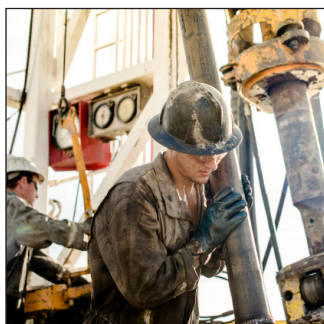


# Ministry of Energy and Resources



## Oil and Gas Regulatory Cost Recovery Levy Annual Report for 2017-18

## 1.0 Introduction

Efficient and effective regulation is the foundation of responsible resource development. In Saskatchewan, the Ministry of Energy and Resources (ER), Ministry of Environment (ENV) and the Ministry of Agriculture (AG) share responsibility for regulating the oil and gas industry.

In 2014, the Government of Saskatchewan introduced the Oil and Gas Regulatory Cost Recovery Levy (Well Levy changed to Administrative Levy in 2017) to ensure that Saskatchewan's regulatory system meets public expectations and provides service standards that align with modern industry needs.

The Administrative Levy recovers 90 per cent of regulatory costs and follows the same principles as the funding models used in Alberta and British Columbia. Billed annually, the levy replaces 10 individual licensing or application fees and eliminates 20,000 transactions. This is a significant reduction in administrative burden for industry and government.

When introducing the levy, the Government of Saskatchewan made a commitment to improve transparency on the levy administration and regulatory performance indicators through the publication of an annual report.

This report has two main sections: an overview of administrative levy finances; and a review of service levels for the various regulatory services that are delivered.

## 2.0 Regulatory Highlights and Accomplishments for 2017-18

- ⇒ Revised *Directive PNG008: Disposal and Injection Well Requirements* to provide greater clarity on disposal and injection well requirements in general. The update also reflected changes on current and upcoming practices in the Integrated Resource Information System (IRIS).
- ⇒ Revised *Directive PNG010: Well Logging Requirements* to provide greater clarity on logging requirements in general and especially on stratigraphic wells. The update also provided exemption on logging of shallow water source wells therefore saving industry the time to apply for a waiver.
- ⇒ Revised *Directive PNG014: Incident Reporting Requirements* in conjunction with revisions to ENV's Discharge and Discovery Reporting Standard. These changes were made to support a single window approach for industry notification of upstream oil and gas incidents. The single window approach replaces the previous obligation for industry to notify both ER and ENV's Spill Control Center.
- ⇒ Revised *Directive PNG017: Measurement Requirements for Oil and Gas Operations*, to include the addition of British Columbia's measurement requirements, the proving requirements for oil meters, provided clarity for Section 4, and added additional analysis requirements.
- ⇒ Revised *Directive PNG032: Volumetric, Valuation and Infrastructure Reporting in Petrinex* (formerly Directive R01) to include more information in the Oil Valuation Section to provide information concerning allowable and non-allowable transportation expenses. This update also included all information that had been listed in *The Oil and Gas Conservation Regulations, 2012* related to data that must be submitted.
- ⇒ Revised *Directive PNG075: Enhanced Valuation Audit Program* to clarify requirements and streamline the review of necessary information.
- ⇒ Revised *Guideline PNG042: Measurement, Accounting and Reporting Plan (MARPs)* for Thermal Heavy Oil Recovery Project.
- ⇒ Revised *Guideline PR-IC09: Well-Head Value of Crude Oil For Royalty/Tax Purposes* for allowable and non-allowable Clean Oil Transportation Charges. These updates were based on the finding in the 2013-2014 audit of the transportation charges.
- ⇒ Worked on the development of a new directive for site specific liability assessment for contaminated sites and an accompanying directive for environmental site assessment.
- ⇒ Completed the development of a more informative and transparent Licensee Liability Rating (LLR) Directive, which resulted in new webpages for the Orphan Fund Procurement Program and the LLR program to make information easily accessible to our clients.
- ⇒ Created new unit application IRIS functionality that allows industry and the ministry to collaborate on unit applications prior to approval. Applicants are now also able to add documents to the application upon request from ER in the form of an IRIS notification without having to resubmit the entire application with each change.
- ⇒ Increased monitoring on reservoir production practices specifically in regard to Gas Oil Ratio (GOR) and oil overproduction. This included quarterly review of well completions to ensure safe and equitable production practices.
- ⇒ Developed a new prototype licence transfer model (PRT) to better protect the orphan fund.
- ⇒ Completed a lean review of the security deposit process, which led to improved flow and accuracy of information as well as increased consistency for industry.
- ⇒ Streamlined the overall support service processes to provide effective and efficient change management, service support, regulatory postings, etc. to all the core programs within the Petroleum and Natural Gas (PNG) Division.
- ⇒ Implemented a number of changes to decrease the number of non-routine well licence applications, increasing the number of routine applications from approximately 34 per cent to 50 per cent. The changes result in a significantly improved response rate for industry; decreasing the expected service standard from 14 days to same day approval for these applications.

### 3.0 Administrative Levy Calculation

ER assesses an annual Administrative Levy against all licensees of wells and pipelines in accordance with provisions outlined in *The Oil and Gas Conservation Regulations, 2012*.

The amount of the annual payment is tied to the number of wells in the various well classes (these are based on the volume of oil and gas produced from the well) and the length in kilometers for various classes of pipelines in operation in the previous calendar year. For example, the Administrative Levy calculated and invoiced for the 2017-18 fiscal period was based on the performance of wells and the length of pipelines operating during the 2016 calendar year.

An annual adjustment factor established by an Order-in-Council adjusts each year's payment to account for changes in the revenue requirements of the Government of Saskatchewan for the provision of regulatory services. Administrative Levy invoices are typically issued in the second fiscal quarter of the year, after approval of the provincial budget.

Each well and pipeline is charged a base fee multiplied by an adjustment factor. The adjustment factor is set annually to ensure that 90 per cent of forecast regulatory expenses are recovered. The provincial budget for regulatory services affects the Administrative Levy rates, as do changes in the number of wells, volume of production and pipeline lengths.

The following table summarizes the calculation of the base Administrative Levy revenues for each of the well levy classes and pipeline classes as well as the calculation of the adjustment factor that is applied to the base amounts for invoicing purposes for the 2017-18 fiscal period. As previously noted, these are based on the performance of wells and the length of pipelines operating during the 2016 calendar year.

### Annual Adjustment Factor Calculation, 2017-18

Class	Production (cubic meters/year)	Base Rate by Class:	Well Licences	Base Revenues
1	Service wells	\$100	5,105	\$510,500
2	0.1 to 300.0	\$100	28,608	\$2,860,800
3	300.1 to 600.0	\$125	7,804	\$975,500
4	600.1 to 1,200.0	\$312	6,602	\$2,059,824
5	1,200.1 to 2,000.0	\$750	3,237	\$2,427,750
6	2,000.1 to 4,000.0	\$1,250	2,188	\$2,735,000
7	4,000.1 to 6,000.0	\$1,625	5,487	\$888,875
8	6,000.1 and above	\$1,875	442	\$828,750
9	Wells other than abandoned	\$25	32,319	\$807,975
<b>TOTAL</b>			<b>86,852</b>	<b>\$14,094,974 A</b>

Pipeline Class	Status of Pipeline Segment	Base Rate by Class per kilometer:	Length (kms)	Base Revenues
1	Flowlines	N/A	N/A	N/A
2	Operating	\$40	22,633.99	\$905,360
3	Discontinued	\$20	998.78	\$19,976
<b>TOTAL</b>			<b>23,633</b>	<b>\$925,336 B</b>

**TOTAL BASE AMOUNT (C=A+B):** **\$15,020,310 C**

**2017-18 Regulatory Budget<sup>1</sup>:** \$25,230,100

**Industry Share  
(90%)<sup>2</sup>:** **\$22,707,100 D**

**Annual Adjustment Factor (E=D/C):** **1.511760 E**

<sup>1</sup>The 2017-18 Regulatory Budget is the proposed budget at the time that the Annual Adjustment Factor was calculated and may have been amended later.

<sup>2</sup>Due to rounding and the minimum charge for pipelines, the total amount invoiced to industry may be slightly different than the "Industry Share (90%)" amount shown above.

## 4.0 Financial Reporting

ADMINISTRATIVE WELL LEVY REVENUE AND REGULATORY COSTS (\$000s)	2017-18 Budget	2017-18 Actual
<b>ADMINISTRATIVE LEVY INVOICED</b>		22,705
<b>LESS: REGULATORY COSTS INCURRED (90%)</b>		22,666
<b>VARIANCE</b>		39
<b>2016-17 VARIANCE CARRY FORWARD</b>		2,228
<b>2017-18 VARIANCE CARRY FORWARD</b>		2,267
<b>COSTS DETAIL</b>		
1 PNG Executive	1,930	2,143
2 Field Services	3,893	4,105
3 Liability Management	1,182	1,083
4 Resource Management	1,993	1,764
5 Information Management	2,158	2,018
6 Client Support	1,172	1,137
7 Pipeline Regulation Enhancement Program	428	524
8 Surface Rights Arbitration Board	172	218
9 Information Technology and Database Costs	6,773	6,711
10 Central Overhead and Costs	3,629	3,705
<b>TOTAL MINISTRY OF ENERGY AND RESOURCES</b>	<b>23,330</b>	<b>23,408</b>
<b>OTHER MINISTRIES:</b>		
11 Agriculture	600	800
12 Environment	1,300	976
<b>TOTAL COSTS: ALL MINISTRIES</b>	<b>25,230</b>	<b>23,184</b>
<b>WELL LEVY 90%</b>	<b>22,707</b>	<b>22,666</b>

REF.	DESCRIPTION
1	<p>PNG Executive (Includes Regulatory Affairs Unit)</p> <ul style="list-style-type: none"> <li>⇒ Costs for Petrinex<sup>3</sup> services that provide fast, standardized, safe and accurate management/exchange of key volumetric, royalty and commercial information associated with the upstream petroleum sector;</li> <li>⇒ Annual budget planning and reporting process;</li> <li>⇒ Regulatory/legislative process modernization and enhancement and directives and guideline content development and management;</li> <li>⇒ Development of processes and tools to assist in risk assessment practice, consistency in business activities and in addressing emerging issues;</li> <li>⇒ Administrative Levy reporting and accountability;</li> <li>⇒ Interjurisdictional coordination, engagement and monitoring; and</li> <li>⇒ Facilitating red tape/program reviews.</li> </ul>
2	<p>Field Services</p> <ul style="list-style-type: none"> <li>⇒ Policy and program development related to the safe, environmentally sound operation of wells, facilities and pipelines;</li> <li>⇒ Monitoring and inspecting wells, facilities and pipelines, including enforcement actions as required;</li> <li>⇒ Responding to and providing oversight for activities related to incidents involving wells, facilities and pipelines and ensuring reclamation activities are undertaken for such incidents.</li> <li>⇒ Providing on-the-ground support to landowners and operators related to the development, operation and abandonment of wells, facilities and pipelines;</li> <li>⇒ Working with provincial and municipal agencies to address issues related to oil and gas development on private and public lands; and</li> <li>⇒ Responding to public complaints and inquiries.</li> </ul>
3	<p>Liability Management</p> <ul style="list-style-type: none"> <li>⇒ Reclamation standards, procedures and practices;</li> <li>⇒ Licensee Liability Rating (LLR) administration;</li> <li>⇒ Well and facility reclamation (AOR);</li> <li>⇒ Orphan well fund administration and procurement;</li> <li>⇒ Liability and reclamation compliance;</li> <li>⇒ Care and custody of "at risk" sites;</li> <li>⇒ Management of severely contaminated sites; and</li> <li>⇒ Well and facility transfer approvals.</li> </ul>

<sup>3</sup>In 2017-18 Petrinex costs were included in the PNG Executive budget. Moving forward these will be included in 'Information Technology and Database Costs.'

REF.	DESCRIPTION
4	<p>Resource Management</p> <ul style="list-style-type: none"> <li>⇒ Developing policies, programs and standards related to the production of oil and gas resources including the prevention of wasteful operations;</li> <li>⇒ Reservoir management practices and standards;</li> <li>⇒ Oil and natural gas reserve determination;</li> <li>⇒ Regulation of associated mineral rights (potash, coal);</li> <li>⇒ Approving all horizontal and off-target wells, enhanced oil recovery/waterflood projects and injections and disposal projects, including establishing any special conditions related to their operation;</li> <li>⇒ Establishing spacing areas, pools and units for oil and gas production;</li> <li>⇒ Green House Gas Emissions Management;</li> <li>⇒ Gas conservation programs;</li> <li>⇒ Setting and monitoring well production allowables;</li> <li>⇒ Flaring, venting and air emissions - air quality;</li> <li>⇒ Establish allocation for well completions; and</li> <li>⇒ Waiver of logging and testing requirements.</li> </ul>
5	<p>Information Management</p> <ul style="list-style-type: none"> <li>⇒ Well, facility and seismic information collection, monitoring and validation, publication;</li> <li>⇒ Drilling core and cuttings collection, storage and administration;</li> <li>⇒ Measurement standards, audits and compliance;</li> <li>⇒ Data submission standards, procedures and compliance requirements (geological well data, volumetrics, valuation);</li> <li>⇒ Submission penalty assessment and waivers;</li> <li>⇒ Seismic licensing, permitting and plan recording; and</li> <li>⇒ Licensing, sale and distribution of electronic data.</li> </ul>
6	<p>Client Support</p> <ul style="list-style-type: none"> <li>⇒ IRIS/PETRINEX Information system development, enhancement and change management;</li> <li>⇒ Operating the PNG service desk for the full suite of licensing and reporting activities of the Division;</li> <li>⇒ Managing the content of the Saskatchewan.ca web site related to the Division's programs and services;</li> <li>⇒ Operating the single-window service delivery model with ER and AG;</li> <li>⇒ Issuing licence approvals through the IRIS system, including coordinating approvals by the various business units and other agencies; and</li> <li>⇒ Well licence application audits.</li> </ul>
7	<p>Pipeline Regulation Enhancement Program</p> <ul style="list-style-type: none"> <li>⇒ Creating efficiencies for government and industry by integrating pipeline licensing and reporting and any new pipeline regulatory programs or requirements into IRIS;</li> <li>⇒ Developing a publicly managed repository of ESRI GIS based pipeline information consistent with Saskatchewan Enterprise Geographic Information System (eGIS) standards to support industry and to ensure the regulator can appropriately assess and manage pipeline risk;</li> <li>⇒ Retroactively licensing approximately 80,000 flowlines (well to battery gathering lines) and any remaining licence exempt pipelines;</li> <li>⇒ Creating monitoring and auditing programs for pipeline operations; and</li> <li>⇒ Addressing liability requirements for decommissioned or abandoned pipelines or in the event of major incidents.</li> </ul>

REF.	DESCRIPTION
8	<p>Surface Rights Arbitration Board</p> <ul style="list-style-type: none"> <li>⇒ Arbitration board, governed by <i>The Surface Rights Acquisition and Compensation Act</i>, is used as a last resort when a landowner or occupant and an oil/gas or potash operator are unable to reach an agreement.</li> </ul>
9	<p>Information Technology and Database Costs</p> <ul style="list-style-type: none"> <li>⇒ Operating costs of IRIS, including IT costs for the support and maintenance of IRIS to enable the licensees and regulators to audit and measure the respective performance activities; and</li> <li>⇒ Amortization costs of capitalized IRIS IT projects and the operating costs of the legacy systems replaced by IRIS that are in the process of being phased out.</li> </ul>
10	<p>Central Overhead and Costs</p> <ul style="list-style-type: none"> <li>⇒ Allocation of central accommodation, IT and benefit costs attributable to oil levy activities;</li> <li>⇒ Accommodation costs for the Subsurface Geological Laboratory where core samples are gathered in accordance with regulations are located; and</li> <li>⇒ Amortization costs of capitalized Subsurface Geological Laboratory assets and capitalized Fields Services branch field assets.</li> </ul>
11	<p>Agriculture</p> <ul style="list-style-type: none"> <li>⇒ Salary, expenses, mileage, for two land agrologists located in Swift Current and North Battleford for site inspections, review of new project proposals, abandonment inspections, lease spills, seed mix reviews and approvals; and</li> <li>⇒ Salary and operating costs for one regional manager, one agreement coordinator to prepare leases and address industry inquiries, and Regina staff involved in policy development, rate review, billing, collections and accounting associated with 6,667 active leases.</li> </ul>
12	<p>Environment</p> <ul style="list-style-type: none"> <li>⇒ Salaries and operating costs for ecological protection specialists from the Landscape Stewardship branch responsible for review and approval of oil/gas industry proposals;</li> <li>⇒ Time spent by support staff within the branch on the oil/gas program; salaries and operating costs for the manager in the branch who is responsible for the program;</li> <li>⇒ Time for registry staff from the Corporate Services Branch responsible for producing and completing all land dispositions associated with industry;</li> <li>⇒ Oil/gas industry related time for staff at the ENV's Conservation Data Centre, which provides rare and endangered species information to industry for use in planning exploration and development; and</li> <li>⇒ Time allocated to the regional wildlife and fisheries biologist to associate with industry, and issues/proposals for Environmental Assessment Branch staff.</li> </ul>

## 5.0 Staff Development

In order to maintain and improve the level of regulatory service provided to industry, ER recognizes the importance of continuous training and development for ER staff. In 2017-18, over \$140,000 was dedicated to the learning needs of staff within the PNG Division. Training included, but was not limited to, ArcGIS mapping, Coaching and Effective Leadership, Business Analysis, *Directive 17: Measurement Requirements for Oil and Gas Operations*, Blow Out Prevention Training, Facility and Pipeline Construction Inspection and Integrity, H2S and First Aid/CPR.

## 6.0 Regulatory Services

The following subsections provide details with respect to regulatory services provided to industry and the service levels achieved compared to any established service level targets.

### 6.1 Applications

a. Review Confidential Period

A total of three applications were processed during 2017-18 with an average turnaround time of 2.5 business days.

	2017-18	
	Total	Turnaround Time (Business Days)
<i>Application to Review Confidentiality Period</i>	3	2.5

b. Licence Applications and Transfers

During 2017-18, a total of 3,508 licence applications and 309 facility licence applications were processed. There were 427 well and facility licence transfer applications that were processed involving the approval of 14,375 wells and facilities. Approval times for the 2,321 non-routine well licence applications that were processed in 2017-18 was 11.8 days, well within the documented service standard target of 14 days. This metric includes the cumulative time required by AG, ENV and ER to approve non-routine well licence applications through the single window well licence application process in IRIS. ER hopes to gradually improve business processes related to non-routine well licence applications over the coming years to improve further on this standard.

In March of 2018, a number of changes were introduced to decrease the number of non-routine well licence applications, increasing the number of routine applications. An application is considered routine when all regulatory requirements are satisfied through self-declaration and can be authorized prior to ER review.

With implementation in late March, no data was available to quantify the change. However, when the new guidelines were applied to 2017-18 information, it was estimated that the 600 well licence applications that were processed as non-routine would have been considered routine. With this change, the number of routine licence applications would have increased from approximately 34 per cent to 50 per cent.

The changes result in a significantly improved response rate for industry; decreasing the expected service standard from 14 days to same day approval for these applications.

The following table shows the number of licences processed in 2017-18.

<b>2017-18</b>		
	Total	Turnaround Time (Business Days)
<i>Facility Licence Application</i>	309	2.4
<i>Licence Transfer Application</i>	472	5.5

<b>2017-18</b>		
	Total	Turnaround Time (Business Days)
<i>Routine</i>	1,187	0.0
<i>Application for Well Licence</i> <i>Non-Routine</i>	2,321	11.8

c. **Production and Measurement**

From April 2017 to March 2018 ER processed 202 production and measurement related applications, an increase of 75 applications from the previous year, with a weighted average turnaround time of 20.7 business days. The following table shows the number of Production and Measurement related applications reviewed in 2017-18.

<b>2017-18</b>		Turnaround Time (Business Days)
	Total	Turnaround Time (Business Days)
<i>Application for S10 Economic Evaluation</i>	48	39.6
<i>Concurrent Production Application</i>	22	22.6
<i>Good Production Practice (GPP) Application</i>	52	17.1
<i>Maximum Permissible Rate (MPR) Application</i>	71	6.8
<i>Measurement Exemption Application</i>	9	45.8
<i>Special Production Flare Test Application</i>	0	

d. Reservoir

From April 2017 to March 2018, ER processed 1,218 reservoir related industry applications, with a weighted average turnaround time of 9.9 business days. The following table shows the number of reservoir related industry applications processed in 2017-18.

	2017-18	
	Total	Turnaround Time (Business Days)
<i>Additional Wellbore Application</i>	23	2.3
<i>Commingling Application</i>	204	17.7
<i>Enhanced Oil Recovery (EOR) Application</i>	78	30.3
<i>Project Commencement Application</i>	17	7.2
<i>Reclassification Application</i>	226	4.2
<i>Recompletion</i>	368	1.8
<i>Spacing Modification Application</i>	158	15.6
<i>Waterflood Application</i>	132	13.0
<i>Well Test</i>	12	7.7

e. Repair, Abandonment and Liability

From April 2017 to March 2018, ER reviewed 2,336 repair, abandonment and liability-related industry applications with a weighted average turnaround time of 7.1 business days. The following table shows the number of reservoir related industry applications processed in 2017-18.

	2017-18	
	Total	Turnaround Time (Business Days)
<i>Acknowledgment of Reclamation Application</i>	563	10.8
<i>Application of Non-Routine Abandonment</i>	1,104	2.1
<i>Application For Well Repair</i>	217	1.7
<i>Full Exemption from Reclamation</i>	280	21.0
<i>Grandfathered Approval (AOR)</i>	69	9.8
<i>Partial Exemption from Reclamation</i>	103	12.8

f. Storage

Six storage project applications were processed during 2017-18 with an average turnaround time of 45.4 days. One of those projects included the approval of a pair of deep wells, as part of a Geothermal Energy Project - Canada's first Geothermal Power Demonstration Plant, to develop Zero-Emissions Energy Sources.

	2017-18	
	Total	Turnaround Time (Business Days)
<i>Storage Project Application</i>	6	45.4

g. Units and Forced Pooling

From April 2017 to March 2018, ER processed 10 units and forced pooling related applications, an increase of 8 applications from the previous year, with a weighted average turnaround time of 79.7 business days. The following table shows the number of unit and forced pooling related applications reviewed in 2017-18.

	2017-18
	Turnaround Time (Business Days)
<i>Forced Pooling Application</i>	116.6
<i>New Unit Application</i>	78.25
<i>Unit Amendment Application</i>	47.0

h. Pipelines

	2017-18	
	Total	Turnaround Time (Business Days)
<i>Transfers</i>	60	27.8
<i>Leave to Open</i>	269	57.7
<i>Amendments</i>	360	154.3
<i>Approvals</i>	184	113.7

Note: The 44 per cent increase in total applications for 2017-18 were a result of the self-declaration operation audits which affected the turnaround time from the previous year.

## 6.2 Field Operations

### a. Well, Facility and Pipeline Inspections

During 2017-18, ER conducted a total of 21,139 inspections related to wells, facilities, incidents, rigs and pipelines. The inspections were either regular inspections or in response to a complaint and involved the review of the following items:

- ⇒ Well Identification/Signage
- ⇒ Measurement Equipment
- ⇒ Berm Construction and Maintenance
- ⇒ Surface Casing Vent Installation
- ⇒ Surface Casing Venting
- ⇒ Production Casing Venting
- ⇒ Engine Exhaust Location
- ⇒ Tank Location and Spacing Requirements
- ⇒ Chemical Containment
- ⇒ Spill Clean-up
- ⇒ Weed Control
- ⇒ Housekeeping
- ⇒ Lease Under Water
- ⇒ Equipment Storage
- ⇒ Filling and Leveling of Excavations
- ⇒ H2S Odours – Both on and off Lease
- ⇒ Sour Gas Management System
- ⇒ Other Odours
- ⇒ Residence Setback
- ⇒ Flare Combustion

From those inspections, non-compliance issues were identified and notifications were sent to industry. Note, in many inspections more than one non-compliance issue was identified. Most notifications provide a 30-day time frame for industry to return to compliance for each issue. The exception is when public safety is an issue, then immediate shut down takes place until compliance is achieved.

<b>Inspection BID</b>	<b>2017-18</b>
<i>Facility Inspection</i>	155
<i>Incident Inspection</i>	477
<i>Measurement Inspection - Gas Facility</i>	1
<i>Measurement Inspection - Oil Facility</i>	6
<i>Measurement Inspection - Well</i>	4
<i>Rig Inspection</i>	25
<i>Well Inspection</i>	20,471
<b>Total</b>	<b>21,139</b>

b. Incidents

In 2017-18, the Saskatchewan upstream oil and gas industry reported a total 545 spill incidents to ER. To help oil and gas companies educate and train their spill-response personnel, ER officials participate regularly in spill exercise and spill-response unit meetings.

**Incident BID 2017-18**

H2S	0
Natural Gas	61
Oil	138
Other	156
Refined Product or Chemical	13
Water	177
<b>Total</b>	<b>545</b>

In 2017-18, ER revised *Directive PNG014: Incident Reporting Requirements* in conjunction with revisions to ENV's Discharge and Discovery Reporting Standard. These changes were made to support a single window approach for industry notification of upstream oil and gas incidents. The single window approach replaces the previous obligation for industry to notify both ER and the ENV's Spill Control Center. The directive changes inform industry of new reporting requirements for immediate incident notification. The implementation of these changes results in the ER Emergency Support Line (1-844-764-3367) being the sole initial contact for incident reporting of upstream oil and gas incidents. Incidents reported to ER that require the involvement of ENV will receive notification by ER staff.

### 6.3 Care and Custody

ER had expenditures of \$9,114 during 2017-18 for the care and custody of pre-orphaned sites. These are sites that, at the time the work was required, were not officially deemed as orphaned, but the responsible company refused or was unable to meet its obligations. The work conducted under the care and custody program is typically emergent in nature.

This expenditure was similar in magnitude to expenditures for 2016-17 which were \$25,910. Expenditures under the Care and Custody Program can vary significantly from year to year depending on the number of sites requiring care and the work that is required at each site. As an example, expenditures in 2014-15 were \$432,123 which is the maximum annual expenditure for the program thus far.

Examples of the work conducted under this program are abandonment of wells with unsafe pressure conditions or leaks, removal of contaminated soil adjacent to surface water, removal of fluid from tanks and other receptacles, hauling and disposal of refined chemical barrels and mowing.

## 6.4 Pipeline Regulatory Enhancement Program (PREP)

In the March 2017 Budget, Saskatchewan announced the creation of the Pipeline Regulatory Enhancement Program (PREP), a multi-year initiative to strengthen pipeline regulation. PREP's purpose is to bring innovation and excellence to the regulation of oil and gas pipelines by identifying and addressing regulatory gaps or deficiencies through new and enhanced programs that meet or exceed leading Canadian and international standards. This will include new programs to monitor and assess the operational phase of pipelines, automating current manual pipeline licensing and approvals within ER's IRIS and licensing and fully regulating over 80,000 flowlines. Six other government ministries and agencies were engaged in this planning, providing a potential foundation for a unified, transparent on-line single window for industry to obtain government approvals.

Highlights from 2017-18

- ⇒ Established an intensive industry advisory process utilizing a Business Change Advisory Committee (split between Saskatchewan and Calgary), which met five times in each province in 2017-18. This forum included approximately 30-35 representatives from pipeline operators and two industry associations who provided comment and input on PREP's vision and implementation plans.
- ⇒ Planned the automation of currently manual pipeline application and approval processes (including the licensing of flowlines), which will move into IT build stages in 2018-19.

## 6.5 Other Regulatory Services

### a. Information Management

Information management services include the services required to collect, validate, and disseminate data to industry. For the most part, data collection is accomplished by using IT systems and business processes built in Petrinex and IRIS. These two information management systems are closely integrated and require continuous IT management to ensure efficient ongoing integration of data between the two systems. The performance of data collection systems is continuously monitored and improved upon through ongoing system enhancements. During 2017-18, 130 Petrinex and 201 IRIS change requests helped correct system errors and provide system enhancements aimed at continuous business process improvement.

During the monitoring of the data through the external procedures issues within the Petrinex system, were identified and changes were implemented to better aid operators in the reporting of information. The major changes that were made to Petrinex include:

- ⇒ Allow the reporting of FUEL, FLARE, VENT and EMIS after a well has been abandoned.
- ⇒ Elimination of the overlap of error generation between VME0025: Water Metering Difference is greater than 100 per cent and VME0026: water metering difference is greater than or equal to 10 per cent but less than 100 per cent
- ⇒ Resolution to the Cascading Merge addressed specific deficiencies in the functionality when volumes were split.

Validation efforts included auditing data submissions and developing reports and procedures aimed at monitoring industry reporting errors and inconsistencies in both Petrinex and IRIS and ensuring that non-compliance penalties are appropriately assessed to ensure the accuracy and integrity of all collected data.

- ⇒ 23,733 suspect facility data records were reviewed and followed-up on with industry to ensure accuracy of the data and that necessary amendments are submitted.
- ⇒ Well data audits related to 1,359 wells were performed during 2017-18 with a pass rate of 50.6 per cent. In addition, 11,872 work items and 2,819 review items were processed.
- ⇒ 2,917 well licence audits were performed.

Services related to dissemination of data include the development and operation of data extracts and reports used by industry and industry data vendors. A number of new reports and extracts were developed and implemented in IRIS or in Cognos, a Business Intelligence tool. In addition, ER's processed 309 one-time requests for data.

b. Client Support

ER provided regulatory support to industry in 2017-18 through the PNG Support Desk which handled 8,492 phone calls and emails.

c. Policy Development

Initiatives during 2017-18 included:

- ⇒ Numerous legislative changes were made including updates to *The Pipelines Act, 1998*, *The Oil and Gas Conservation Act*, *The Oil and Gas Conservation Regulations, 2012* and to various directives. While some changes were aimed at strengthening regulatory oversight, especially in the area of pipelines, the majority of changes were aimed at enabling the streamlining of processes as a result of IRIS and providing greater clarity to existing requirements. ER continues to move towards the greater use of directives and is repealing sections from the regulations now covered by those directives.
- ⇒ Through legislative changes the Administrative Levy was amended such that the levy now applies to licensees who operate pipelines, wells that are primarily inactive oil and gas wells (no well production, injection or disposal volumes during the base year) as well as potash production wells. The changes ensure that the regulatory cost burden is more evenly distributed across industry participants. As part of these changes fees associated with *The Seismic Exploration Regulations, 1999* were eliminated and are now accounted for in the levy.
- ⇒ Implementation of a more consistent and transparent process for industry consultation on legislative, regulatory and directives changes.

## **6.6 Ministry of Agriculture**

In 2017-18, AG issued 222 new surface leases including the review of project proposals, site inspections and field work. AG also completed 179 surface lease renewals, 152 surface lease abandonments, approximately 60 surface lease amendments, numerous seed mix approvals, four Saskatchewan Petroleum Industry/Government Environment Committee (SPIGEC) meetings, on lease spill inspections, and policy development regarding surface lease rate review.

## **6.7 Ministry of Environment**

In 2017-18, ENV processed 3,515 oil and gas project proposals. Site inspections were associated with a significant number of those projects, including pre and post construction inspections and inspections that were undertaken during construction. ENV currently administers in excess of 890 oil and gas dispositions on both Crown and Park land. Significant effort has been spent working with industry regarding new technology, new companies to Saskatchewan as well as numerous abandonment programs. ENV staff also undertook numerous meetings with proponents, and attended all SPIGEC meetings.