



Ministry of
Energy and
Resources

200, 2101 Scarth Street
Regina, Canada
S4P 2H9

NOTICE TO ALL OPERATORS

February 7, 2008

**TO: ALL SASKATCHEWAN WELL AND UPSTREAM FACILITY
LICENSEES**

RE: NOTICE OF REGULATORY AND OTHER OPERATIONAL CHANGES

On June 19, 2007 significant amendments to *The Oil and Gas Conservation Act* and *The Oil and Gas Conservation Regulations, 1985* were introduced. These changes were necessary, primarily to support the new *Orphan Fund Program* but also to modernize a number of regulatory standards. The purpose of this notice is to highlight some of the more pertinent regulatory changes that operators should be aware of as well as some policy and/or operational changes and changes in guidelines with respect to the submission of drill cutting samples. Reference should be made to the act and regulations where applicable for an accurate interpretation of each point below.

- **Well licence cancellation if well not drilled within 1 year. Liability may exist after cancellation.** Previously a well licence would be cancelled if not drilled within 90 days of the issue date. This has been changed to 1 year. Please note that there will be no notice to operators prior to cancellation of a licence and cancellation does not negate the site liability that may exist under the Orphan Fund Program.
- **Licences to construct and operate upstream oil and gas facilities are now required.** The facility licence application fee is \$500 per facility. A copy of the facility licence application and instruction directive are available on the Ministry's website.
- **All first-time applicants for a well or facility licence must submit a \$10,000 orphan fund fee.** A first-time applicant is a licensee who has not previously held a licence issued pursuant to *The Oil and Gas Conservation Regulations, 1985*. If the applicant is not approved to receive a licence, the fee will be returned upon the request of the applicant. The fee should be in the form of a cheque made payable to "The Minister of Finance – The Oil and Gas Orphan Fund" and should be included along with the licence application.

- **Prohibited drilling in proximity to right of ways.** Previously, drilling within 75 metres of any kind of right of way or building was prohibited unless written consent was provided from the owner of the property. The change in regulations now specifies that drilling within 75 metres of most above ground right of ways (railways, power/phone lines etc.) is prohibited. In proximity to the right of way of a roadway or underground utility, the minimum distance has been reduced to 40 metres. In proximity to occupied dwellings, public facilities and urban centres the minimum separation distance from drilling operations has been increased to 100 metres. In all of the above cases, the minimum distance must be maintained unless approved by the minister (the ministry still requests the applicable consent from the owner which should be included with the licence application).
- **Prohibited drilling in proximity water bodies.** Previously, carrying on drilling operations within water covered areas or within 75 metres of a shoreline was prohibited unless approved by the minister. The new regulation now specifies that no person shall carry on drilling operations within 100 metres of a water body unless approved by the minister (note that the term water body has replaced the term water covered area in the regulations). The definition of water body essentially includes any area where water is present or may be present intermittently or seasonally (includes dugouts). Therefore, where possible, measurement should be referenced to a high water mark, rather than the wetted perimeter. Please note that discretion is given depending upon the type of water body being considered (large permanent water body versus intermittently wetted depression).
- **Lease preparation prior to well licence application.** Note that a reduction in the setback distances listed above must be approved by the minister. In some circumstances, such an approval may not be granted but rather the Ministry will request that the proposed well site be relocated. Therefore, it is not advisable to begin lease preparation prior to the approval of the well licence application.
- **Release of drilling information and confidential status.** Previously if a well was drilled within a pool boundary to a depth of greater than 150 metres below the datum of the lower-most producing horizon in the pool, the well was granted a 1 year confidential period. The change in regulations now makes it necessary for the licensee to request the 1 year confidential period in such situations, via a letter attached to, and submitted with the well licence application. Otherwise a 30 day period will automatically be assigned at time of licensing.

- **Transfer of existing licence when re-entering an existing well.** A new licence application is normally required where a licensee wishes to re-enter an existing abandoned well-bore. However now, if the licensing company is not the current licensee of the existing well then a transfer of well licence and the required fee must be submitted before the ministry will issue the new re-entry licence. A condition will also be added to the new licence as follows: Licensee will assume all liability associated with the well and the site of the well under Licence # “original licence#” regardless of whether the liability was created by the licensee and regardless of whether or not the well is re-entered.
- **New guidelines for collection of drill cutting samples.**

1. Vertical Wells

Drill-cuttings samples shall be collected from

- a) The **first vertical well** on each section and
- b) **All subsequent wells** on that section that are **licensed with the following Lahee Classifications:** Outpost (03), New Pool Wildcat (04), New Field Wildcat (05), Deeper Pool Test (06), or Stratigraphic Test (07), with the exception of i) gas wells that TD above the top of the Viking and ii) wells drilled in the western portion of Area I (Tp. 38 to 70; Rge. 12W3 to Alberta border) that TD above the base of the Mannville; and
- c) **Any subsequent wells** on that section **licensed as Lahee Classifications Development (01), Development Service (02), or Re-entry to deepen,** for which the **TVD bottom hole depth is more than 50 m below the TVD bottom hole depth of the nearest vertical well,** with the exception of i) gas wells that TD above the top of the Viking and ii) wells drilled in the western portion of Area I (Tp. 38 to 70; Rge. 12W3 to Alberta border) that TD above the base of the Mannville.

Samples shall be collected at **five (5) metre** intervals, or closer if the wellsite geologist considers it necessary, **from the top of Second White Specks Formation to Total Depth.** This applies to all situations stated above and for all areas of the province.

2. Horizontal Wells

- a) In the **southwest** (Area III) and **southeast** (Area IV), samples shall be collected from **all horizontal wells drilled**. Samples shall be collected at **five (5) metre** intervals from the **kick-off point to Total Depth in all legs**.
- b) **In all other areas**, samples shall be collected from the **first horizontal well on each section**, based on the **bottom hole location** of the well. Samples shall be collected at **five (5) metre** intervals from **the kick-off point to Total Depth in all legs**.
- c) **Based on the surface location of each well**, if there is **no previous vertical well in the section**, samples shall be collected at **five (5) metre** intervals from the **top of the Second White Specks to kick-off point, and from kick-off point to TD in all legs drilled**.

- **Guidelines for labelling of drill cutting samples.**

The Oil and Gas Conservation Regulations, 1985 require that sample vials be labelled with the well name and licence number and the depth at which each sample was taken; and that sample trays be labelled with the well name and licence number and the intervals of depth over which the samples were taken.

To facilitate accurate cataloguing of drill-cuttings samples from horizontal wells, please also include the following information:

- On each sample vial – **Leg Number** and **Sidetrack Number** (if applicable).
- On each sample tray – Leg Number, Sidetrack Number (if applicable), and **Sample Interval** included in that tray. If samples from multiple horizontal sections (legs and/or sidetracks) are included in one sample tray, please give information for all sections. **Bottom Hole Location** for each leg will also be helpful.
- A labelled sketch diagram showing the paths of the various legs and sidetracks will also be most useful. Comments explaining circumstances such as a collapsed hole or re-entry will assist staff at the Subsurface Lab to efficiently catalogue samples which are submitted before all pertinent information has been submitted to SIR and entered into the SIR database.

PLEASE NOTE:

- A well drilled as a **stratigraphic test** has a unique licence number independent of a subsequently drilled horizontal well. **DO NOT** include samples from a stratigraphic test in the same tray as samples from the horizontal well.
- Please include name, phone number and email address of the person to contact if there are any questions about the samples.

- If submitted samples do not comply with *The Oil and Gas Conservation Regulations, 1985*, Section 83 (2) (a) and (2) (b) as outlined above, companies will be billed for costs incurred in processing the samples to required standards.

Questions regarding submission of cores and drill-cuttings samples should be directed to Kim Desjarlais, Warehouse Manager, Subsurface Geological Laboratory, (306) 787-2622. Requests for waivers to these regulations and guidelines should be sent in writing to Chris Gilboy, Director, Petroleum Geology Branch, by email cgilboy@ir.gov.sk.ca or FAX (306)-787-4608.

For all other inquiries related to this letter please contact Mr. Brad Wagner, Manager of Licensing and Environmental Liability Protection at (306) 787-2348 or Mr. Todd Han, Assistant Director at (306) 787-2221.

Yours truly,

J. A. Brian Mathieson
Director

Attachment

cc: Todd Han, Petroleum Development, Energy and Resources
Brad Wagner, Petroleum Development, Energy and Resources