

Lease Continuance Review Guidelines

Ministry of Energy and Resources

Guideline

Effective: April 1, 2004

Revised: November 14, 2022

Governing Legislation:

Act: *The Crown Minerals Act*

Regulation: *The Oil and Gas Tenure Registry Regulations*
Section 9-5

This document addresses the lease continuance provisions of *The Crown Minerals Act* (the Act), *The Oil and Gas Tenure Registry Regulations* (the Regulations). The following guidelines are intended as an aid in the management of Crown leases whose primary term has expired. Crown leases subject to continuance review include:

- Petroleum and Natural Gas Leases
- Natural Gas Leases
- Net Royalty Leases
- Oil Shale Leases
- Oil Sands Leases
- Helium Leases

These guidelines are intended solely as a general reference to be used in conjunction with existing laws. Copies of the abovementioned Act and regulations can be downloaded in PDF format from the Queen’s Printer at www.qp.gov.sk.ca at no cost.

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Explanation of Continuance Reasons

While the Ministry of Energy and Resources (ER) is under no legal obligation to provide lessees with notices projecting lease continuance levels, it does so to provide lessees with the opportunity to review the projected lease status based on information available to ER to ensure that it is correct. **These reports are not meant to replace your existing lease administration system.**

The following are explanations for the various lease continuance reasons that may appear on the notices:

Drilling Operations (DO)

- The Drilling Operations (DO) continuance reason may appear on a prior notice, keeping in mind abandonment of the well prior to April 1 will eliminate drilling operations as a valid continuance reason.
- A **start drilling date (spud)** within 5-months (between November 1 and March 31 inclusive) of the expiration of a lease will continue the **entire lease** (all lands and all zones) for one year, **regardless of any subsequent production from the well**, with the following exceptions:
 - A well's Status Mode is **Abandoned, Abandoned Zone and Junked and Abandoned before** April 1 it will not continue the lease.
 - For lease continuance purposes, the well will be considered 'spud' as long as surface casing is set; therefore, if drilling operations is targeted for continuance, then surface casing should not be set until after November 1st.
 - Refer to *Frequently Asked Question (FAQ) #10* for a detailed explanation of those instances where both the DO and Surveyed Section Production (SSP) continuance reasons for the same well may be exercised.
- A **start drilling date** during the extension period for a licence (or other ministry-approved extension such as surface restriction) will be considered **DO** and will continue the entire lease (all lands and all zones) for one year. Surveyed Section Production will not apply during the extension period.
- Refer to: **Section 9-5(4)(b)(i)** of the Regulations.

Licensed Well (LI)

- The Licensed Well (LI) continuance reason may appear on the preliminary notice for February and March, keeping in mind that a start drilling date prior to April 1 will eliminate LI as a valid continuance reason because the lease will qualify for Drilling Operations.
- Leases with well licences **issued** prior to April 1, which have not been drilled and are still valid, will automatically receive a 3-month extension to June 30 for the lease. It is the responsibility of the lessee to ensure that the well licence remains valid during the extension period.
- Failure to drill during the extension period will result in a continuance review being conducted on the lease based on conditions that were in effect on that lease on **March 31**.
- Should you licence a well and then choose not to drill it, instead re-completing an existing well on the same lease, only the **drainage unit** to the base of the producing zone for the re-completed well will continue, and the Oil and Gas Tenure Branch must be notified of the change before June 30.
- If the drainage unit of the licence that continued leases for LI is changed resulting in lease lands no longer overlapping, those leases no longer part of the drainage unit will continue based on conditions that were in effect on that lease as of March 31.
- Reason of Surveyed Section Production only applies to common ownership and production evident in IRIS prior to March 31.
- Abandoning a well prior to April 1st or June 30th will change your lease continuance results.
- Refer to: **9-5(6)(b) and 9-5(7)** of the Regulations.

Production (P)

- A producing well, in most cases, will continue **up to one surveyed section of lease lands to the continuance level based on the producing zone (as prescribed by Minister's Order MRO 001/16)** until the next review date. Please note that the production must be prior to April 1 and submitted through PETRINEX before ER will consider it for continuance purposes.
- In a few instances, production will not continue a lease. These include:
 - **Abandonment (including an abandoned zone for lease tracking purposes)** of the well prior to April 1.

- Plugging back a deeper stratigraphic unit and recompleting to a shallower stratigraphic unit will result in rights reverting back to the Crown (unless it is demonstrated to the satisfaction of ER and the Oil and Gas Tenure Unit that the **plug-back is temporary** while testing another stratigraphic unit in the well. In these cases, only the drainage unit for the plugged-back stratigraphic unit will continue for the duration of the approved test period at which time a decision must be made to produce either the shallow zone and terminate the deeper rights, or resume production from the deeper zone);
- If a review of the production history for the well shows that an extremely low volume is produced **solely for lease continuance purposes**, insufficient production will continue only the drainage unit.
- Refer to *FAQ #19* for interpretation of this continuance reason where horizontal wells cross section boundaries and to *FAQ #31* for information on the Oil and Gas Tenure Partial Rights Guideline that is a companion to the deeper rights MO.
- Refer to: **Section 9-5(4)(b)(ii) and Section 9-5(9)** of the Regulations.

Surveyed Section Production (SSP)

- Commonly owned leases (the business associate(s) registered with ER are the same on all the leases and does not include a farm-in working interest, etc.) with the **same producing stratigraphic unit** and on the **same surveyed section** as a producing wellbore completion, in most cases, will be continued to the continuance level based of the producing zone (as prescribed by Minister’s Order MRO 001/16). SSP may not be considered unless at least one of the commonly owned leases includes the producing wellbore completion.
- Refer to: **Section 9-5(4)(b)(ii) and Section 9-5(9)** of the Regulations and to *FAQ #13*. ER interprets the term ‘lease lands’ as inclusive of commonly owned leases (the business associate(s) registered with ER are the same on all the leases - does not include a farm-in working interest, etc.) with the same producing stratigraphic unit. *FAQ #23* describes the scenario where the producing wellbore completion is located on a primary term lease.

Unit (UN)

- **ONLY** those portions of leases **within** unit boundaries will continue to the continuance level based on the unitized zone.
- **The lease must contain the unitized product within the unitized stratigraphic unit to qualify for continuance due to unit.**
- Refer to *FAQ # 17* for more details.
- Refer to: **Section 9-5(4)(b)(iii)** of the Regulations.

Gas Areas (GA)

- Leases approved for extension due to **gas areas** will be continued to the continuance level based on the designated zone for up to one year. Please note that gas areas are subject to ongoing review and may be rescinded or revised at ER's discretion.
- However, *petroleum only* leases in the same zone **will not** be continued unless there is production, or the leases are commonly owned.
- Refer to: **Section 9-5(4)(b)(iv)** and **Section 9-18** of the Regulations.

Gas Pools (GP)

- Those portions of leases within **ministry-established defined gas pools** will be continued to the continuance level based on the stratigraphic unit associated with the pool.
- However, *petroleum only* leases in the same zone **will not** be continued unless there is production, or the leases are commonly owned.
- Gas pools are subject to on-going review by the Energy Regulation Division and may be revised at its discretion.
- Refer to: **Section 9-5(4)(b)(iv)** of the Regulations. ER interprets the term 'gas area' as inclusive of ministry-established defined gas pools. However, because defined gas pools are not specifically referred to within the Regulations, ER reserves the right to terminate leases that are continued solely by their inclusion in a gas pool

- Leases without a well that have been continued for the Gas Pool (GP) continuance reason are eligible for industry initiated non-production reviews to encourage further development of those properties being held for only the GP continuance reason.

Heavy Oil (HO)

- Those portions of leases within a **Designated Heavy Oil Area** (DHOA) will continue to the continuance level based on the designated stratigraphic unit.
- Refer to: **Section 9-19** and **Sections 9-21 to 9-25** of the Regulations.

Offset (O)

- Leases that contain offset commitments **where compensatory royalty payments are being made** will continue the section where the offset is located, to the continuance level based on the offset zone. Note that an active-first year offset obligation does not qualify for lease continuance purposes.
- Refer to: **Section 9-5(4)(vi)** of the Regulations.

Drainage Unit (DU)

- Leases with only a shut-in well (a well that has not reported production during the review period), or an injection well, subject to review in specific instances, will continue **only the drainage unit** of the well to the continuance level based on the shut-in or injection stratigraphic unit. (Please note that the drainage unit for injection/disposal wells is the standard **oil** drainage unit for the area.)
- Refer to: **Section 9-5(4) (b) (ii) and Section 9-5(9)** of the Regulations. While ER could terminate leases that have not reported production **for 90 consecutive days**, it has reserved the right to continue just the drainage unit for wells that are shut-in, subject to the Non-Productivity Review process. For further details on Non-Productivity Review, visit ER's website or refer to **FAQ #18**.

Extended-Surface Restrictions

- Where access to lease lands in order to drill a well has been denied due to causes such as an action by another government agency, surface reserves, for certain consultation purposes, or for a potash restricted drilling area, the lease will continue for up to one year.

- Refer to: **Section 9-5(10) and Section 9-12** of the Regulations.

Frequently Asked Questions

1. What steps do I need to take once I receive my notices of projected lease continuance levels?

The following checklist of items should be considered upon receipt of your notices:

- When you receive the continuance notices, **carefully** review the reports, keeping in mind that any changes to leases, wells, or their status, including the drilling or abandonment of wells or the cancellation of offset commitments **where compensatory royalty payments are being made**, may affect the continuance status of your lease(s).
- Should you **disagree** with the continuance status of a lease, an immediate response is required. **IMPORTANT: No reinstatements will be considered after June 30.** Please direct all inquiries regarding lease continuance to the service desk at er.servicedesk@gov.sk.ca; or telephone 1-855-219-9373.
- A Lease Continuance Report will be available to the Business Associate, who may be a lessee, or a confidential designated representative associated with a lease, in the Integrated Resource Information System (IRIS) once the lease continuance changes have been registered on our system.

2. Our company had submitted a well licence application through IRIS in early March, but it has not yet been approved. Since it was submitted to ER before the end of March, would it extend our lease another 3-months?

No. The licence must be **approved and authorized** before April 1 if it is to be eligible for a three-month extension. You should have discussed the matter with ER to ensure sufficient time for routing, or you could have licensed a routine well licence application before April 1 and then you would have had three months to get the non-routine licence issued. The non-routine well application must be licensed to **at least** the same stratigraphic unit.

3. One of our leases is continuing on the basis of a cased well. Are there any limits as to how long ER will continue this lease?

ER conducts a yearly review of leases that have been continued for a cased well and will not continue leases for this reason for a period longer than five (5) consecutive years. The lease will be terminated, and the Energy Regulation Division will be advised that the lands are now undisposed. Cased wells less than five (5) years old will continue only the drainage unit to the continuance level based on proposed wellbore completions. However, these wells are subject to requests for Non-Productivity Reviews (*Refer to FAQ #16*). Please note that this time frame is under continuous review and may be reduced further in the future.

For further information on non-productivity reviews please reference the Review of Leases Held by Non-Producing Wells guideline please visit Saskatchewan.ca or use the following link <http://publications.saskatchewan.ca/#/products/76329>

4. I have a three-section lease and would like to continue all three sections, but our drilling program will only allow one well per year. We are planning to drill three gas wells with one-section drainage units. Can we drill one well per section per year?

Yes. By strategically timing the drilling of these wells you can continue all three sections for three years. In year one, you would get drilling operations (DO) for the first well, provided it had a start drilling date within five (5) months of expiration (between November 1 and March 31, inclusive) of the lease and not abandoned prior to April 1. In year two, you would get DO for drilling a second well, again provided it had a start drilling date within five (5) months of expiration of the lease and not abandoned prior to April 1. Finally, if you drill the third well in year three, provided it had a start drilling date within five (5) months of expiration of the lease and not abandoned prior to April 1, you will again get DO for continuance. Without producing, you would have continued the entire lease, all rights, for three years. (*Refer to FAQ #10 and #11 for other DO examples*).

5. There is a burrowing owl nesting habitat within our target area. What information do we need to provide ER in order to get an extension to August, beyond the three (3) months allowed for a well licence?

ER would require an application for extension through IRIS with your correspondence with the Ministry of Environment as supporting documentation along with a detailed account of the surface restriction as well as a timetable for resumption of activity. See also *FAQ #33*.

6. Our company has a well that shows gas potential, but because we need to tie into a pipeline several miles away, we need extra time. Is it possible to get an extra year of continuance for gas potential?

Through submission through IRIS of application for extension, supporting documentation must demonstrate that a well has gas potential (significant cross-over on Neutron-Density log; Acoustic-Neutron overlay; AOF test with commercial rates; etc.) but is situated in an area where the infrastructure is under-developed, ER will consider continuance of the drainage unit, to the continuance level based of the tested stratigraphic unit, for one year to provide sufficient time to get the wellbore completions on production. Further continuance will be based on gas production from the well.

7. In Alberta, we can submit geological mapping for lease continuance purposes. Can we do that in Saskatchewan?

No. ER will not consider geological or seismic mapping for lease continuance purposes.

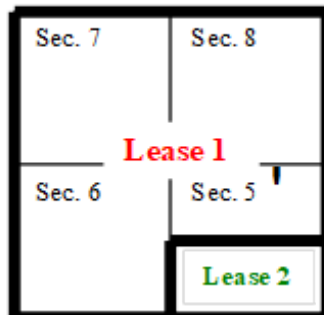
8. We have been producing oil from the Bakken Formation but have decided to test a shallower zone. We put in a temporary plug and went up-hole to test the Midale Beds. We intend on returning to the Bakken at a later date. The lease covers the entire section. Will we lose the Bakken at continuance time?

Through application, within IRIS, for extension due to production with supporting evidence the plug is temporary and that you have approval to test the Midale Beds, ER will continue rights down to the Base of the Bakken Formation for the duration of the approved test period. Following which time, a review of the lease for production will be completed, resulting in either termination the remaining deeper rights, or continuance due to production from the Bakken which would continue up to a section to the continuance level defined for the Bakken Formation. Note that if the well had not reported production from the producing zone during the review period, only the drainage unit for the Bakken would be considered for continuance.

9. Last year we reported production, but our final lease continuance report tells us that the lease is to be terminated. Why won't the production continue the lease?

The well in question was abandoned before April 1. Regardless of prior production, an abandoned well will not continue a lease. In this case, timing is critical. If you are to abandon a well but would still like to keep the rights for another year, you should delay abandonment procedures until after March 31. Note that wellbore completions that are classed as abandoned zone for lease contamination issues are considered abandoned for lease continuance purposes.

- 10. Our company owns two leases, one that covers 3½ sections (Lease 1) and a second that covers ½ section (Lease 2). In February, we drilled a well with a 1 Legal Subdivision (LSD) drainage unit on Lease 1 in the N/2 of Section 5. We know that Drilling Operations (DO) will continue all rights for the entire 3½ section lease, but if we put the well on production before April 1 is it possible to continue the S/2 of Section 5 (Lease 2) for Surveyed Section Production (SSP) as well as retain the DO reason for all the lands in Lease 1?**



Yes. Drilling Operations (DO) will be applied to Lease 1 and Surveyed Section Production (SSP) will be applied to Lease 2. The automated continuance review process will pick up the February start drilling date and your notice in April will show DO as the continuance reason for all lands attached to Lease 1 (the N/2 of Section 5 and Sections 6, 7 & 8). If there are no other continuance reasons, Lease 2 will show up on the April notice as continued to the continuance level based on the producing completions in Lease 1. (It is also important to note that **you may start producing the well immediately** and be assured that you **will not** cancel out the DO continuance reason since the automated review process looks for a start drilling date between November 1 and March 31, inclusive).

Note: By putting a well on production that was spud between November 1 and March 31 will continue commonly held leases within the section to the base of the producing stratigraphy for one year.

If your lease continues for LI and then the well is drilled and put on production prior to June 30th Surveyed Section Production will not apply to commonly held leases within the section of a well's drainage unit.

- 11. We are planning to re-enter an abandoned well. Would this qualify for drilling operations (DO)?**

Yes, but only in those instances where you are required to obtain a new licence for re-entering an abandoned well that has been abandoned for at least 12 months. However, if you are simply recompleting a different zone in a suspended well or re-entering a horizontal well to drill a new leg in the same stratigraphic unit, it would not qualify as drilling operations (DO).

12. There are multiple leases on a section of land, all with common ownership. For example, on Section 9 we have one lease with rights from ‘Top Ribstone Creek Member to Base Ribstone Creek Member’, a second lease with rights from ‘Top Milk River Formation to Base Milk River Formation’, and a third lease on the same section with rights from ‘Top Medicine Hat Sand to Base Medicine Hat Sand’. We licenced a well in March to commingle the Milk River and Medicine Hat Sand, which continued two of the leases for LI. However, the Final Notice we received shows that the Ribstone Creek lease is ‘To be terminated.’ Is it possible to continue the Ribstone Creek lease for the three (3) months as well?

Yes. If you intend on testing the Ribstone Creek as you pass through it (logging, DST, etc.), all you need to do is provide the Oil and Gas Tenure Unit with a written statement with your intent and we will continue the Ribstone Creek lease until the end of June. Please note that the ownership must be common on each lease.

13. Surveyed Section Production (SSP) Ownership scenarios:

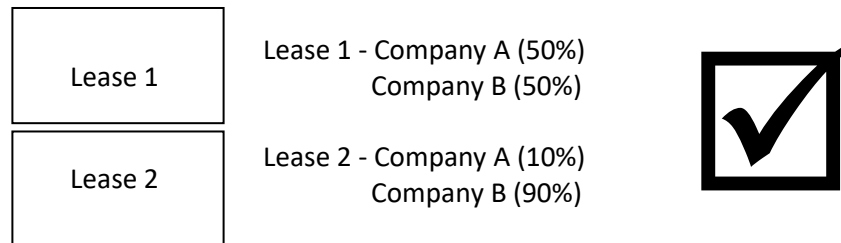
Scenario 1

Our company has full ownership of a lease on the N/2 of a section and a farm-in working interest on a lease that covers the S/2 of the section. Does a producing well on our lease in the S/2 continue the lease on the N/2 for Surveyed Section Production (SSP)?

No. A farm-in working interest does not qualify for SSP.

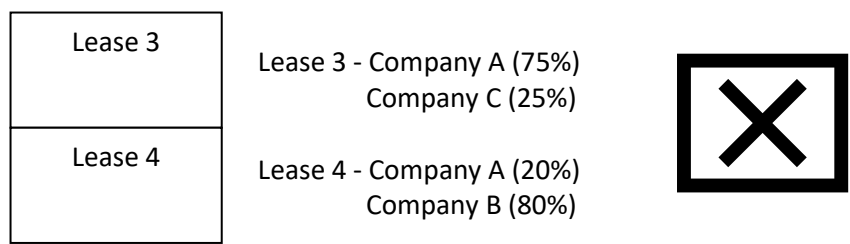
Scenario 2

A lease on the N/2 is registered in the name of Company A for 50% and Company B for 50%, and the lease on the S/2, with a producing oil well (1 LSD DU), is registered to Company A for 10% and Company B for 90% - they **would** qualify for **SSP** since the names of the owners are the same, regardless of the interest (AB = AB).



Scenario 3

A lease on the N/2 is registered in the name of Company A for 75% and Company C for 25%, and the lease on the S/2, with a producing oil well (1 LSD DU), is registered to Company A for 20% and Company B for 80% - they **would not** qualify for **SSP** since the names of the owners are different on each lease (AC ≠ AB).



14. The Preliminary Notice of Lease Continuance reported that we were going to have our lease terminated. We reworked the well and began production in late March. Will this production continue our lease?

March production cannot be reported in Petrinex until April, Petrinex does not allow March production reporting as that is considered “future reporting.” Any and all production that IS allowed to be reported in Petrinex is exported to IRIS every month on the volumetric deadline date between the 20 and 22 of each month.

When production is established in March, Oil and Gas Tenure unit requires evidence of production before the lease would be continued as the volumes will not be in IRIS. An application for an Extension to Disposition Term must be submitted through IRIS along with proof of production in the form of trucking tickets, receipts, or production reports prior to March 31. The lease may be extended to April 30th at which time a final continuance review will be completed and the results available in IRIS.

15. We received a notice of projected lease continuance levels in November and then again in April. They both indicated that ¾ of a section was to be terminated due to non-production from a well on the remaining ¼ section, whose drainage unit was to be continued. According to our records, this was correct, and ER officially terminated the ¾ of a section. Several weeks later we realized that a reporting oversight had been made and that the well on the section was in fact producing last year but the information was not submitted to PETRINEX. Can we apply for reinstatement of the ¾ of a section that was terminated?

ER will consider applications for reinstatement in such instances provided they are brought to the attention of the Oil and Gas Tenure unit no later than June 30. **However, after June 30, there is no guarantee that requests for reinstatement will be considered.**

16. Is a 'stratigraphic test' drilled for geological purposes also considered a "well" for lease continuance purposes?

No. Because stratigraphic/structure tests are not drilled for production purposes but purely for geological information and coupled with the fact that they are abandoned immediately, they cannot be considered for lease continuance. However, a stratigraphic test well drilled in preparation for going horizontal would qualify for lease continuance. The well licence for the horizontal well itself must be issued prior to April 1 before it would qualify for lease continuance. If you are encountering difficulties in getting the horizontal licence issued in time, you should licence an on-target vertical well to the same horizon before April 1 and, once the horizontal licence is issued during the extension period, advise Oil and Gas Tenure that you are replacing the on-target vertical well with a comparable well.

Refer to the Regulations definition of a "well" as follows:

PART I

Definitions

3 In these regulations the expression:

- (n) "well" means any opening in the ground, except seismic shot holes or structure test holes, made or being made by drilling or boring, or in any other manner, for the purpose of:
 - (i) obtaining oil or gas, oil sands or oil sands products or oil shale or oil shale products; or
 - (ii) injecting any fluid into an underground reservoir;

17. We noticed that a former gas producer is suspended and has not reported production for several years. Our company believes that the operator of that well is not maximizing the potential for that drainage unit. Is there any way to get that lease terminated and the well abandoned so the lands and rights can be posted in a Crown Public Offering?

While *Section 9-5(4)(b)(ii)* of the Regulations states that a lease will continue provided:

- (b) 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 or mining operations and only for a period ending...

the policy of ER has been to continue only the drainage unit for wellbore completions that are shut in. Effective April 1, 2004, the policy regarding continuance for leases held by non-producing wells was changed in response to industry demand. Wells that are classified as 'Suspended', 'Completed', or 'Cased' but have not reported production for a period of at least **three consecutive years to date**, are subject to review, upon submission to IRIS of application for Non-Productivity Review, and

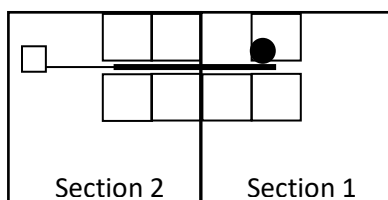
leases held by such wells may not be continued, pending the outcome of the review. (NOTE: this program is not a 'drainage-unit by drainage-unit' review – leases are considered in their entirety).

18. Our full-section lease is facing expiry of 15 LSDs with only a single LSD being continued for the drainage unit of our suspended oil well in the Sparky Member of the Mannville Group. In January we submitted an IRIS application requesting approval to plug-back the perforations in the Sparky and to perforate a gas zone in the Colony Member. ER authorized the application before April 1. Will our lease continue for the gas drainage unit on the basis of the approval?

No. The authorization is merely an approval to perform the applied-for program of operations. Lease continuance will only be affected upon completion of the approved program. It is important to note that any recompletions made near the end of the term of the lease ER must be reported in IRIS in time for the automated review process. To ensure your leases continue correctly, you must carefully review your notice of projected lease continuance levels and contact ER immediately if there is a discrepancy with your data.

19. Our horizontal wellbore extends across surveyed section boundaries and has been assigned an overall drainage unit that includes eight LSDs. The well is located within a defined oil pool that has a drainage area of two LSDs per vertical well. The horizontal well is producing, but our concern is that we have two separate ¼ section leases on adjacent surveyed sections that are affected by a single horizontal well. Can the Production continuance reason continue more than one surveyed section?

Yes. For lease continuance purposes, horizontal wells that are assigned more than one drainage unit are treated as a series of vertical wells. If the drainage area crosses section boundaries, a single producing horizontal well can continue more than one section of lease lands. In the sketch below, the horizontal well will continue the lease in the NW of Section 1 and the lease in the NE of Section 2 for production.



20. A preliminary notice of projected lease continuance levels indicated that our lease was due to expire March 31. To continue all lands and all rights for the lease we plan to drill a well before March 31 (DO continuance reason). On February 12 we were issued a well licence that is valid for one year (as per *The Oil and Gas Conservation Regulations, 2012*). Does this mean we do not have to drill the well before March 31 to continue our lease?

While ER has issued you a well licence that is valid for twelve months, the regular lease continuance review process still applies during this period. If you do not spud the well before March 31 (or by June 30 with the 3-month lease extension for a well licence), the lease will be terminated.

21. Our lease in the southwest corner of Saskatchewan originated from a 100% lease selection of natural gas rights only in the Medicine Hat Sand from a permit back in the 1970s. Another lease owned by another company contains the petroleum and natural gas rights from the Base of the Medicine Hat Sand to the Precambrian. How do we determine where our lease ends and theirs begin? The Medicine Hat Sand is an eastward thinning deposit that is characterized by a main sandstone body we call the Medicine Hat "A" Sandstone with several alternating tongues of sand and shale below.

It is recognized that the inter-fingering nature of the Medicine Hat Sand is prevalent in southwest Saskatchewan, similar to the shallower sands of the Belly River Group that alternate with shales of the Lea Park Formation. In both instances, if the owner of the natural gas rights in the Medicine Hat Sand or Belly River Group can demonstrate that a tongue of sand is contiguous with the main sand body to the west, then their claim to that zone is valid. For additional details and information refer to the following publication available on the ER website:

Gilboy, C.F. (1989): Geology and Natural Gas Production of the Upper Cretaceous Medicine Hat Sandstone, Southeastern Saskatchewan; in Summary of Investigations 1989, Saskatchewan Geological Survey; Miscellaneous Report 89-4. Available :

http://publications.gov.sk.ca/documents/310/88022-Gilboy_1989_MiscRep89-4.pdf

22. We received an offset notice in January and would like to use the Offset (O) continuance reason for our lease in the upcoming March 31 lease continuance review. Can we elect to pay compensatory royalties early, or do we have to wait for the full one-year notice period to expire?

You cannot elect to pay compensatory royalties early. You must wait until the one-year notice expires before making your election.

23. There are several commonly owned leases on a surveyed section, and one of these is a primary term lease with a producing well. We are aware that the review does not look at primary term leases, but we believe that the Surveyed Section Production (SSP) continuance reason should apply to the other leases. Would the producing wellbore completion located on a primary term lease continue the other leases for Surveyed Section Production (SSP)?

Yes. The automated lease continuance review process recognizes production reported from wells on primary term leases and will apply the SSP continuance reason automatically. The leases subject to SSP will continue to the continuance level based on the producing stratigraphic unit of the wellbore completions within the section.

24. Last year my lease continued just ½ an LSD. This year I still have a lease with ½ an LSD, but you have continued 1 LSD. Why?

Since the ISC SaskGrid **does not subdivide** LSDs, ISC will manually create parcels for those existing leases that are less than one LSD in size and, **beginning with the 2011/12 continuance year (April 1, 2011 to March 31, 2012), leases will not be reduced to less than one LSD in size. Rather, these lands may be expressed as being a portion of or a fraction of an LSD.**

25. We have a lease due to expire on March 31. We have applied for a well licence in order to apply for three-month extension for this lease. There is a possibility that we may enter into a Farmout Agreement, and were wondering whether or not there would be any issue transferring the well licence to the Farmee, either before or during the extension period?

Ownership of a well licence does not affect lease continuance as long as there is a valid well licence, the lease will receive the 90-day extension.

26. We have an oil sands lease that is at the end of its 15-year primary term. What continuance rules would apply and how long will my lease continue?

An oil sands lease is subject to all continuance rules. If an oil sands lease meets one or more of the continuance reasons it will be continued for a term of one year.

27. We have an oil shale lease issued under *The Oil Shale Regulations, 1964* that is at the end of its 21-year primary term. What continuance rules would apply and how long will my lease continue?

An oil shale lease issued under *The Oil Shale Regulations, 1964* is subject to all continuance rules. If such a lease is continued for any of the continuance reasons, it will be continued for another 21-year term.

28. We have a “new” oil shale lease issued under the Regulations that is at the end of its 15-year primary term. What continuance rules would apply and how long will my lease continue?

A “new” oil shale lease issued under the Regulations is subject to all continuance rules. If such a lease is continued for any of the continuance reasons, it will be continued for a term of one year.

29. We have a helium lease that is at the end of its 21-year primary term. What continuance rules would apply and how long will my lease continue?

A helium lease may be continued for another year if it meets one or more of the following continuance reasons:

- Drilling Operations (DO) if commenced between November 1 and March 31 inclusive
- Production (P)
- Surveyed Section Production (SSP)
- Unit (UN)

30. We received our Preliminary Notice of Lease Continuance and some of our leases have a continuance reason of “Under Ministry Review.” What causes this reason and how is it managed?

When a report of lease continuance preliminary or final is generated, the system will assign a status of Under Ministry Review when:

Portions or Fractional Lands: if lands, at an area greater than one legal subdivision, are being reverted back to the Crown IRIS is unable to identify the area which should be removed from the lands identified as being fractional or portions. For example, if a quarter section of land is flagged as being fractional and two LSDs of the four are expiring, while the other two would qualify for drainage unit, IRIS is unable to determine how to assign the hectares to the remaining lands. When this reason is evident a review of mineral ownership will be conducted, the lands expanded to the LSD level, and the hectares entered accordingly. Once the correction is made the next lease continuance preliminary will show the preliminary reason for continuance.

Concurrent Production: In situations where lands or rights within a section may be reverted to the Crown and the completions of a non-abandoned well are flagged as Concurrent Production the lease will be set to a status reason of “Under Ministry Review” so that the Ministry may identify drainage unit for both oil and gas. When this reason is evident, Oil and Gas Tenure conducts a manual review of the disposition for continuance and will alter the disposition if required after March 31. The lease continuance outcome is not presented on a continuance report; rather the Ministry will correspond with the Lessee(s) and CDR regarding the outcome.

Missing Continuance Level: if there is a stratigraphic unit associated with a pool that does not have a defined continuance level IRIS will not be able to process the impacted lease. When this reason is evident, Oil and Gas Tenure will identify the strata without a continuance level, identify the correct continuance level and request it be added to the pool/stratigraphic unit table in IRIS. Once the correction is made the next lease continuance preliminary will show the preliminary reason for continuance.

Missing Pool: if a well completion is not linked to a pool IRIS will not be able to identify an associated continuance level and therefore will result in a manual review. When this reason is evident, Oil and Gas Tenure will review the well and request the well it be linked to the appropriate pool. Once the correction is made the next lease continuance preliminary will show the preliminary reason for continuance.

Incomplete transfer/surrender/amalgamation: if a transfer, surrender, or amalgamation is not fully processed to a state of “complete” within IRIS, IRIS will not process the continuance run on this lease until the previously submitted transaction is completed. Once the application or transaction in IRIS is completed the next lease continuance preliminary will show the preliminary reason for continuance.

31. I know that Deeper Rights Reversion is prescribed under section 16.1 of The Crown Minerals Act, that a Minister’s Order lists the continuance levels for production, and that Government markers in IRIS provide the exact depth between geological horizons. However, it would be helpful if there were actual reference wells or type well logs with the contacts shown on the logs, similar to Alberta’s DRRZD (Deeper Rights Reversion and Zone Designation) library. Is there a website or document that would provide this information?

Yes. Petroleum and natural gas leases issued by the Government of Saskatchewan are subject to annual lease continuance and deeper rights reviews at the expiry of the primary term of the lease. While the deeper rights review is supported by Minister’s Order (MO) MRO 001/16 Deeper Rights Reversion – Rights Continued by Production that prescribes the continuance level for each stratigraphic unit that reports production, the MO does not include reference to representative wells in areas of complex geology. The Saskatchewan Oil and Gas Tenure Partial Rights Guideline is intended as a companion to the MO by identifying typical wells and providing annotated references

with a focus on those stratigraphic units noted in the MO that are currently prospective for hydrocarbons.

32. Does water qualify for production?

Unfortunately, water is not considered production for lease continuance purposes and the regulations do not provide the authority for an extension for this scenario. Without Oil or Gas production in March the lease would only continue the drainage unit. We do try to give companies as much notice as possible by providing the preliminary continuance notices so that they can plan accordingly. If there was a valid reason you were unable to access the land that has led to a delay in exercising your rights for more than two consecutive months, you can submit an application for extension under OGTRR 9-5(4)(b)(vii). You would need to include documentation detailing the reason for the delay and the length of time you were delayed in your application (see FAQ #33 for more information).

33. What qualifies for an extension?

- **March production.** See *FAQ #14*.
- **Well licence has been issued.**
To qualify under OGTRR 9-5(6) a well must already be licenced (drilling does not need to have started). A 3-month extension may be granted which would extend the lease to June 30. A lease continuance final is run on July 1st, and if **there is production** then it will continue to the end of the year and an invoice will be generated for the annual rentals in the next billing month; if there is no production the lease(s) will continue as of conditions in effect as of March 31st.
- **Access to lease lands denied**
If access to the lease lands has been denied you may be eligible for an extension under OGTRR 9-5(4)(b)(vii):

9-5(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:

(b) any of the following circumstances apply:

(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

For the ministry to review if this scenario applies, you must provide information about why you have not been able to access the lands (for example, you have applied to Environment for an assessment, and it has not been completed) include in your submission the length of time you have been delayed. As per the regulations, the delay must be more than two consecutive months. These are evaluated on a case-by-case basis.

Minister's Order – MRO 001/16

MINISTER'S ORDER

MRO 001/16

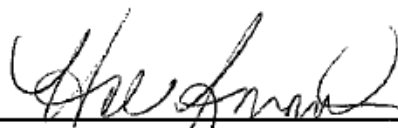
Under *The Crown Minerals Act*

DEEPER RIGHTS REVERSION – RIGHTS CONTINUED BY PRODUCTION

Pursuant to section 16.1 of *The Crown Minerals Act*, Minister's Order 549/12 dated July 6, 2012, is rescinded and the petroleum and natural gas rights to be continued by oil and natural gas production from Crown leases are established, as provided for in the following schedule and subject to the following provisions:

1. The effective date shall be March 14, 2016.
2. Where the continuance level named in the attached schedule is stratigraphically deeper than the deepest zone granted in a lease, the wording of the lease shall prevail.
3. For the purposes of this order, the deepest commingled zone in a commingled well shall be deemed to be the producing zone.

Dated at Regina, Saskatchewan, March 16, 2016.



Hal Sanders, Assistant Deputy Minister
Minerals, Lands and Resource Policy
Saskatchewan Ministry of the Economy

Schedule

Southeastern Saskatchewan - Estevan

Lands lying West of the First Meridian:

Townships 1 North to the Precambrian Shield: all ranges; and Lands lying West of the Second Meridian:

Townships 1 North to the Precambrian Shield inclusive: all ranges.

Pool Stratigraphic Unit

Gull Lake
Glacial Drift
Ravenscrag Formation
Bearpaw Formation
Belly River Group
Lea Park Formation
Milk River Formation
Colorado Group
Upper Colorado Group
First White Speckled Shale
Second White Speckled Shale (Belle Fourche Formation)
Lower Colorado Group
Fish Scale Zone
Viking Formation
Mannville Group
Upper Mannville Group
Wapella Sand
Jurassic
Red Jacket Formation
Shaunavon Formation
Upper Shaunavon Member
Gravelbourg Formation
Watrous Formation
Lower Watrous Member
Viewfield Rim
Madison Group
Poplar Beds
Ratcliffe Beds
Midale Beds
Frobisher Beds
Frobisher-Alida Beds
Kisbey Sandstone
Alida Beds
Tilston Beds
Lodgepole Formation

Continuance Level

Base of Glacial Drift
Base of Glacial Drift
Base of Tertiary System
Base of Bearpaw Formation
Top of Milk River Formation
Top of Milk River Formation
Top of Second White Speckled Shale
Base of Colorado Group
Base of Colorado Group
Base of Colorado Group
Base of Colorado Group
Base of Colorado Group
Base of Colorado Group
Base of Colorado Group
Top of Watrous Formation
Top of Watrous Formation
Top of Watrous Formation
Top of Watrous Formation
Top of Watrous Formation
Top of Watrous Formation
Base of Shaunavon Formation
Base of Shaunavon Formation
Top of Watrous Formation
Base of Watrous Formation
Base of Watrous Formation
Base of Frobisher-Alida Beds
Base of Madison Group
Base of Poplar Beds
Base of Ratcliffe Beds
Base of Midale Beds
Base of Frobisher-Alida Beds
Base of Frobisher-Alida Beds
Base of Frobisher-Alida Beds
Base of Tilston Beds
Base of Souris Valley Beds
Base of Souris Valley Beds

Southeastern Saskatchewan – Estevan (Continued)

Pool Stratigraphic Unit

Continuance Level

Souris Valley Beds	Base of Souris Valley Beds
Bakken Formation	Base of Three Forks Group
Torquay Formation	Base of Three Forks Group
Devonian	Base of Devonian System
Birdbear Formation	Base of Birdbear Formation
Duperow Formation	Base of Duperow Formation
Souris River Formation	Base of Souris River Formation
Dawson Bay Formation	Base of Dawson Bay Formation
Prairie Evaporite	Base of Prairie Evaporite
Winnipegosis Formation	Base of Winnipegosis Formation
Interlake Group	Base of Interlake Group
Stonewall Formation	Base of Stonewall Formation
Stony Mountain Formation	Base of Stony Mountain Formation
Red River Formation	Base of Red River Formation
Yeoman Member	Base of Red River Formation
Winnipeg Formation	Base of Winnipeg Formation
Deadwood Formation	Top of Precambrian
Cambrian	Top of Precambrian
Earlie Formation	Base of Earlie Formation

Southwestern Saskatchewan – Swift Current

Lands lying West of the Third Meridian

Townships 1 to 21 inclusive: all ranges

Pool Stratigraphic Unit

Gull Lake
Glacial Drift
Ravenscrag Formation
Cretaceous
Eastend Formation
Bearpaw Formation
Matador Member
Belly River Group
Lea Park Formation
Ribstone Creek Member
Milk River Formation
Colorado Group
Upper Colorado Group
First White Speckled Shale
Medicine Hat Sand
Second White Speckled Shale (Belle Fourche Formation)
Lower Colorado Group
Fish Scale Zone
Viking Formation
Spinney Hill Member
Upper Mannville Group (Pense Formation)
Mannville Group
Cantuar Formation
Success Formation
Basal Mannville Group
Premier Sand
Roseray Formation
Upper Roseray Formation
Lower Roseray Formation
Shaunavon Formation
Upper Shaunavon Member
Lower Shaunavon Member
Gravelbourg Formation
Mississippian
Madison Group
Souris Valley Beds
Bakken Formation
Big Valley Formation
Devonian
Torquay Formation
Birdbear Formation
Duperow Formation

Continuance Level

Base of Glacial Drift
Base of Glacial Drift
Base of Tertiary System
Top of Milk River Formation
Top of Bearpaw Formation
Top of Milk River Formation
Top of Milk River Formation
Top of Milk River Formation
Top of Milk River Formation
Top of Milk River Formation
Top of Milk River Formation
Top of Second White Speckled Shale
Base of Colorado Group
Top of Fish Scale Zone
Base of Colorado Group
Top of Second White Speckled Shale
Top of Fish Scale Zone
Base of Colorado Group
Top of Viking Formation
Base of Colorado Group
Base of Colorado Group
Base of Vanguard Group
Base of Vanguard Group
Base of Vanguard Group
Base of Vanguard Group
Base of Vanguard Group
Base of Vanguard Group
Base of Vanguard Group
Base of Vanguard Group
Base of Shaunavon Formation
Base of Shaunavon Formation
Base of Shaunavon Formation
Base of Gravelbourg Formation
Base of Bakken Formation
Base of Madison Group
Base of Souris Valley Beds
Base of Bakken Formation
Top of Precambrian
Top of Precambrian
Top of Precambrian
Top of Precambrian
Top of Precambrian

Southwestern Saskatchewan – Swift Current (Continued)

Pool Stratigraphic Unit

Continuance Level

Prairie Evaporite

Top of Precambrian

Winnipegosis Formation

Top of Precambrian

Stony Mountain Formation

Top of Precambrian

Deadwood Formation

Top of Precambrian

Earlie Formation

Top of Precambrian

West-Central Saskatchewan - Kindersley

Lands lying West of the Third Meridian:

Townships 22 to 37 inclusive: all ranges.

Pool Stratigraphic Unit

Glacial Drift
Ravenscrag Formation
Bearpaw Formation
Belly River Group
Ribstone Creek Member
Lea Park Formation
Milk River Formation
Colorado Group
Upper Colorado Group
First White Speckled Shale
Second White Speckled Shale (Belle Fourche Formation)
Lower Colorado Group
Fish Scale Zone
Viking Formation
Joli Fou Formation
Spinney Hill Member
Mannville Group
Colony Member
McLaren Member
Waseca Member
Sparky Member
General Petroleum. Member
Lloydminster Member
Cummings Member
Unity Sand
Basal Mannville Group
Success Formation
Mississippian
Madison Group
Shaunavon Formation
Bakken Formation
Devonian
Torquay Formation
Birdbear Formation
Duperow Formation
Souris River Formation
Dawson Bay Formation
Prairie Evaporite
Winnipegosis Formation
Interlake Group
Stonewall Formation
Stony Mountain Formation
Red River Formation

Continuance Level

Base of Glacial Drift
Base of Tertiary System
Base of Bearpaw Formation
Top of Second White Speckled Shale
Top of Second White Speckled Shale
Top of Second White Speckled Shale
Top of Second White Speckled Shale
Base of Colorado Group
Top of Fish Scale Zone
Base of Colorado Group
Top of Fish Scale Zone
Base of Colorado Group
Top of Viking Formation
Base of Colorado Group
Base of Colorado Group
Base of Colorado Group
Base of Mannville Group
Base of Mannville Group
Base of Mannville Group
Base of Mannville Group
Base of Mannville Group
Base of Mannville Group
Base of Mannville Group
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Base of Mannville Group
Base of Mannville Group
Base of Mannville Group
Base of Mannville Group
Base of Mannville Group
Base of Bakken Formation
Base of Madison Group
Base of Shaunavon Formation
Base of Bakken Formation
Top of Precambrian
Top of Precambrian
Top of Precambrian
Top of Precambrian
Top of Precambrian
Top of Precambrian
Top of Precambrian
Top of Precambrian
Top of Precambrian
Top of Precambrian
Top of Precambrian
Top of Precambrian
Top of Precambrian
Top of Precambrian
Top of Precambrian
Top of Precambrian
Top of Precambrian
Top of Precambrian

West-Central Saskatchewan (Continued)

Pool Stratigraphic Unit

Continuance Level

Deadwood Formation
Cambrian
Earlie Formation

Top of Precambrian
Top of Precambrian
Top of Precambrian

Northern Saskatchewan - Lloydminster

Lands lying West of the Third Meridian:

Township 38 North to the Precambrian Shield: all ranges

Pool Stratigraphic Unit

Glacial Drift
Ravenscrag Formation
Bearpaw Formation
Belly River Group
Ribstone Creek Member
Lea Park Formation
Milk River Formation
First White Speckled Shale
Colorado Group
Upper Colorado Group
Second White Speckled Shale (Belle Fourche Formation)
Fish Scale Zone
Lower Colorado Group
St. Walburg Sandstone
Viking Formation
Spinney Hill Member
Mannville Group
Colony Member
McLaren Member
Waseca Member
Sparky Member
General Petroleum Member
Rex Member
Lloydminster Member
Cummings Member
Dina Member
Unity Sand
Basal Mannville Group
Torquay Formation
Devonian
Birdbear Formation
Duperow Formation
Souris River Formation
Dawson Bay Formation
Prairie Evaporite
Winnipegosis Formation
Winnipeg Formation
Stonewall Formation
Deadwood Formation
Earlie Formation

Continuance Level

Base of Glacial Drift
Base of Tertiary System
Base of Bearpaw Formation
Base of Colorado Group
Base of Colorado Group
Base of Colorado Group
Base of Colorado Group
Base of Colorado Group
Base of Colorado Group
Base of Colorado Group
Base of Colorado Group
Base of Colorado Group
Base of Colorado Group
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Base of Mannville Group
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Base of Mannville Group
Base of Mannville Group
Base of Mannville Group
Base of Mannville Group
Base of Mannville Group
Base of Mannville Group
Base of Mannville Group
Base of Mannville Group
Base of Three Forks Group
Top of Precambrian
Top of Precambrian
Top of Precambrian
Top of Precambrian
Top of Precambrian
Top of Precambrian
Top of Precambrian
Top of Precambrian
Top of Precambrian
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Top of Precambrian

Lease Continuance Clarification Regarding the Second White Speckled Shale / Belle Fourche FM

(April 1, 2004)

ER would like to confirm that those petroleum and natural gas leases, whose rights continue down to the base of the Second White Speckled Shale, are inclusive of the Belle Fourche Formation. Recent scientific publications have split the interval, informally known as the Second White Speckled Shale, into two separate zones - the Belle Fourche Formation overlain by the thin Second White Speckled Shale.

While this change in nomenclature has caused some concern among lease owners, please be assured that for lease continuance purposes the base of the Second White Speckled Shale is considered the top of the Fish Scale Zone (or its equivalent in northwest Saskatchewan).

To eliminate any confusion regarding mineral ownership in the future, new leases issued in southwest and west-central Saskatchewan are referring only to the Top Fish Scale Zone rather than Base Second White Speckled Shale or Base Belle Fourche Formation.

For your reference, the following log has been annotated to help identify the relationship of the top of the Fish Scale Zone to the Belle Fourche Formation and the Second White Speckled Shale in southwest Saskatchewan.

