



September 29, 2008

To: All Saskatchewan Oil and Gas Operators

Re: **Measurement and Reporting of Natural Gas Production from Oil Wells**

An internal review of information submitted to the Ministry of Energy and Resources (ER) by Saskatchewan oil and gas operators related to monthly production and disposition reports has revealed a considerable number of oil wells and batteries for which gas production has not been reported. ER would like to remind all operators of certain provisions of *The Oil and Gas Conservation Regulations, 1985* regarding the measurement and reporting of natural gas production from oil wells.

- Subsection 99(1) "If a well is producing oil or gas the operator of the well shall measure the production of oil, gas and water from the well in a manner satisfactory to the minister."
- Subsection 100(1) "All gas produced is to be accurately measured with an approved gas meter unless the minister gives approval to dispense with the metering of gas."
- Subsection 100(11) "The minister may permit group meter measurement or, after examination, may exempt any well from metering the volume of gas produced therefrom, but only if a satisfactory estimate of the volume of gas so produced is supplied to the department in lieu of the meter measurement."
- Subsection 68(1) "Every well is to be tested monthly for the purpose of reporting monthly gas, oil and water production on approved forms, unless otherwise ordered by the minister."
- Subsections 101(1), 101(2), 101(3) and 101(4) require operators to submit complete and accurate monthly statements showing the production of oil, gas, water and any other substance produced or reproduced from a well or battery and the detailed particulars about the disposition, losses and consumption of production from a well and/or battery.

ER considers the failure to measure or report gas production from an oil well to be a reporting deficiency, and the operator involved not to be in compliance with the above referenced regulations. Further to this, the monthly production and disposition reports submitted to date for such wells and batteries are not "complete and accurate" as required in the regulations. As stipulated in Sections 108.7 and 108.8 of *The Oil and Gas Conservation Regulations, 1985*, operators may be subject to penalties for not filing complete and accurate statements of monthly production and disposition.

Operators are requested to review monthly production and disposition reports submitted for oil wells and batteries where gas production volumes were not reported. Where required, amended reports must be submitted to ER for each month beginning with the January 2008 production month. The submission of amended reports for production months prior to January 2008 is strongly encouraged if gas production volumes were not previously reported. In instances where gas volumes have not been continuously measured, the production volume must be estimated and reported based on the most recent gas test information available.

Monthly production information for oil wells and batteries is to be submitted on report form *ER-18 Production Report -Oil, Gas, Water*. Monthly losses, consumption and disposition information (including lease fuel, flared and vented volumes), for oil wells and batteries is to be submitted on report form *ER-61 Operator's Disposition Report*. Operators are reminded that this information may be required to be submitted via electronic medium as per ER's guidelines and policies governing mandatory electronic data submission. Copies of the above forms, reporting Instruction Directives, *Guidelines for Mandatory Electronic Data Submission* and the *Saskatchewan Electronic Data Submission Manual* are available on ER's website at www.er.gov.sk.ca/proddispforms.

Operators should be aware that, upon application and approval by ER, the frequency of testing gas production from producing oil wells may be reduced for wells that meet certain criteria. Further details are available on ER's website under the topic: *PNG Guideline 23 - Monthly Gas Measurement Exemption - Oil Wells*. In addition, *MRO 687/04, Spacing Area E*, sets out special provisions regarding the testing, measurement and reporting of gas production from heavy oil wells within a designated area.

For further information on the filing of production and disposition reports, please contact the Petroleum Statistics Branch at (306) 787-2607. Other inquiries may be directed to the Engineering Services Branch at (306) 787-2318.

Sincerely,



Trevor Dark
Assistant Deputy Minister