, expressed in dollars per thousand cubic metres, with respect to that helium and any associated gases.

(3) The wellhead price of helium and associated gases is the fair price determined by the minister if:

- (a) the minister is satisfied that there is no arm’s-length agreement for the sale of the helium and associated gases or that no arm’s-length transaction has occurred;
- (b) the minister is satisfied that there was an arm’s-length agreement for the sale of the helium and associated gases but that the royalty payer did not receive the price set out in the agreement;
- (c) there is a consideration for the sale of helium and associated gases in addition to or instead of the price specified in an arm’s-length agreement; or

(d) the minister is satisfied that one of the purposes of a transaction evidenced by an agreement for sale of the helium and associated gases is to reduce, unduly or artificially, the liability of a royalty payer to pay royalty on the production of helium and associated gases.

(4) Before determining a fair price pursuant to subsection (3), the minister shall consider the following:

(a) the arm's-length prices received by the royalty payer for the sale of similar quality gases in similar markets;

(b) the arm's-length prices received by other royalty payers for the sale of similar quality gases in similar markets;

(c) the arm's-length prices received by the royalty payer for sales of similar quality gases in other markets;

(d) any other price information provided by the royalty payer that the minister considers appropriate in the circumstances.

(5) If the minister determines a fair price pursuant to subsection (3), the minister shall provide notice of the price to the royalty payer.

(6) For the purposes of this Division:

(a) related persons or partnerships, as determined in accordance with the *Income Tax Act* (Canada), are deemed not to deal with each other at arm's length; and

(b) it is a question of fact whether persons or partnerships not related to each other, as determined in accordance with the *Income Tax Act* (Canada), were at a particular time dealing with each other at arm's length.

(7) The royalty excepted and reserved and the payments to be made with respect to helium and associated gases that are produced from or allocated to any Crown lands on or after January 1, 1994 must be determined for each well, for each calendar month, by:

(a) determining the Crown royalty share of helium and associated gases produced from a well for the calendar month by applying a rate equal to the amount by which 5% exceeds the SRC to the total production in the calendar month of helium and associated gases allocated to Crown lands and produced from the well;

(b) determining each royalty payer's share of the Crown royalty share, as determined pursuant to clause (a), of the helium and associated gases allocated to Crown lands and produced from the well for the calendar month by applying the royalty payer's proportionate share to the Crown royalty share; and

(c) calculating the payment required to be made by each royalty payer for the calendar month with respect to helium and associated gases allocated to Crown lands and produced from the well for the calendar month by applying the royalty payer's wellhead price for the calendar month, as determined pursuant to subsections (2) and (3), to the royalty payer's share of the Crown royalty share as determined pursuant to clause (b).

- (8) For each calendar month, the minister shall:
- (a) determine the royalties required by these regulations in accordance with subsection (7); and
 - (b) provide to every royalty payer an invoice that sets out the royalties mentioned in clause (a) applicable to that royalty payer.
- (9) The royalties required by these regulations must be paid:
- (a) subject to clause (b), by one of the following methods:
 - (i) pre-authorized debit;
 - (ii) electronic transfer of funds; or
 - (b) in the case of any exceptional circumstances that, in the opinion of the minister, prevent payment by one of the methods mentioned in clause (a), by any other method acceptable to the minister.
- (10) The royalties required by these regulations must be paid:
- (a) on or before the 15th day of the second calendar month following the month of production; or
 - (b) if the day mentioned in clause (a) is not a business day, on or before the last business day before the 15th day of the second calendar month following the month of production.
- (11) Every royalty payer who pays by pre-authorized debit pursuant to subclause (9)(a)(i) or by electronic transfer of funds pursuant to subclause (9)(a)(ii) shall provide the minister with the information required to enable payment by the applicable method.
- (12) For the purposes of these regulations, a remittance of royalty is deemed to have been received by the minister on the date shown in the ministry's records.

PART X Acquiring Mineral Dispositions

Sale of petroleum and natural gas, oil sands or oil shale rights

- 10-1(1)** On the application of an interested person or partnership in the manner required by the minister or on the minister's own initiative, the minister may advertise for sale any mineral disposition with respect to petroleum and natural gas, oil sands or oil shale that may be granted pursuant to these regulations.
- (2) The maximum area that may be the subject of any application for a lease pursuant to subsection (1) is four surveyed sections or 1 036 hectares, more or less, of Crown land.
- (3) The minister reserves the unqualified right to refuse any application made pursuant to this section.

- (4) No land is to be advertised for rights with respect to petroleum, natural gas or petroleum and natural gas pursuant to a permit to be issued pursuant to Part VI if the land is:
- (a) within 40 kilometres of any well that is cased for petroleum and natural gas production purposes at the time of the advertisement; or
 - (b) the subject of a disposition for oil sands or oil shale rights.
- (5) No land is to be advertised for rights with respect to oil shale or oil sands pursuant to a permit to be issued pursuant to Part VI if the land is within 10 kilometres of any active oil shale or oil sands mining operation or EOR project at the time of the advertisement.
- (6) An advertisement for the purposes of subsection (1) must contain the following:
- (a) the date of the sale;
 - (b) the date and time after which the minister will not receive bids;
 - (c) the pertinent terms and conditions under which the bids may be made;
 - (d) a list of the petroleum, natural gas, petroleum and natural gas, oil sands or oil shale rights available for disposition at the sale;
 - (e) any other information that the minister considers relevant.
- (7) Bids submitted to the registry must be in accordance with the terms and conditions mentioned in clause (6)(c).
- (8) The minister reserves the unqualified right to refuse any or all bids and the unqualified right to refuse to issue a mineral disposition to any or all persons or partnerships submitting bids.
- (9) The rights set out in subsection (8) are terms or conditions under which all bids are made.
- (10) If there are any activities on Crown lands that, in the opinion of the minister, may be adversely affected by the development of rights above or below these activities in those Crown lands, the minister shall withdraw those rights from mineral disposition.
- (11) The identity of applicants and bidders is confidential and is not to be made available to the public.

Disposition of interest without advertisement

- 10-2(1)** Notwithstanding section 10-1, the minister may, without advertising, lease interests in oil or natural gas, oil and natural gas, oil sands, oil shale or helium and associated gases rights:
- (a) in any area of less than 16 hectares that is required to complete a drainage unit;
 - (b) to the holder of a lease issued by the Crown in right of Canada before the transfer of the leased Crown mineral lands to the Crown in right of Saskatchewan, in accordance with subsection (2);

(c) to the holder of a lease respecting acquired oil and natural gas rights who applies to convert that lease to a Crown lease pursuant to subsection 23(11) of the Act, in accordance with subsection (3);

(d) to the holder of a lease whose lease includes the rights to only petroleum or only natural gas and if the excluded substance is owned by the Crown and is not the subject of an intervening right, in accordance with subsection (4);

(e) to the holder of an old shale lease issued pursuant to The Oil Shale Regulations, 1964 who applies to convert that lease to a new oil shale lease, in accordance with subsection (5); or

(f) to the holder of a lease whose lease includes the rights to helium and associated gases or oil and natural gas, or oil or natural gas, as the case may be, and is capable of producing commercial quantities of both helium and associated gases and oil and natural gas or oil or natural gas, in the opinion of the minister, simultaneously from the same zone, in accordance with subsection (6).

(2) The minister may issue a lease pursuant to clause (1)(a) if the applicant:

(a) submits an application for a lease that demonstrates to the satisfaction of the minister that the applicant requires the lease to complete a drainage unit;

(b) submits an application fee and bonus bid in accordance with subsections 10-1(8) and (11); and

(c) meets any other reasonable requirements determined by the minister.

(3) The minister may issue a lease pursuant to clause (1)(b) if the holder of the lease:

(a) submits an application for a lease that demonstrates to the satisfaction of the minister that the holder has complied with the terms and conditions of the lease issued by the Crown in right of Canada;

(b) surrenders the lease issued by the Crown in right of Canada; and

(c) meets any other reasonable requirements determined by the minister.

(4) The minister may issue a lease pursuant to clause (1)(c) if the holder of the lease:

(a) submits an application for a lease that:

(i) describes the acquired oil and natural gas rights to be converted to a lease;

(ii) includes a copy of the mineral titles for the acquired oil and natural gas rights that are the subject of the lease demonstrating that the mineral titles are free and clear of all registered interests pertaining to that lease; and

(iii) demonstrates to the satisfaction of the minister that the lease of acquired oil and natural gas rights is still in effect and that the holder has complied with the terms and conditions of the lease;

- (b) surrenders the lease of acquired oil and natural gas; and
 - (c) meets any other reasonable requirements determined by the minister.
- (5) The minister may issue or amend a lease pursuant to clause (1)(d) if the holder of the lease:
 - (a) submits an application for a lease that surrenders or requests an amendment of the lease that includes any rights specific to only petroleum or only natural gas in exchange for a lease that includes both petroleum and natural gas rights for all zones;
 - (b) submits an application fee and bonus bid in accordance with subsections 10-1(8) and (11); and
 - (c) meets any other reasonable requirements determined by the minister.
- (6) The minister may issue a new oil shale lease pursuant to clause (1)(e) if the holder of the old oil shale lease:
 - (a) submits an application for a new oil shale lease that surrenders the old oil shale lease; and
 - (b) meets any other reasonable requirements determined by the minister.
- (7) The minister may issue a lease pursuant to clause (1)(f) if the holder of the lease:
 - (a) submits an application for a lease that includes any rights specific to either helium and associated gases or oil and natural gas, as the case may be;
 - (b) submits an application fee and bonus bid in accordance with subsections 10-1(8) and (11);
 - (c) meets any other reasonable requirements determined by the minister.
- (8) No bids or offers are required for the issuance of a lease pursuant to clause (1)(b), (c) or (e).
- (9) A lease issued pursuant to this section:
 - (a) must be in the form of a standard Crown lease;
 - (b) must include any additional terms and conditions that the minister considers appropriate; and
 - (c) is subject to Part IX.

PART XI General

SaskGrid system to be used

11-1 The SaskGrid system, with any necessary modification, is to be used to determine the boundaries of mineral disposition parcels.

Deemed areas

11-2(1) In this section, “**agreement**” means any agreement governed by these regulations.

(2) Notwithstanding any Act or law or provision in an agreement to the contrary, in an agreement a surveyed section, quarter-section and legal subdivision, as described in the SaskGrid legal subdivision feature layer, of land are deemed to contain 259.000 hectares, 64.750 hectares and 16.188 hectares respectively, unless the minister directs otherwise in a particular case.

No lease or assignment for royalty payer in default

11-3 No royalty payer who owes to the Crown any royalty with respect to a lease of petroleum, natural gas, petroleum and natural gas, oil sands or oil shale, or helium and associated gases rights is entitled, until the royalty payer has paid all of that royalty:

- (a) to acquire any further lease from the Crown or acquire any further lease by assignment;
or
- (b) to assign all or any of the royalty payer’s leases.

Royalties payable for oil sands and oil shale products and minerals from brine

11-4(1) The holder of an exploration licence or a lease, as the case may be, shall pay royalties on:

- (a) all oil sands products and oil shale products that are recovered when processing oil shale or oil sands; and
- (b) all minerals that are recovered in association with the production of oil and natural gas, including minerals that are recovered from brine.

(2) The amount of the royalty payable is to be determined in accordance with *The Crown Oil and Gas Royalty Regulations, 2012* or *The Crown Mineral Royalty Regulations*, as the case may be.

Pooling and royalties payable

11-5(1) The holder of an exploration licence or a lease, as the case may be, may pool the licensed or leased area or part of the licensed or leased area with other mineral disposition lands to complete a drainage unit.

(2) If the licensed or leased area or part of the licensed or leased area is pooled in accordance with subsection (1):

- (a) the minister shall calculate the quantity of production from the mineral disposition lands in the pooled drainage unit to be allocated to the mineral disposition area on the basis of the ratio that the surface area of the mineral disposition area included in the pooled drainage unit bears to the total surface area of the mineral disposition lands in the pooled drainage unit;
and
- (b) the holder of the exploration licence or the lease shall pay the royalties excepted and reserved in the exploration licence or the lease based on the allocation in clause (a).

Disposition of undisposed rights by permit, exploration licence or lease

11-6 Notwithstanding anything in these regulations, undisposed rights with respect to Crown oil or gas, helium and associated gases, oil sands, oil shale or spaces may be disposed of pursuant to these regulations by permit, exploration licence or lease whether the rights with respect to Crown oil or gas, helium and associated gases, oil sands, oil shale or spaces in the mineral disposition lands above or below the mineral disposition lands containing the undisposed Crown rights are disposed of or not.

Compliance with Acts and regulations required

11-7 No holder of a mineral disposition shall fail to comply with:

- (a) the Act and the regulations made pursuant to the Act;
- (b) *The Oil and Gas Conservation Act* and the regulations made pursuant to that Act; and
- (c) any other Act or regulation that applies to the holder's operation, plant, works, business or undertaking.

Good practices required

11-8 No holder of a mineral disposition shall:

- (a) interfere with:
 - (i) other oil and natural gas, helium and associated gases, oil sands, oil shale operations or any storage, injection or disposal operations; or
 - (ii) any other development operations including mining operations; or
- (b) in any manner cause damage to public or private property, inconvenience or nuisance.

Accurate records required

11-9 No holder of a mineral disposition shall fail:

- (a) to keep accurate and detailed records, books and accounts of the holder's operations and of the expenditures made in connection with those operations; or
- (b) when requested to do so by the administrator, to provide to the administrator true copies of the records, books and accounts verified by affidavit within the period specified by the administrator.

Examination of records

11-10(1) Every holder of a mineral disposition shall make available to the minister during normal business hours at the address of the holder, or at any other place identified by the holder as a place where the records are kept, records related to:

- (a) any samples of mineral or other substances encountered during the operations carried out pursuant to the terms of a permit, exploration licence, lease or other mineral disposition;
- (b) the quantity and place of origin of the oil and natural gas, helium and associated gases, oil sands or oil shale produced, used, saved and marketed from the lands covered by the permit, exploration licence or lease; and
- (c) any work reported in accordance with these regulations, including expenditures related to the work.

(2) No information obtained pursuant to subsection (1) with respect to old oil shale leases shall be made available to the public without the consent of the holder of the lease.

Minister's discretion

11-11 Unless a corporation or partnership satisfies the minister that it is properly registered pursuant to a relevant Act to carry on business in Saskatchewan, the minister may refuse to:

- (a) issue a permit, exploration licence, lease or any other mineral disposition to the corporation or partnership; or
- (b) consent to or register the assignment or transfer of a permit, exploration licence, lease or other mineral disposition to the corporation or partnership.

Persons or partnerships ineligible as disposition owner

11-12(1) The administrator may approve a transfer of an inactive or insolvent corporation's interest in a mineral disposition, in a manner determined by the administrator, to redistribute that interest among the remaining holders if:

- (a) the status of the corporation on the Saskatchewan Corporate Registry, or any other corporate registry as determined by the administrator, has changed from "Active" to "Inactive", "Struck", "Dissolved" or "Cancelled"; and
- (b) an application has been made for transfer of the corporation's interest.

(2) On receipt of the application for transfer pursuant to clause (1)(b), the administrator shall:

- (a) provide two months' written notice to the inactive or insolvent corporation in accordance with section 11-14; and
- (b) require the inactive or insolvent corporation to rectify or begin to rectify the corporation's status on the corporate registry.

(3) If the inactive or insolvent corporation mentioned in subsection (2) does not comply with this section within two months of receiving notice pursuant to this section, the administrator may redistribute the interest of the inactive or insolvent corporation.

Change of name

11-13(1) To ensure timely service in the registry, a holder of a mineral disposition whose name is changed shall:

- (a) give written notice immediately of the change of name to the minister; and
- (b) provide the minister immediately with evidence of the change of name in a form satisfactory to the minister.

(2) If a holder of a mineral disposition that is a corporation amalgamates with another corporation, the holder shall:

- (a) give written notice immediately of the amalgamation to the minister; and
- (b) provide the minister immediately with a certified copy of the certificate of amendment or certificate of amalgamation that:
 - (i) is issued to the holder pursuant to the statute that governs the corporation; and
 - (ii) is in a form satisfactory to the minister.

Service of notices or documents

11-14(1) Any notice or other document required by these regulations to be served may be served on a holder of a mineral disposition or on a secured party by sending a copy of the notice or document by registered mail addressed:

- (a) in the case of a holder, to the address for service supplied to Petrinex; and
- (b) in the case of a secured party, to the address for service set out in the security notice.

(2) A notice or other document served by registered mail is conclusively deemed to have been received on the seventh day following the day of its mailing.

Certified copies of search reports

11-15 For the purposes of section 27.55 of the Act, the minister may certify a copy of a search report requested pursuant to section 2-3 by:

- (a) affixing the minister's seal to the printout;
- (b) signing the printout; and
- (c) affixing to the printout the date on which it was prepared.

Right of entry not authorized

11-16 No permit, exploration licence, lease or other mineral disposition to which these regulations apply authorizes the holder to enter on or use the surface of the lands described in the permit, exploration licence, lease or other mineral disposition.

PART XII
Repeal, Transitional and Coming into Force

Sask. Reg. 559/64 repealed

12-1 The Helium and Associated Gases Regulations, 1964, being Saskatchewan Regulations 559/64, are repealed.

R.R.S. c-50.2 Reg 7 repealed

12-2 *The Lease of Spaces Regulations* are repealed.

Sask. Reg. 555/64 repealed

12-3 The Oil Shale Regulations, 1964, being Saskatchewan Regulations 555/64, are repealed.

Sask. Reg. 8/69 repealed

12-4 “The Petroleum and Natural Gas Regulations, 1969”, being Saskatchewan Regulations 8/69, are repealed.

Mineral dispositions continued

12-5(1) A permit issued pursuant to “The Petroleum and Natural Gas Regulations, 1969” or The Helium and Associated Gases Regulations, 1964 that was valid on the day before the coming into force of this section is a legacy disposition pursuant to clause 27.3(i) of the Act.

(2) An exploration licence issued pursuant to “The Petroleum and Natural Gas Regulations, 1969” that was valid on the day before the coming into force of this section is a legacy disposition pursuant to clause 27.3(i) of the Act.

(3) A lease issued pursuant to “The Petroleum and Natural Gas Regulations, 1969”, The Helium and Associated Gases Regulations, 1964, The Oil Shale Regulations, 1964 or *The Lease of Spaces Regulations* that was valid on the day before the coming into force of this section is a legacy disposition pursuant to clause 27.3(i) of the Act.

Applications received before implementation date

12-6(1) In this section, “**the former regulations**” means “The Petroleum and Natural Gas Regulations, 1969”, The Helium and Associated Gases Regulations, 1964 or *The Lease of Spaces Regulations*.

(2) The minister shall evaluate any application for a mineral disposition received pursuant to the former regulations but not processed before the implementation date in accordance with the requirements of the former regulations.

(3) Notwithstanding the repeal of the former regulations, the former regulations remain in force for the purposes of evaluating applications for a mineral disposition described in subsection (2) and issuing the mineral disposition.

(4) A mineral disposition issued in accordance with subsection (2) may be registered as a legacy disposition.

Coming into force

12-7(1) Subject to subsection (2), these regulations come into force on November 19, 2015.

(2) If these regulations are filed with the Registrar of Regulations after November 19, 2015, these regulations come into force on the day on which they are filed with the Registrar of Regulations.

Appendix

PART I Fees

<u>Provision</u>	<u>Description</u>	<u>Amount (\$)</u>
6-13 8-10(c) 9-3(1)(c) 10-2(1)(a), (d) and (f)	Application for lease	28
8-2(1)(c)	Application for exploration licence	250
4-1	Registration of a document covering rights, lands or interests if change of holder occurs, per Crown disposition	55
4-1	Registration of partial assignment of interest, including issuing new Crown disposition covering assigned part and amending original Crown disposition	55
4-1	Division of a Crown disposition by issue of new Crown disposition and amending original Crown disposition	28
4-1	Amending Crown disposition on withdrawal of part of land or surrender of rights covered by the Crown disposition	11
4-1	Registration of a security notice or other agreement if no change in registered holder results, per Crown disposition	22
	Amendment, per Crown disposition	11
	Discharge	No charge
7-7(1)(a) 8-11(6)	Grouping Crown dispositions, per Crown disposition that is grouped	17
2-3	Preparing certified copy of Crown disposition	11
2-3	Preparing duplicate copy of original legacy Crown disposition	28
2-3	Preparing a copy of any instrument registered, except Crown dispositions, per page (unless otherwise authorized by the minister)	1
2-3	Preparing Schedules, plans, maps, etc. Oil and natural gas, oil sands or oil shale dispositions	11.00
	Helium and associated gases and legacy oil shale dispositions	\$2 per hour; \$1 minimum
2-3	Search of a Crown disposition (excluding electronic search)	11

	In person	2
	With land description, per schedule	
2-3	Historical abstract of Crown disposition	11
9-6(1) 2-2(3)(e)	Special case requiring Order in Council	55
6-7 8-5 9-5	Renewal or extension of any Crown disposition	28
4-7	Discharge of assignment pursuant to the <i>Bank Act</i> (Canada), per Crown disposition	55
2-2	Registration of a court order pursuant to section 2-2, per Crown disposition	55
2-2	Registration of Notice of sublease	11
	Any other service for which a fee is not specifically provided in this schedule	11
2-2	Change of name, per document (helium and associated gases and legacy oil shale dispositions only)	39

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PART II

Evidence of Permit Expenditures

Activity	Supporting Document Requirements
Airborne geophysical survey	<p>(a) full operational data, including types and specifications of instruments used, type of aircraft, ground and altitude control used and terrain clearance;</p> <p>(b) position of all flight lines indicating direction of flight shown on a map;</p> <p>(c) presentation of data in either profile or contour form or any other form best suited to determine its significance;</p> <p>(d) a map including, if appropriate, indications of all anomalous instrument readings with a key to the symbols used; and</p> <p>(e) a complete digital listing, as received by the holder from the contractor, unless a different format or additional data or metadata are requested by the minister.</p>
Drilling and logging	<p>For wells drilled that are not subject to <i>The Oil and Gas Conservation Act</i> and <i>The Oil and Gas Conservation Regulations, 2012</i>:</p> <p>(a) maps showing the location of drill holes and collars;</p> <p>(b) information respecting the type of drilling and hole or core size;</p> <p>(c) the collar locations;</p> <p>(d) information respecting total depth, bearing and dip of the drill holes and any down hole surveys;</p> <p>(e) information respecting location of core storage;</p> <p>(f) complete geological drill logs and the name of the person who logged the core or samples;</p> <p>(g) assays or analyses clearly identified as to hole or core intervals, and if no assays or analyses are provided, the reason for their absence;</p> <p>(h) complete geophysical logs if run, identified as to type of equipment used; and</p> <p>(i) any other type of technical information obtained from core, cuttings or logging and copies of sections.</p>
Geochemical survey	<p>(a) a detailed description of field sampling and analytical techniques;</p> <p>(b) relevant analytical values plotted at the sample locations on a map and contoured or presented in some other manner best suited to determine their significance;</p> <p>(c) sample locations with corresponding sample identification numbers shown on a map; and</p> <p>(d) a complete listing of final corrected topographic coordinates and associated attributes in digital form with metadata and other information as requested by the minister.</p>

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Activity	Supporting Document Requirements
Geophysical ground survey	<p>(a) full operational data including the type of instruments used, spacing of readings and ground control used;</p> <p>(b) a map showing the value of each instrument reading, whether anomalous or not, plotted at the location of the corresponding observation point;</p> <p>(c) a complete listing of final corrected topographic coordinates of shot-hole locations and associated attributes (eg. shot-hole lithology) in a manner acceptable to the minister; and</p> <p>(d) a presentation of data in profile or contour or any other form best suited to determine its significance.</p> <p style="padding-left: 40px;">(i) contour maps on the most dependable and continuous reflecting horizon above, at and below the top of the Palaeozoic must be submitted if information at such levels is available.</p>
Prospecting	<p>(a) a map of the area prospected showing locations of all traverses made and the locations at which samples were taken;</p> <p>(b) a description of specialized equipment employed and the nature and level of any instrument readings taken; and</p> <p>(c) a detailed description of observations made with respect to overburden, bedrock and mineralization, results obtained for all samples assayed or analysed, and conclusions arrived at.</p>
Trenching and stripping	<p>(a) maps showing locations of trenched or stripped areas, the dimensions of trenches or stripped areas and the locations from which any samples were taken;</p> <p>(b) a geological description of the exposed rock; and</p> <p>(c) assays or analyses clearly identified with sample locations within the trenched or stripped area.</p>