

# *The High Water-Cut Oil Well Program Regulations*

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[Chapter C-50.2 Reg 36](#) (effective April 1, 2021).

**NOTE:**

This consolidation is not official. Amendments have been incorporated for convenience of reference and the original statutes and regulations should be consulted for all purposes of interpretation and application of the law. In order to preserve the integrity of the original statutes and regulations, errors that may have appeared are reproduced in this consolidation.

## Table of Contents

- 1 Title
- 2 Definitions
- 3 Program established
- 4 Application for and approval of high  
water-cut oil wells
- 5 Calculation of high water-cut oil royalties  
and production tax
- 6 Publication of policies
- 7 Coming into force

## CHAPTER C-50.2 REG 36

### *The Crown Minerals Act*

#### Title

1 These regulations may be cited as *The High Water-Cut Oil Well Program Regulations*.

#### Definitions

2(1) In these regulations:

“**evaluation period**” for a qualifying high water-cut oil well means the most recent 3 or more months reported by a qualifying applicant to the minister, in which the oil well had hours on production, before the qualifying applicant submits an application pursuant to subsection 4(1);

“**incremental high water-cut oil**” means the quantity of oil determined by multiplying the total amount of oil produced, excluding incremental waterflood oil, in a month from a qualifying high water-cut oil well by the applicable incremental high water-cut oil factor;

“**incremental high water-cut oil factor**” means the factor with respect to a qualifying high water-cut oil well, expressed as a percentage that is:

- (a) determined in accordance with the following formula:

$$\text{Incremental High Water-Cut Oil Factor} = \text{AR} / \text{TR} \times 100$$

where:

- (i) in the case of an application associated with an individual oil well:

AR is the additional recoverable reserves of oil from the qualifying high water-cut oil well, as determined by the minister, that are attributable to the qualifying investments; and

TR is the total remaining recoverable reserves of oil respecting the qualifying high water-cut oil well, as determined by the minister, that include the additional recoverable reserves that are attributable to the qualifying investments;

- (ii) in the case of an application associated with a group of oil wells:

AR is the additional recoverable reserves of oil respecting the group of qualifying high water-cut oil wells, as determined by the minister, that are attributable to the qualifying investments; and

TR is the total remaining recoverable reserves of oil respecting the group of qualifying high water-cut oil wells, as determined by the minister, that include the additional recoverable reserves that are attributable to the qualifying investments;

**C-50.2 REG 36** HIGH WATER-CUT OIL WELL PROGRAM

(b) equal to 100% for qualifying high water-cut oil wells that have been shut in or suspended for a period of 6 or more consecutive months before the qualifying investments are made; or

(c) equal to 100% for qualifying high water-cut oil wells with a finished drilling date on or after October 1, 2002.

**“program”** means the High Water-Cut Oil Well Program established pursuant to section 3;

**“qualifying applicant”** means:

(a) a person who is a licensee, as defined in section 2 of *The Oil and Gas Conservation Act*, of a qualifying high water-cut oil well; or

(b) any other person approved by the minister;

**“qualifying high water-cut oil well”** means a horizontal oil well or vertical oil well that:

(a) is not part of an EOR project;

(b) has an average water-cut of 90% or greater during the evaluation period or is part of a group of oil wells that produce at an average water-cut of 90% or greater during the evaluation period; and

(c) in the opinion of the minister, benefits from the qualifying investment;

**“qualifying investment”** means a minimum investment of \$20,000 in eligible costs as determined by the minister per qualifying high water-cut oil well that will result in incremental high water-cut oil being produced from that qualifying high water-cut oil well.

(2) For the purposes of these regulations, unless otherwise defined in these regulations, the definitions in section 2 of *The Crown Oil and Gas Royalty Regulations, 2012*, and section 2 of *The Freehold Oil and Gas Production Tax Regulations, 2012* apply with any necessary modification.

7 May 2021 c C-50.2 Reg 36 s2.

**Program established**

3(1) The High Water-Cut Oil Well Program is established.

(2) The minister shall administer the program in accordance with these regulations.

7 May 2021 c C-50.2 Reg 36 s3.

**Application for and approval of high water-cut oil wells**

4(1) On and from April 1, 2021, and before April 1, 2026, a qualifying applicant may apply to the minister in the form and manner specified by the minister for approval of a qualifying high water-cut oil well for the purposes of the program.

- (2) On receipt of an application pursuant to subsection (1), the minister may:
- (a) approve the application, if the minister is satisfied that:
    - (i) the applicant is a qualifying applicant;
    - (ii) the oil well is a qualifying high water-cut oil well; and
    - (iii) it is in the public interest to do so; or
  - (b) refuse to approve the application.
- (3) The minister shall notify the applicant of the minister's decision and, in the case of a decision pursuant to clause (2)(b), provide written reasons for the decision.
- (4) The minister may impose any terms and conditions on an approval pursuant to clause (2)(a) that the minister considers reasonable.

7 May 2021 c C-50.2 Reg 36 s4.

**Calculation of high water-cut oil royalties and production tax**

5(1) In this section, "**high water-cut deduction**" means the deduction, for incremental high water-cut oil produced on or after April 1, 2021, equal to:

- (a) zero percentage points for qualifying high water-cut oil wells with a finished drilling date before October 1, 2002; or
  - (b) two percentage points for qualifying high water-cut oil wells with a finished drilling date on or after October 1, 2002;
- (2) For incremental high water-cut oil produced from and allocated to any Crown lands on or after April 1, 2021:
- (a) the royalties shall be determined and paid in accordance with *The Crown Oil and Gas Royalty Regulations, 2012*;
  - (b) the oil is classified as fourth tier oil; and
  - (c) the Crown royalty rate is the greater of zero and the rate determined pursuant to clause 10(a) of *The Crown Oil and Gas Royalty Regulations, 2012*, less the high water-cut deduction.
- (3) For incremental high water-cut oil produced from and allocated to any freehold lands on or after April 1, 2021:
- (a) the taxes shall be determined and paid in accordance with *The Freehold Oil and Gas Production Tax Regulations, 2012*;
  - (b) the oil is classified as fourth tier oil; and
  - (c) the tax rate is the greater of zero and the rate determined pursuant to clause 9(a) of *The Freehold Oil and Gas Production Tax Regulations, 2012*, less the high water-cut deduction.

7 May 2021 c C-50.2 Reg 36 s5.

**C-50.2 REG 36**            HIGH WATER-CUT OIL WELL PROGRAM

**Publication of policies**

**6** If the minister establishes policies for the purposes of these regulations, the minister shall cause those policies to be made public in any manner that the minister considers appropriate, including by publishing them on the ministry's website.

7 May 2021 c C-50.2 Reg 36 s6.

**Coming into force**

**7** These regulations come into force on the day on which they are filed with the Registrar of Regulations, but are retroactive and are deemed to have been in force on and from April 1, 2021.

7 May 2021 c C-50.2 Reg 36 s7.