

The Crown Oil and Gas Royalty Regulations, 2012

being

Chapter C-50.2 Reg 28 (effective April 1, 2012) as amended by Saskatchewan Regulations [17/2013](#), [81/2013](#), [96/2013](#), [94/2015](#), [64/2017](#), [85/2019](#), [24/2020](#), [44/2021](#) and [64/2021](#).

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

	PART I		42	Minister's calculation differs
	Preliminary Matters		43	Minister to pay interest
1	Title		44	Revised royalty year
2	Interpretation		45	Special operator to provide information
3	Arm's-length transactions			PART VII
4	Production from more than one zone			Remittance
5	Allocation and measurement of production		46	Designation of operator
6	Application of regulations		47	Operator to remit royalties
	PART II		48	Special operator
	Conventional Oil Royalty		49	Invoice of royalties
7	Interpretation		50	Payment of royalties
8	Minister to set HOP, NOP and SOP		51	Election to apply credits
9	Notice of HOP, NOP and SOP		51.1	Deferral of royalties–Waterflood Development Program
10	Calculation of conventional oil royalties		52	Receipt of remittance
11	Well-head price of oil		53	Provisional royalty
	PART III		54	Minister's option for royalty in kind
	Conventional Oil Royalty Incentive			PART VIII
12	Interpretation			Recovery of Royalty
13	Maximum 5% new oil incentive		55	Debt due to Crown
14	Maximum 2.5% fourth tier incentive		56	Interim assessment of royalties – failure of system
15	Reduction of volume incentive amounts		56.1	Penalty on audit assessments
16	Evaluation of oil well after licensing		57	Interest
17	Re-evaluation of oil well location		58	Lien
	PART IV		59	Distress
	Gas Royalty		60	Deduction or set-off
18	Interpretation		61	Action for recovery
19	Minister to set PGP			PART IX
20	Notice of PGP			General
21	Repealed		62	Working interest information
22	Calculation of gas royalties		63	Interest rate
23	Well-head price of gas		64	Refunds
24	Royalties on gas produced from a well that is not a gas well		65	Interest on overpayment
	PART V		66	Service of communication
	Gas Royalty Incentive		67	Forms prescribed
25	Interpretation			PART IX.1
26	Maximum 2.5% fourth tier incentive			Inspections and Investigations
27	Reduction of volume incentive amounts		67.1	Definitions for Part
28	Evaluation of gas well after licensing		67.2	Inspections
29	Re-evaluation of gas well location		67.3	Investigations
	PART VI		67.4	Copies admissible as evidence
	Enhanced Oil Recovery (EOR) Royalty		67.5	Entry on land
30	Interpretation			PART X
31	Allocation to Crown and non-Crown lands			Repeal, Transitional and Coming into Force
32	Calculation of EOR royalties		68	R.R.S. c.C-50.2 Reg 9 repealed
33	Collection of royalties for EOR oil		69	Transitional
34	Estimate to be filed		70	Coming into force
35	Estimate to be reviewed			Appendix
36	Revision of estimate			PART I
37	Remittance of instalment amount			Tables
38	Exemption		Table 1	Repealed
39	Fourth tier oil - EOR projects			PART II
40	Return to be filed			Forms
40.1	Penalty on audit assessments		Form A	Certificate
41	Interest		Form B	Notice of Intention
			Form C	Third-Party Demand

CHAPTER C-50.2 REG 28

The Crown Minerals Act

PART I

Preliminary Matters

Title

1 These regulations may be cited as *The Crown Oil and Gas Royalty Regulations, 2012*.

Interpretation

2 In these regulations:

- (a) “**Act**” means *The Crown Minerals Act*;
- (b) “**approved waterflood project**” means a new waterflood project, or an expansion of an existing waterflood project, that has been approved by the minister as an approved waterflood project for the purposes of these regulations;
- (c) “**business day**” means a day other than a Saturday, Sunday or holiday;
- (d) “**Crown lands**” means:
 - (i) Crown minerals and Crown mineral lands that consist of oil or gas; and
 - (ii) any lands, and all rights to and interests in any lands, that were acquired by the Crown pursuant to or by virtue of Part III of *The Oil and Gas Conservation, Stabilization and Development Act*;
- (e) “**drainage unit**” means the area established for a drainage unit pursuant to Part III of *The Oil and Gas Conservation Act* with respect to the zone of an oil well or gas well;
- (f) “**EOR factor**” means the factor with respect to an EOR project, expressed as a percentage, determined in accordance with the following formula:

$$\text{EOR Factor} = \frac{\text{AR}}{\text{TR}} \times 100$$

where:

AR is the additional recoverable reserves of oil, as determined by the minister, attributable to the EOR project during any period or periods that the minister may specify; and

TR is the total remaining recoverable reserves of oil, as determined by the minister, for a portion of the pool containing the EOR project during any period or periods that the minister may specify;

- (g) **“EOR oil”** means:
- (i) the quantity of non-heavy oil determined by multiplying the total amount of non-heavy oil produced within an EOR project on or after January 1, 1994 by the EOR factor applicable to that project;
 - (ii) all heavy oil produced within an EOR project on or after January 1, 1994; or
 - (iii) any oil that is approved by the minister as EOR oil for the purposes of these regulations;
- (h) **“EOR project”** means:
- (i) any project, including a project in oil sands or oil shale, that is designed to enhance the recovery of oil through the use of thermal or other techniques, including recovery of oil by means other than through a wellbore, and that:
 - (A) has been approved pursuant to *The Oil and Gas Conservation Act*;
 - (B) commenced operation on or after January 1, 1981;
 - (C) is not a waterflood project; and
 - (D) is approved by the minister as an EOR project for the purposes of these regulations; or
 - (ii) any other project or group of projects that may be approved by the minister as an EOR project for the purposes of these regulations, for any period or periods that the minister may specify;
- (i) **“fourth tier gas”** means all gas produced on or after October 1, 2002:
- (i) from a gas well with a finished drilling date on or after October 1, 2002;
 - (ii) from an oil well with a finished drilling date on or after October 1, 2002;
 - (iii) from an oil well with a finished drilling date before October 1, 2002, if:
 - (A) the gas-oil-ratio for the month is greater than or equal to 3 500 cubic metres of gas per cubic metre of oil; and
 - (B) the gas has not been approved as third tier gas or new gas; or
 - (iv) that is approved by the minister as fourth tier gas for the purposes of these regulations;

- (j) **“fourth tier oil”** means all oil produced on or after October 1, 2002:
- (i) that is not EOR oil and:
 - (A) that is produced from an oil well or gas well with a finished drilling date on or after October 1, 2002; or
 - (B) that is incremental waterflood oil with respect to an approved waterflood project that commenced operation on or after October 1, 2002; or
 - (ii) that is approved by the minister as fourth tier oil for the purposes of these regulations or that is approved pursuant to section 39;
- (k) **“gas”** means natural gas, including casing-head gas and all hydrocarbons not defined as oil;
- (l) **“gas well”** means:
- (i) a wellbore:
 - (A) that has been cased and that is not completed or abandoned, and:
 - (I) that has gas indicated as the well objective on the well licence and the minister has not received written notice from the operator indicating the well objective has been changed to an objective other than gas; or
 - (II) that does not have gas indicated as the well objective on the well licence and the minister has received written notice from the operator indicating the well objective has been changed to gas;
 - and includes all reserves within the boundaries of the drainage unit for the zone from which the wellbore is expected to produce; or
 - (B) that is completed in a zone for the purpose of producing gas, and is capable of producing gas from that zone either alone or in association with no more than one cubic metre of oil for every 3 500 cubic metres of gas, and includes all reserves in that zone within the boundaries of the drainage unit for that zone; or
 - (ii) any other wellbore or group of wellbores, in conjunction with any reserves, that may be approved by the minister as a gas well;
- (m) **“geological system”** means the strata, as determined by the Saskatchewan Geological Survey, deposited during a particular geological period, including the geological periods known as the Cretaceous, Jurassic, Triassic, Mississippian, Devonian, Silurian, Ordovician, Cambrian and Precambrian;
- (n) **“heavy oil”** means:
- (i) all oil that is produced within the townships north of Township 21 in Ranges 5 through 29, West of the Third Meridian, except oil produced from the Viking zone or from any other zone deposited more recently than the Viking zone; or
 - (ii) any other oil approved by the minister as heavy oil for the purposes of these regulations;

- (o) **“horizontal gas well”** means:
- (i) a gas well with a horizontal section, including any subsequent horizontal sections drilled in the same zone, that is approved as a horizontal well by an order of the minister pursuant to section 17 of *The Oil and Gas Conservation Act*; or
 - (ii) any other gas well approved by the minister as a horizontal gas well;
- (p) **“horizontal oil well”** means:
- (i) an oil well with a horizontal section, including any subsequent horizontal sections drilled in the same zone, that is approved as a horizontal well by an order of the minister pursuant to section 17 of *The Oil and Gas Conservation Act*; or
 - (ii) any other oil well approved by the minister as a horizontal oil well;
- (q) **“horizontal section”** means the portion of a wellbore:
- (i) with an angle of at least 80°, measured between the line connecting the initial point of penetration into the productive zone and the end point of the wellbore in the productive zone and the line extending vertically downward from the initial point of penetration into the productive zone; and
 - (ii) with a minimum length of 100 metres, measured from the initial point of penetration into the productive zone to the end point of the wellbore in the productive zone;
- (r) **“incremental oil factor”** means the factor with respect to an approved waterflood project, expressed as a percentage, determined in accordance with the following formula:

$$\text{incremental oil factor} = \frac{\text{AR}}{\text{TR}} \times 100$$

where:

AR is the additional recoverable reserves of oil, as determined by the minister, attributable to the approved waterflood project during any period or periods that the minister may specify;

TR is the total remaining recoverable reserves of oil, as determined by the minister, for a portion of the pool containing the approved waterflood project during any period or periods that the minister may specify;

- (s) **“incremental waterflood oil”** means the quantity of oil determined by multiplying the total amount of oil produced within an approved waterflood project by the incremental oil factor applicable to that project;

- (t) **“inter gas well distance”** means the distance in kilometres measured from the centre of the drainage unit of a gas well or gas well location to the centre of the drainage unit of another gas well or gas well location if:
- (i) in the case of a horizontal gas well, the centre of the drainage unit is the centre of the nearest drainage unit that is established for a vertical gas well and that is penetrated by a horizontal section of the horizontal gas well; or
 - (ii) in the case of a gas well location that is planned to be a horizontal gas well, the centre of the drainage unit is the centre of the nearest drainage unit that is established for a vertical gas well and that is planned to be penetrated by a horizontal section of the gas well location;
- (u) **“inter oil well distance”** means the distance in kilometres measured from the centre of the drainage unit of an oil well or oil well location to the centre of the drainage unit of another oil well or oil well location if:
- (i) in the case of a horizontal oil well, the centre of the drainage unit is the centre of the nearest drainage unit that is established for a vertical oil well and that is penetrated by a horizontal section of the horizontal oil well; or
 - (ii) in the case of an oil well location that is planned to be a horizontal oil well, the centre of the drainage unit is the centre of the nearest drainage unit that is established for a vertical oil well and that is planned to be penetrated by a horizontal section of the oil well location;
- (v) **“licence”** means a licence to drill an oil well or gas well that is issued pursuant to Part II of *The Oil and Gas Conservation Act*;
- (w) **“new gas”** means all gas other than third tier gas or fourth tier gas produced on or after January 1, 1994:
- (i) that is produced from a gas well:
 - (A) that first commenced production of gas on or after October 1, 1976;
 - (B) that was never part of a unit that existed as of September 30, 1976; and
 - (C) whose wellbore was never part of another gas well that first commenced production of gas on or before September 30, 1976;
 - (ii) that is produced from a gas well whose wellbore was part of another gas well that first commenced production of gas on or before September 30, 1976, and whose wellbore was:
 - (A) abandoned in accordance with the provisions of *The Oil and Gas Conservation Act* and the regulations made pursuant to that Act, and re-entered on or after October 1, 1976; or
 - (B) deepened on or after October 1, 1976 to include the zone from which the gas well is producing; or

- (iii) that is otherwise approved by the minister as new gas for the purposes of these regulations;
- (x) **“new oil”** means all oil produced on or after January 1, 1994:
 - (i) that is not third tier oil, fourth tier oil or EOR oil and that is:
 - (A) produced through a wellbore of an oil well or gas well completed on or after January 1, 1974, with a finished drilling date on or before December 31, 1986, if the wellbore is located:
 - (I) outside all oil pool boundaries established as of December 31, 1973;
 - (II) within an oil pool boundary established as of December 31, 1973, if the well is producing oil from a zone deeper than that otherwise established for the pool; or
 - (III) within an oil pool boundary on an undrilled drainage unit, if the oil pool boundary and the drainage unit were both established as of December 31, 1973;
 - (B) produced from a vertical oil well or gas well with a finished drilling date on or after January 1, 1987 and on or before December 31, 1993;
 - (C) produced from a horizontal oil well with a finished drilling date on or after April 1, 1991 and before October 1, 2002;
 - (D) incremental waterflood oil with respect to an approved waterflood project that commenced operation on or after January 1, 1974 and on or before December 31, 1993;
 - (E) produced from a reactivated oil well;
 - (F) produced in the southwest area; or
 - (G) heavy oil; or
 - (ii) that is approved by the minister as new oil for the purposes of these regulations;
- (y) **“non-heavy oil”** means all oil produced in Saskatchewan that is not heavy oil;
- (z) **“oil”** means crude petroleum oil and any other hydrocarbon, regardless of density, that is produced through a wellbore or from an EOR project and that is in liquid form when measured or estimated for the purposes of:
 - (i) *Directive PNG017: Measurement Requirements for Oil and Gas Operations*, issued on August 1, 2017 by minister’s order made pursuant to *The Oil and Gas Conservation Act*; or
 - (ii) any subsequent directive that replaces the directive mentioned in subclause (i) or a directive mentioned in this subclause;

- (aa) **“oil sands”** means all sands and rocks that:
- (i) contain a highly viscous mixture, composed mainly of hydrocarbons heavier than pentanes, that will not normally flow, in its natural state, to a wellbore;
 - (ii) lie above the top of the Devonian System; and
 - (iii) lie north of Township 73;
- (bb) **“oil shale”** means a compact rock of sedimentary origin containing disseminated organic matter from which oil can be extracted through destructive distillation;
- (cc) **“oil well”** means:
- (i) a wellbore:
 - (A) that has been cased and that is not completed or abandoned, and:
 - (I) that has oil indicated as the well objective on the well licence and the minister has not received written notice from the operator indicating the well objective has been changed to an objective other than oil; or
 - (II) that does not have oil indicated as the well objective on the well licence and the minister has received written notice from the operator indicating the well objective has been changed to oil;
 - and includes all reserves within the boundaries of the drainage unit for the zone from which the wellbore is expected to produce; or
 - (B) that is completed in a zone for the purposes of producing oil, and includes all reserves in that zone within the boundaries of the drainage unit for that zone and is not part of a gas well in that zone; or
 - (ii) any other wellbore or group of wellbores, in conjunction with any reserves, that may be approved by the minister as an oil well;
- (dd) **“old gas”** means all gas that is produced from a gas well and that is not new gas, third tier gas or fourth tier gas;
- (ee) **“old oil”** means all oil that is not new oil, third tier oil, fourth tier oil or EOR oil;
- (ff) **“operator”** means:
- (i) the person:
 - (A) designated in accordance with subsection 46(1); and
 - (B) listed as the operator of an oil well, gas well, EOR project or any other well on the ministry’s records for the purposes of these regulations; or
 - (ii) any other person designated by the minister pursuant to subsection 46(2) as the operator of an oil well, gas well, EOR project or any other well for the purposes of these regulations;

- (gg) **“operator’s reporting share”** means the portion of oil and gas produced from an oil well, gas well, EOR project or any other well for which an operator or special operator is responsible for remitting the royalties to the minister pursuant to these regulations;
- (hh) **“petroleum registry”** means the petroleum registry established pursuant to *The Oil and Gas Conservation Act*;
- (ii) **“pool”** means pool as defined in *The Oil and Gas Conservation Act* or any other underground reservoir that is approved by the minister as a pool for purposes of these regulations;
- (jj) **“pre-authorized debit”** means a withdrawal from an operator’s or special operator’s account at a financial institution that is initiated by the minister on the authority of the operator or special operator pursuant to subsection 50(4);
- (kk) **“reactivated oil well”** means an oil well that:
- (i) was a shut-in or suspended oil well during the entire 1993 calendar year and no other oil well produced oil through the same wellbore as the shut-in or suspended oil well during that year;
 - (ii) is a vertical oil well that first produced oil on or after January 1, 1994 through the wellbore of, and from a zone penetrated by, an oil well that was a shut-in or suspended oil well during the entire 1993 calendar year and no other oil well produced oil through the same wellbore during the entire 1993 calendar year; or
 - (iii) is approved by the minister as a reactivated oil well;
- (ll) **“royalty payer”** means a person who owns a working interest;
- (mm) **“shut-in or suspended oil well”** means an oil well that is not producing oil, gas or any other substance;
- (nn) **“southwest area”** means the area within Townships 1 through 21 in Ranges 1 through 30, West of the Third Meridian;
- (oo) **“southwest designated oil”** means:
- (i) all oil produced within the southwest area that is:
 - (A) produced from an oil well or gas well with a finished drilling date on or after February 9, 1998; or
 - (B) incremental waterflood oil produced within an approved waterflood project that commenced operation on or after February 9, 1998; or
 - (ii) any other oil approved by the minister as southwest designated oil for the purposes of these regulations;
- (pp) **“special operator”** means a royalty payer:
- (i) who disposes of oil or gas produced from or allocated to Crown lands separately from the operator; and
 - (ii) who has been designated pursuant to subsection 48(1) as a special operator with respect to the oil or gas for the purposes of these regulations;

- (qq) **“SRC”** means the Saskatchewan Resource Credit, which equals:
- (i) for oil and gas produced before April 1, 2013:
 - (A) 2.5% for:
 - (I) third tier oil that is produced from gas wells or vertical oil wells with a finished drilling date on or after February 9, 1998;
 - (II) incremental waterflood oil produced within an approved waterflood project that commenced operation on or after February 9, 1998 and before October 1, 2002;
 - (III) EOR oil produced within a new or expanded portion of an EOR project that commenced operation on or after February 9, 1998 and before April 1, 2005;
 - (IV) any other oil or gas that is approved by the minister for the purposes of these regulations; and
 - (V) third tier gas; and
 - (B) 1% for all other oil and gas other than fourth tier oil and fourth tier gas; and
 - (ii) for oil and gas produced on or after April 1, 2013:
 - (A) 2.25% for:
 - (I) third tier oil that is produced from gas wells or vertical oil wells with a finished drilling date on or after February 9, 1998;
 - (II) incremental waterflood oil produced within an approved waterflood project that commenced operation on or after February 9, 1998 and before October 1, 2002;
 - (III) EOR oil produced within a new or expanded portion of an EOR project that commenced operation on or after February 9, 1998 and before April 1, 2005;
 - (IV) any other oil or gas that is approved by the minister for the purposes of these regulations; and
 - (V) third tier gas; and
 - (B) 0.75% for all other oil and gas other than fourth tier oil and fourth tier gas;
- (rr) **“third tier gas”** means all gas produced on or after February 9, 1998:
- (i) that is not fourth tier gas and that is produced from a gas well with a finished drilling date on or after February 9, 1998 and before October 1, 2002; or
 - (ii) that is approved by the minister as third tier gas for the purposes of these regulations;

- (ss) **“third tier oil”** means all oil produced on or after January 1, 1994:
- (i) that is not fourth tier oil or EOR oil and:
 - (A) that is produced from a vertical oil well or a gas well with a finished drilling date on or after January 1, 1994 and before October 1, 2002; or
 - (B) that is incremental waterflood oil with respect to an approved waterflood project that commenced operation on or after January 1, 1994 and before October 1, 2002; or
 - (ii) that is approved by the minister as third tier oil for the purposes of these regulations;
- (tt) **“unit”** means a unit area with respect to which there is in effect either an agreement for unit operation or a unit operation order made pursuant to *The Oil and Gas Conservation Act* and the regulations made pursuant to that Act;
- (uu) **“vertical gas well”** means a gas well that is not a horizontal gas well;
- (vv) **“vertical oil well”** means an oil well that is not a horizontal oil well;
- (ww) **“waterflood project”** means:
- (i) a project that is designed to enhance the total recovery of oil through the use of water injection for the purposes of repressuring, cycling or pressure maintenance and that has been approved pursuant to *The Oil and Gas Conservation Act* as a waterflood project; or
 - (ii) any other project or group of projects that is otherwise approved by the minister as a waterflood project;
- (xx) **“well”** means any opening in the ground within Saskatchewan, except a seismic shot hole or structure test hole, from which oil, gas, or oil and gas are, have been or are capable of being produced from a reservoir, and includes the lands on, in or under which the well is located and all reserves in that reservoir, and all rights and interests in that reservoir;
- (yy) **“wellbore”** means a drilled opening in the ground other than a seismic shot hole or structure test hole, and includes the total drilled length of the opening;
- (zz) **“working interest”** means an interest acquired pursuant to a Crown lease, or a lease associated with acquired oil and gas rights as defined in subsection 23(1) of the Act, including an interest acquired from the person who is the holder of the lease, that:
- (i) entitles a person to share in the oil or gas produced from or allocated to the Crown lands that are the subject of the lease or in the proceeds from the disposition of the oil or gas; and
 - (ii) requires a person to bear or contribute to the costs associated with producing oil or gas produced from or allocated to the Crown lands that are the subject of the lease;
- (aaa) **“zone”** means any interval approved by the minister that is definable with respect to a geological formation or geological unit.

Arm's-length transactions

3 For the purposes of these regulations:

- (a) related persons, as determined in accordance with the *Income Tax Act* (Canada), are deemed not to deal with each other at arm's length; and
- (b) it is a question of fact whether persons not related to each other, as determined in accordance with the *Income Tax Act* (Canada), were at a particular time dealing with each other at arm's length.

5 Apr 2012 cC-50.2 Reg 28 s3.

Production from more than one zone

4(1) Subject to subsection (2), if oil is capable of being produced through a wellbore from more than one zone and that wellbore exists for the purposes of producing oil, the reserves in each zone, in combination with the wellbore, must be considered a separate oil well.

(2) The minister may determine that the reserves in all the zones or any combination of the zones, in combination with the wellbore, must be treated as one oil well with all oil produced from the oil well deemed to be produced from a zone or any combination of zones approved by the minister.

(3) Subject to subsection (4), if gas is capable of being produced through a wellbore from more than one zone and that wellbore exists for the purposes of producing gas, the reserves in each zone, in combination with the wellbore, must be considered a separate gas well.

(4) The minister may determine that the reserves in all the zones or any combination of the zones, in combination with the wellbore, must be treated as one gas well with all gas produced from the gas well deemed to be produced from a zone or any combination of zones approved by the minister.

5 Apr 2012 cC-50.2 Reg 28 s4.

Allocation and measurement of production

5 For the purposes of these regulations:

(a) if a reference is made in these regulations to allocating oil or gas to Crown lands, that allocation is an allocation pursuant to an agreement for unit operation or a unit operation order made pursuant to *The Oil and Gas Conservation Act*;

(b) if an allocation of oil and gas to Crown lands is made pursuant to an agreement for unit operation or a unit operation order made pursuant to *The Oil and Gas Conservation Act*, the oil or gas allocated to Crown lands is deemed to be produced from those Crown lands;

(c) if the production of oil or gas from an oil well, gas well, EOR project or any other well is estimated pursuant to any of the following, that estimate is deemed to be the actual amount produced:

(i) *Directive PNG017: Measurement Requirements for Oil and Gas Operations*, issued on August 1, 2017 by minister's order made pursuant to *The Oil and Gas Conservation Act*; or

(ii) any subsequent directive that replaces the directive mentioned in subclause (i) or a directive mentioned in this subclause;

C-50.2 REG 28 CROWN OIL AND GAS ROYALTY, 2012

(d) the minister may allocate production of oil or gas to an oil well, gas well, EOR project or any other well, and that production is deemed to have been produced from that oil well, gas well, EOR project or other well and a portion of that production, as determined by the minister, is deemed to have been produced from Crown lands.

5 Apr 2012 cC-50.2 Reg 28 s5; 29 Nov 2019 SR 85/2019 s4; 7 May 2021 SR 44/2021 s4.

Application of regulations

6 These regulations apply to all oil and gas produced from or allocated to any Crown lands on or after March 1, 2012.

5 Apr 2012 cC-50.2 Reg 28 s6.

PART II
Conventional Oil Royalty

Interpretation

7 In this Part:

(a) **“C”** means a factor determined in accordance with the following formula and rounded to the nearest ten-thousandth:

$$C = \frac{K}{247.48} ;$$

(b) **“D”** means a factor determined in accordance with the following formula and rounded to the nearest hundredth:

$$D = \frac{K}{9.90} ;$$

(c) **“HOP”** means the average heavy oil well-head price, expressed in dollars per cubic metre rounded to the nearest dollar, as set by the minister for a month in accordance with section 8;

(d) **“K”** means a factor determined in accordance with the following formulas and rounded to the nearest hundredth:

(i) for heavy oil that is new oil:

$$K = 13.0 + \left[19.5 \times \left(\frac{HOP - 50}{HOP} \right) \right]$$

where (HOP - 50) is deemed to be zero if HOP is less than 50;

(ii) for heavy oil that is third tier oil:

$$K = 13.0 + \left[19.5 \times \left(\frac{HOP - 100}{HOP} \right) \right]$$

where (HOP - 100) is deemed to be zero if HOP is less than 100;

(iii) for heavy oil that is fourth tier oil:

$$K = 7.14 + \left[35.71 \times \left(\frac{HOP - 100}{HOP} \right) \right]$$

where (HOP - 100) is deemed to be zero if HOP is less than 100;

(iv) for non-heavy oil that is not southwest designated oil and that is old oil:

$$K = 26.0 + \left[32.5 \times \left(\frac{NOP - 50}{NOP} \right) \right]$$

where (NOP - 50) is deemed to be zero if NOP is less than 50;

(v) for non-heavy oil that is not southwest designated oil and that is new oil:

$$K = 19.5 + \left[26.0 \times \left(\frac{NOP - 50}{NOP} \right) \right]$$

where (NOP - 50) is deemed to be zero if NOP is less than 50;

(vi) for non-heavy oil that is not southwest designated oil and that is third tier oil:

$$K = 19.5 + \left[26.0 \times \left(\frac{NOP - 100}{NOP} \right) \right]$$

where (NOP - 100) is deemed to be zero if NOP is less than 100;

(vii) for non-heavy oil that is not southwest designated oil and that is fourth tier oil:

$$K = 7.14 + \left[35.71 \times \left(\frac{NOP - 100}{NOP} \right) \right]$$

where (NOP - 100) is deemed to be zero if NOP is less than 100;

(viii) for southwest designated oil that is new oil:

$$K = 16.25 + \left[29.25 \times \left(\frac{SOP - 50}{SOP} \right) \right]$$

where (SOP - 50) is deemed to be zero if SOP is less than 50;

(ix) for southwest designated oil that is third tier oil:

$$K = 16.25 + \left[29.25 \times \left(\frac{SOP - 100}{SOP} \right) \right]$$

where (SOP - 100) is deemed to be zero if SOP is less than 100;

(x) for southwest designated oil that is fourth tier oil:

$$K = 7.14 + \left[35.71 \times \left(\frac{SOP - 100}{SOP} \right) \right]$$

where (SOP - 100) is deemed to be zero if SOP is less than 100;

(e) “**MOP**” means the monthly oil production, expressed in cubic metres rounded to the nearest tenth, that is produced from an oil well or gas well for the month;

(f) “**NOP**” means the average non-heavy oil well-head price, expressed in dollars per cubic metre rounded to the nearest dollar, as set by the minister for a month in accordance with section 8;

(g) “**SOP**” means the average well-head price of oil produced within the southwest area, expressed in dollars per cubic metre rounded to the nearest dollar, as set by the minister for a month in accordance with section 8;

(h) “**X**” means a factor determined in accordance with the following formulas and rounded to the nearest whole number:

(i) for old oil, new oil and third tier oil:

$$X = K \times 23.08;$$

(ii) for fourth tier oil:

$$X = K \times 75.$$

5 Apr 2012 cC-50.2 Reg 28 s7.

Minister to set HOP, NOP and SOP

8 No later than the 15th day of a month, the minister shall set the HOP, NOP and SOP for the previous month after consideration of the following:

(a) heavy oil, non-heavy oil and southwest area oil prices posted, published or otherwise provided to the ministry by purchasers of Saskatchewan oil, and the relationship of those prices to Saskatchewan heavy oil, non-heavy oil and southwest area oil well-head prices;

CROWN OIL AND GAS ROYALTY, 2012 C-50.2 REG 28

- (b) oil transportation charges;
- (c) oil quality differentials;
- (d) competition adjustments being made between Saskatchewan oil and other oil competing for the same market;
- (e) Canadian and American marker oil prices such as Edmonton Par posting and West Texas Intermediate futures prices;
- (f) any event or other information that, in the opinion of the minister, may have affected the level of oil prices in Saskatchewan.

5 Apr 2012 cC-50.2 Reg 28 s8.

Notice of HOP, NOP and SOP

9 The minister shall post the HOP, NOP and SOP for the previous month on the ministry's Internet website as soon as is reasonably possible after setting the prices pursuant to section 8.

5 Apr 2012 cC-50.2 Reg 28 s9.

Calculation of conventional oil royalties

10 The royalty excepted and reserved and the payments to be made with respect to old oil, new oil, third tier oil or fourth tier oil that is produced from or allocated to any Crown lands on or after March 1, 2012 must be determined for each oil well or gas well, for each month, by:

- (a) calculating the appropriate Crown royalty rate, expressed as a percentage, with respect to each category of oil produced from the well for the month, that, subject to Part III, must be the greater of zero and the rate determined in accordance with the following table:

Classification of Oil	Monthly Oil Production in Cubic Metres	Crown Royalty Rate Expressed as a Percentage of Total Monthly Production
Fourth Tier Oil	0 – 25.0	0
	25.1 – 136.2	$(C \times \text{MOP}) - D$
	Over 136.2	$\left(K - \frac{X}{\text{MOP}} \right)$
Third Tier Oil, New Oil and Old Oil	Any amount	$\left(K - \frac{X}{\text{MOP}} \right) - \text{SRC}$

- (b) determining the Crown royalty share of each category of oil produced from the well for the month by applying the appropriate Crown royalty rate for the well for the month with respect to each category, as calculated pursuant to clause (a), to the total monthly production of each category produced from the well;
- (c) determining each royalty payer's share of the Crown royalty share, as determined pursuant to clause (b), of each category of oil produced from the well for the month by applying the royalty payer's proportionate share of each category to the Crown royalty share of each category; and
- (d) calculating the payment required to be made by each royalty payer for the month with respect to each category of oil produced from the well for the month by applying the royalty payer's well-head price as determined pursuant to section 11 to the royalty payer's share of the Crown royalty share as determined pursuant to clause (c).

5 Apr 2012 cC-50.2 Reg 28 s10.

Well-head price of oil

11(1) In this section:

- (a) **“allowable transportation expenses”** means:
 - (i) trucking expenses actually incurred by the royalty payer in transporting oil to the delivery point specified in an arm's-length agreement for the sale of that oil; and
 - (ii) any other reasonable transportation expenses that are approved by the minister as allowable transportation expenses;
 - (b) **“first subsequent month”** means, with respect to oil that was produced from or allocated to an oil well, gas well or EOR project in a month, the first subsequent month in which oil that is produced from or allocated to that oil well, gas well or EOR project is sold pursuant to an arm's-length agreement. ;
- (2) Subject to subsections (3) to (6), the well-head price of oil produced from or allocated to an oil well, gas well or EOR project in a month is determined as follows:
- (a) if any oil that was produced from or allocated to an oil well, gas well or EOR project, regardless of when that oil was produced, was sold pursuant to one or more arm's-length agreements in the month, the well-head price of the oil produced from or allocated to the oil well, gas well or EOR project in the month is the positive difference between:
 - (i) the average price, expressed in dollars per cubic metre, received pursuant to the arm's-length agreements for the sale of all oil sold in the month with respect to that oil well, gas well or EOR project; and
 - (ii) allowable transportation expenses, expressed in dollars per cubic metre, respecting all oil sold in the month with respect to that oil well, gas well or EOR project; or

- (b) if no oil that was produced from or allocated to the oil well, gas well or EOR project was sold in the month, the well-head price of the oil produced from or allocated to the oil well, gas well or EOR project in the month is the positive difference between:
- (i) the average price, expressed in dollars per cubic metre, received in the first subsequent month pursuant to arm's-length agreements for the sale of all oil sold in the subsequent month with respect to that oil well, gas well or EOR project; and
 - (ii) allowable transportation expenses, expressed in dollars per cubic metre, respecting all oil sold in the subsequent month with respect to that oil well, gas well or EOR project.
- (3) If no oil pricing information is submitted to the petroleum registry for a month with respect to oil produced from or allocated to the oil well, gas well or EOR project in the month:
- (a) the minister shall assign a price for the oil for the month in which the oil was produced or allocated to the oil well, gas well or EOR project equal to the average price of oil of a similar quality for the month;
 - (b) the royalty payer shall pay the royalty for the month on the basis of the price assigned pursuant to clause (a); and
 - (c) subject to subsections (4) and (5), if oil pricing information is subsequently submitted to the petroleum registry with respect to oil produced from or allocated to the oil well, gas well or EOR project in the month:
 - (i) the royalty to be paid for the month is to be adjusted based on the pricing information submitted to the petroleum registry; and
 - (ii) the minister shall deal with any adjustment pursuant to subclause (i) in a manner that complies with these regulations and reflects the change in price.
- (4) If, in the opinion of the minister, an arm's-length agreement mentioned in subsection (2) is entered into for the purpose of transporting oil, the price received pursuant to subsequent arm's-length agreements for the sale of the oil, other than those entered into for the purposes of transporting the oil, must be used to determine the average price of the oil pursuant to subsection (2).
- (5) The well-head price of oil produced from or allocated to an oil well, gas well or EOR project in a month is the fair price determined by the minister if:
- (a) the minister is satisfied that there is no agreement for the sale of the oil or that no arm's-length transaction has occurred;
 - (b) the minister is satisfied that there was an agreement for the sale of the oil but that the royalty payer did not receive the price set out in the agreement;
 - (c) there is a consideration for the sale of the oil in addition to or instead of the price specified in an arm's-length agreement; or
 - (d) the minister believes that one of the purposes of a transaction evidenced by an agreement for the sale of the oil is to reduce, unduly or artificially, the liability of a royalty payer to pay royalty on the production of oil.

- (6) Before determining a fair price pursuant to subsection (5), the minister shall consider the following:
- (a) the arm's-length prices received by the operator or special operator, as the case may be, for the sale of similar quality oil in similar markets;
 - (b) the arm's-length prices received by other operators or special operators, as the case may be, for the sale of similar quality oil in similar markets;
 - (c) the arm's-length prices received by the operator or special operator, as the case may be, for sales of similar quality oil in other markets;
 - (d) any other price information provided by the operator or special operator that the minister considers appropriate in the circumstances.
- (7) If the minister determines a fair price pursuant to subsection (5), the minister shall provide notice of the price to the operator or special operator, as the case may be.

5 Apr 2012 cC-50.2 Reg 28 s11.

PART III Conventional Oil Royalty Incentive

Interpretation

12 In this Part:

- (a) **“deep development vertical oil well”** means:
- (i) a vertical oil well that is a deep oil well and not an exploratory vertical oil well and that:
 - (A) has a finished drilling date on or after October 1, 2002 and has not had its wellbore, or any portion of its wellbore, utilized for any purpose; or
 - (B) produces oil from a zone that:
 - (I) is within the section of its wellbore that was deepened on or after October 1, 2002 and the section, or portion of the section, has not been utilized for any purpose; and
 - (II) was not previously part of the wellbore before it was deepened; or
 - (ii) a vertical oil well with a finished drilling date on or after October 1, 2002 that is approved by the minister as a deep development vertical oil well;
- (b) **“deep oil well”** means an oil well that is producing oil:
- (i) from a zone:
 - (A) the upper limit of which, measured from the kelly bushing, is more than 1 700 metres in depth as determined in accordance with the records of the ministry, or any lesser depth the minister may approve; and
 - (B) within the Mississippian Period; or

- (ii) from a zone that was deposited before the Bakken zone, regardless of the depth;
- (c) **“exploratory vertical oil well”** means a vertical oil well with a finished drilling date on or after October 1, 2002:
 - (i) that has oil listed as the well objective on the well licence;
 - (ii) that has not had its wellbore, or any portion of its wellbore, utilized for any purpose since December 31, 1983;
 - (iii) that, at the time the well is licensed, is located in a drainage unit that has not contained an oil well that produced oil from the same zone; and
 - (iv) that first produces oil from the zone noted as the expected producing zone or formation on the well licence and:
 - (A) that has, at the time the well is licensed, an inter oil well distance of more than three kilometres from the vertical oil well to any other oil well or oil well location; or
 - (B) that produces oil from a zone within an older geological system than the oldest geological system that:
 - (I) any other oil well is cased through or into, if, at the time the vertical oil well is licensed, the inter oil well distance from the other oil well to the vertical oil well is three kilometres or less;
 - (II) any other oil well is open-hole-completed into, if, at the time the vertical oil well is licensed, the inter oil well distance from the other oil well to the vertical oil well is three kilometres or less; or
 - (III) any other oil well location is licensed through or into, if, at the time the vertical oil well is licensed, the inter oil well distance from the other oil well location to the vertical oil well is three kilometres or less;

or a vertical oil well with a finished drilling date on or after October 1, 2002 that is approved by the minister as an exploratory vertical oil well;

- (d) **“non-deep oil well”** means an oil well that is not a deep oil well;
- (e) **“oil well location”** means a location for which:
 - (i) a well licence application:
 - (A) has been approved by the minister and has not subsequently been cancelled; and
 - (B) indicates oil as the well objective; and
 - (ii) a wellbore has not yet been cased for the purposes of production or abandoned.

Maximum 5% new oil incentive

13 For the purposes of determining the appropriate Crown royalty share pursuant to clause 10(b), the appropriate Crown royalty rate is the lesser of the new oil Crown royalty rate calculated pursuant to clause 10(a) and a rate equal to 5% minus the SRC for the portion of oil produced from or allocated to Crown lands that is:

- (a) included in new oil to which no other section of this Part applies; and
- (b) produced from a reactivated oil well during the five-year period ending on the last day of the 60th consecutive month from the first month in which oil is produced from the wellbore on or after January 1, 1994.

5 Apr 2012 cC-50.2 Reg 28 s13.

Maximum 2.5% fourth tier incentive

14 For the purposes of determining the appropriate Crown royalty share pursuant to clause 10(b), the appropriate Crown royalty rate is the lesser of the fourth tier oil Crown royalty rate calculated pursuant to clause 10(a) and 2.5% for the portion of oil produced from or allocated to Crown lands that is included in:

- (a) the first 4 000 cubic metres of fourth tier oil that is not incremental waterflood oil and that is produced from a non-deep oil well that is an exploratory vertical oil well;
- (b) the first 6 000 cubic metres of fourth tier oil that is not incremental waterflood oil and that is produced from a non-deep oil well that is a horizontal oil well;
- (c) the first 8 000 cubic metres of fourth tier oil that is not incremental waterflood oil and that is produced from a deep development vertical oil well; or
- (d) the first 16 000 cubic metres of fourth tier oil that is not incremental waterflood oil and that is produced from a deep oil well that is:
 - (i) an exploratory vertical oil well; or
 - (ii) a horizontal oil well.

5 Apr 2012 cC-50.2 Reg 28 s14.

Reduction of volume incentive amounts

15(1) If an oil well is drilled on or after October 1, 2002 and is part of or becomes part of an EOR project, the volume of oil that is applicable to the oil well for the purposes of section 14 will be reduced by the minister in the same proportion that the total investment within the meaning of clauses 30(2)(j) and (3)(f) related to the drilling of the oil well is included in calculating the royalty rate pursuant to clause 32(a).

- (2) The minister may reduce the volume of oil for the purposes of section 14 for an oil well if:
- (a) the operator has requested that the minister approve the oil well as a horizontal oil well pursuant to section 17 of *The Oil and Gas Conservation Act*, a deep development vertical oil well pursuant to clause 12(a) or an exploratory vertical oil well pursuant to clause 12(c); or
 - (b) oil has been produced from more than one zone through the same wellbore.
- (3) The minister may reduce the volume of oil for the purposes of section 14 for an oil well if:
- (a) the oil well is:
 - (i) a vertical oil well that is approved pursuant to section 17 of *The Oil and Gas Conservation Act*; or
 - (ii) a horizontal oil well that is approved pursuant to section 17 of *The Oil and Gas Conservation Act* and does not meet the conditions outlined in section 38 of *The Oil and Gas Conservation Regulations, 2012*; and
 - (b) the person who applies for a licence to drill the oil well pursuant to Part III of *The Oil and Gas Conservation Regulations, 2012* agrees with the reduction in volume.

5 Apr 2012 cC-50.2 Reg 28 s15; 29 Nov 2019 SR 85/2019 s5.

Evaluation of oil well after licensing

16 If the minister has received the well completion information or written notice from an operator, in either case indicating that oil:

- (a) has first been produced or is expected to be first produced through a wellbore that was licensed with oil as the well objective and was never utilized for any other purpose, and has been or is expected to be first produced from a zone other than that noted as the expected producing zone or formation on the well licence application, the resulting oil well must be evaluated to determine if it qualifies as a deep development vertical oil well or an exploratory vertical oil well as if the zone from which the well is producing or is expected to produce had been noted on the well licence application as the expected producing zone; or
- (b) has first been produced or is expected to be first produced through a wellbore that was licensed with a well objective other than oil and was never utilized for any other purpose, the resulting oil well must be evaluated to determine if it qualifies as a deep development vertical oil well or an exploratory vertical oil well as if the well had been licensed at the time the minister received the well completion information or the written notice, and the evaluation must be based on the revised information with respect to both the expected producing zone and the well objective.

5 Apr 2012 cC-50.2 Reg 28 s16.

Re-evaluation of oil well location

17 An oil well must be re-evaluated to determine if it qualifies as an exploratory vertical oil well as if the oil well locations that affected its qualification had not existed at the time the particular well was licensed if, before the oil well is spudded, the minister is notified by an operator that the oil well should be re-evaluated because each oil well location that affected that oil well's status as an exploratory vertical well has:

- (a) had its licence cancelled;
- (b) been drilled and subsequently abandoned;
- (c) been drilled and completed as something other than an oil well; or
- (d) been drilled and not cased into the geological system in which the expected producing zone or formation is situated.

5 Apr 2012 cC-50.2 Reg 28 s17.

**PART IV
Gas Royalty**

Interpretation

18 In this Part:

(a) “**C_g**” means a factor determined in accordance with the following formulas and rounded to the nearest ten-thousandth:

- (i) for old gas, new gas and third tier gas:

$$C_g = \frac{K_g}{230.76} ;$$

- (ii) for fourth tier gas:

$$C_g = \frac{K_g}{205.76} ;$$

(b) “**cubic metre**”, with respect to gas, means the volume of gas contained in one cubic metre of space at a standard pressure of 101.325 kilopascals absolute and at a standard temperature of 15° Celsius;

(c) “**D_g**” means a factor determined in accordance with the following formula and rounded to the nearest hundredth:

$$D_g = \frac{K_g}{8.23} ;$$

(d) “**fieldgate**” means:

- (i) the point at which gas first enters a gas transmission pipeline that, in the opinion of the minister, is a high pressure gas transmission pipeline; or
- (ii) any other point that may be approved by the minister;

(e) “**gas cost allowance**” means an amount with respect to the costs of transmission of gas from the well-head to the fieldgate equal to \$10 per thousand cubic metres or any other amount that may be established by the minister;

(f) “**heating value**” means the total joules obtained by the complete combustion of one cubic metre of natural gas or residue gas and air under the following conditions:

- (i) the combination reaction is at constant standard pressure;
- (ii) the gas, including acid gas components, is free of all water vapour;
- (iii) the temperature of the gas, air and products of combustion are at standard temperature;
- (iv) all water formed by the combustion reaction is condensed to a liquid state;

(g) “**K_g**” means a factor determined in accordance with the following formulas and rounded to the nearest hundredth:

- (i) for old gas:

$$K_g = 26.0 + \left[32.5 \times \left(\frac{PGP - 0.95}{PGP} \right) \right]$$

where (PGP - 0.95) is deemed to be zero if PGP is less than 0.95;

- (ii) for new gas:

$$K_g = 19.5 + \left[26.0 \times \left(\frac{PGP - 0.95}{PGP} \right) \right]$$

where (PGP - 0.95) is deemed to be zero if PGP is less than 0.95;

- (iii) for third tier gas:

$$K_g = 19.5 + \left[26.0 \times \left(\frac{PGP - 1.35}{PGP} \right) \right]$$

where (PGP - 1.35) is deemed to be zero if PGP is less than 1.35;

- (iv) for fourth tier gas:

$$K_g = 6.75 + \left[33.73 \times \left(\frac{PGP - 1.35}{PGP} \right) \right]$$

where (PGP - 1.35) is deemed to be zero if PGP is less than 1.35;

(h) “**MGP**” means the monthly gas production, expressed in thousands of cubic metres rounded to the nearest tenth, that is produced from an oil well, gas well or any other well for the month;

(i) “**PGP**” means the provincial average gas price at the fieldgate, expressed in dollars per gigajoule rounded to the nearest cent, as set by the minister for each month in accordance with subsection 19(1);

(j) **Repealed.** 5 Apr 2013 SR 17/2013 s3.

(k) “**X_g**” means a factor determined in accordance with the following formulas and rounded to the nearest whole number:

(i) for old gas, new gas and third tier gas:

$$X_g = K_g \times 57.69;$$

(ii) for fourth tier gas:

$$X_g = K_g \times 64.7.$$

5 Apr 2012 cC-50.2 Reg 28 s18; 5 Apr 2013 SR 17/2013 s3; 7 May 2021 SR 44/2021 s5.

Minister to set PGP

19(1) No later than the 15th day of a month, the minister shall set the PGP for the previous month after consideration of the following:

- (a) publicly available gas index prices;
- (b) applicable transportation costs;
- (c) any event or other information that, in the opinion of the minister, may have affected the level of gas prices in Saskatchewan.

(2) Every operator and special operator shall provide any information that the minister may require for the purposes of ensuring that the PGP is representative of the price of Saskatchewan gas at the fieldgate pursuant to this section.

5 Apr 2012 cC-50.2 Reg 28 s19.

Notice of PGP

20 The minister shall post the PGP and the formula used to determine the PGP for the previous month on the ministry’s Internet website as soon as is reasonably possible after setting the price pursuant to section 19.

5 Apr 2012 cC-50.2 Reg 28 s20.

21 Repealed. 5 Apr 2013 SR 17/2013 s4.

Calculation of gas royalties

22 The royalties excepted and reserved and the payments to be made with respect to old gas, new gas, third tier gas or fourth tier gas that is produced from or allocated to any Crown lands on or after March 1, 2012 must be determined for an oil well, gas well or any other well, for each month, by:

(a) calculating the appropriate Crown royalty rate, expressed as a percentage, with respect to each category of gas produced from the well for the month, that, subject to Part V, must be the greater of zero and the rate determined in accordance with the following table:

Classification of Gas	Monthly Gas Production in Thousands of Cubic Metres	Crown Royalty Rate Expressed as a Percentage of Total Monthly Production
Fourth Tier Gas Produced from Gas Wells	0 – 25.0	0
	25.1 – 115.4	$(C_g \times MGP) - D_g$
	Over 115.4	$\left(K_g - \frac{X_g}{MGP} \right)$
Fourth Tier Gas Produced from Oil Wells	0 – 64.7	0
	Over 64.7	$\left(K_g - \frac{X_g}{MGP} \right)$
Fourth Tier Gas Produced from Any Other Wells (Wells That Are Note Oil Wells or Gas Wells)	0 – 64.7	0
	0 – 64.7	$\left(K_g - \frac{X_g}{MGP} \right)$
Third Tier Gas, New Gas and Old Gas	0 – 115.4	$(C_g \times MGP) - SRC$
	Over 115.4	$\left(K_g - \frac{X_g}{MGP} \right) - SRC$

(b) determining the Crown royalty share of each category of gas produced from the well for the month by applying the appropriate Crown royalty rate for the well for the month with respect to each category, as calculated pursuant to clause (a), to the total monthly production of each category produced from the well;

(c) determining each royalty payer's share of the Crown royalty share, as determined pursuant to clause (b), of each category of gas produced from the well for the month by applying the royalty payer's proportionate share of each category to the Crown royalty share of each category; and

(d) calculating the payment required to be made by each royalty payer for the month with respect to each category of gas produced from the well for the month by applying the royalty payer's well-head price as determined pursuant to section 23 to the royalty payer's share of the Crown royalty share as determined pursuant to clause (c).

Well-head price of gas

23 For the purposes of section 22, the royalty payer's well-head price of each category of gas is the amount, if any, by which the multiplication of the PGP and the individual well's heating value, expressed in gigajoules per thousand cubic metres, exceeds the gas cost allowance.

5 Apr 2013 SR 17/2013 s5.

Royalties on gas produced from a well that is not a gas well

24(1) Royalties shall be determined and paid with respect to gas produced from a well that is not a gas well if:

- (a) the gas:
 - (i) is fourth tier gas and is gathered for use or sale; or
 - (ii) is new gas or third tier gas and an order pursuant to The Oil and Gas Conservation Act has been issued before October 1, 2002 that allows for oil and gas to be produced concurrently from the oil well; and
- (b) the gas is produced before April 1, 2021 or after March 31, 2026.

(2) For the purposes of clause 22(a), gas produced on or after April 1, 2021 and before April 1, 2026 from a well to which subclause (1)(a)(i) or (ii) applies shall be considered to have a Crown royalty rate of zero per cent.

7 May 2021 SR 44/2021 s7.

PART V
Gas Royalty Incentive

Interpretation

25 In this Part:

- (a) **“gas well location”** means a location for which:
 - (i) a well licence application:
 - (A) has been approved by the minister and has not subsequently been cancelled; and
 - (B) indicates gas as the well objective; and
 - (ii) a wellbore has not yet been cased for the purposes of production or abandoned;
- (b) **“qualifying exploratory gas well”** means a vertical gas well with a finished drilling date on or after October 1, 2002:
 - (i) that has gas listed as the well objective on the well licence;
 - (ii) that has not had its wellbore, or any portion of its wellbore, utilized for any purpose since December 31, 1983;
 - (iii) that, at the time the well is licensed, is located in a drainage unit that has not contained a gas well that produced gas from the same zone; and

CROWN OIL AND GAS ROYALTY, 2012 **C-50.2 REG 28**

(iv) that first produces gas from the zone noted as the expected producing zone or formation on the well licence and:

(A) that has, at the time the well is licensed, an inter gas well distance of more than 4.8 kilometres from the gas well to any other gas well or gas well location; or

(B) that produces gas from a zone within an older geological system than the oldest geological system that:

(I) any other gas well is cased through or into, if, at the time the gas well is licensed, the inter gas well distance from the other gas well to the gas well is 4.8 kilometres or less;

(II) any other gas well is open-hole completed into, if, at the time the gas well is licensed, the inter gas well distance from the other gas well to the gas well is 4.8 kilometres or less; or

(III) any other gas well location is licensed through or to, if, at the time the gas well is licensed, the inter gas well distance from the other gas well location to the gas well is 4.8 kilometres or less;

or a gas well with a finished drilling date on or after October 1, 2002 that is approved by the minister as a qualifying exploratory gas well.

5 Apr 2012 cC-50.2 Reg 28 s25.

Maximum 2.5% fourth tier incentive

26 For the purposes of determining the appropriate Crown royalty share pursuant to clause 22(b), the appropriate Crown royalty rate is the lesser of the fourth tier gas Crown royalty rate calculated pursuant to clause 22(a) and 2.5% for the portion of gas produced from or allocated to Crown lands that is included in:

(a) the first 25 million cubic metres of fourth tier gas produced from a qualifying exploratory gas well; and

(b) the first 25 million cubic metres of fourth tier gas produced from a horizontal gas well that has a finished drilling date on or after June 1, 2010 and before April 1, 2013.

5 Apr 2012 cC-50.2 Reg 28 s26.

Reduction of volume incentive amounts

27 The minister may reduce the volume of gas for the purposes of section 26 for a gas well if:

(a) the operator has requested that the minister approve the gas well as a qualifying exploratory gas well pursuant to clause 25(b); or

(b) gas has been produced from more than one zone through the same wellbore.

5 Apr 2012 cC-50.2 Reg 28 s27.

Evaluation of gas well after licensing

28 If the minister has received the well completion information or written notice from an operator, in either case indicating that gas:

- (a) has first been produced or is expected to be first produced through a wellbore that was licensed with gas as the well objective and was never utilized for any other purpose, and has been or is expected to be first produced from a zone other than that noted as the expected producing zone or formation on the well licence application, the resulting gas well must be evaluated to determine if it qualifies as a qualifying exploratory gas well as if the zone from which the well is producing or is expected to produce had been noted on the well licence application as the expected producing zone; or
- (b) has first been produced or is expected to be first produced through a wellbore that was licensed with a well objective other than gas and was never utilized for any other purpose, the resulting gas well must be evaluated to determine if it qualifies as a qualifying exploratory gas well as if the well had been licensed at the time the minister received the well completion information or the written notice, and the evaluation must be based on the revised information with respect to both the expected producing zone and the well objective.

5 Apr 2012 cC-50.2 Reg 28 s28.

Re-evaluation of gas well location

29 A gas well must be re-evaluated to determine if it qualifies as a qualifying exploratory gas well as if the gas well locations that affected its qualification had not existed at the time the particular well was licensed if, before the gas well is spudded, the minister is notified by an operator that the gas well should be re-evaluated because each gas well location that affected that gas well's status as a qualifying exploratory gas well has:

- (a) had its licence cancelled;
- (b) been drilled and subsequently abandoned;
- (c) been drilled and completed as something other than a gas well; or
- (d) been drilled and not cased into the geological system in which the expected producing zone or formation is situated.

5 Apr 2012 cC-50.2 Reg 28 s29.

PART VI
Enhanced Oil Recovery (EOR) Royalty

Interpretation

30(1) In this Part, with respect to all EOR projects:

- (a) **“administrative cost allowance”**, for any royalty year with respect to an EOR project, means:
 - (i) an amount equal to 10% of the direct EOR operating costs of the EOR project for the royalty year; or
 - (ii) any other amount that may be established by order of the minister as the administrative cost allowance;
- (b) **“current investment”**, for any royalty year with respect to an EOR project, means:
 - (i) for the royalty year in which the EOR project commences operation, the amount of investment in the EOR project that is made or incurred during that royalty year or any prior royalty year; and
 - (ii) for any subsequent royalty year, the amount of any investment in the EOR project that is made or incurred during that royalty year;
- (c) **“direct EOR operating costs”**, for any royalty year with respect to an EOR project, means the amount by which the total direct operating costs of the EOR project for the royalty year exceed the sum of:
 - (i) the direct non-EOR operating costs of the EOR project for the royalty year; and
 - (ii) any revenues received during the royalty year:
 - (A) from the sale of substances, other than oil or gas, that are produced from the EOR project; and
 - (B) from rental or other third party use of a project asset;
- (d) **“direct non-EOR operating costs”**, for any royalty year with respect to an EOR project, means the amount equal to the product of:
 - (i) the production of oil that is not EOR oil, measured in cubic metres, produced from or allocated to the EOR project during the royalty year; and
 - (ii) the direct non-EOR operating costs factor of the EOR project for the royalty year;
- (e) **“direct non-EOR operating costs factor”**, for any royalty year with respect to an EOR project, means an amount established by order of the minister;

- (f) **“disposition”**, with respect to a project asset, means the sale or other disposition of the project asset, or any other transaction or event as a result of which the project asset ceases to be used for or in connection with the EOR project with respect to which it is a project asset, and includes any cessation of use of the project asset for or in connection with that EOR project on or as a result of the cessation of operation of that EOR project, but does not include any temporary cessation of use for the purpose only of performing required repairs or maintenance;
- (g) **“gross EOR Crown revenues”**, for any month or royalty year with respect to an EOR project, means that proportion of the gross EOR revenues of the EOR project for the month or royalty year, as the case may be, that is allocated to the Crown lands with respect to the EOR project pursuant to section 31;
- (h) **“gross EOR revenues”**, with respect to an EOR project, means:
- (i) for any month, the product obtained when the production of EOR oil, measured in cubic metres, produced from or allocated to the EOR project during the month is multiplied by the well-head price determined in accordance with section 11 for that month; and
 - (ii) for any royalty year, the sum of all the amounts determined for the EOR project in accordance with subclause (i) for the months in the royalty year;
- (i) **“post-payout ratio”**, for any royalty year with respect to an EOR project, means the amount by which 1.0 exceeds the pre-payout ratio for the royalty year;
- (j) **“proceeds of disposition”**, with respect to a disposition of a project asset with respect to an EOR project, means an amount equal to the greater of:
- (i) the aggregate of all amounts received or to become receivable as or on account of the disposition of the project asset, whether as or on account of its sale price or otherwise; and
 - (ii) the fair market price of the project asset at the time of disposition;
- (k) **“project asset”** means any asset with respect to which an amount has been included as an investment in an EOR project;
- (l) **“royalty year”**, with respect to an EOR project, means the calendar year or any other period not exceeding 53 weeks that is approved by the minister;
- (m) **“total direct operating costs”**, for any royalty year with respect to an EOR project, means the costs and expenses of an operating nature that are made or incurred with respect to the EOR project during the royalty year and that are directly related or attributable to the EOR project or to the production of oil from the EOR project, including the costs and expenses made or incurred with respect to lifting, processing, treating, waste disposal or injection, but does not include:
- (i) any costs incurred before the day the EOR project commences operation;

- (ii) any costs that are allowable transportation expenses as defined in clause 11(1)(a);
 - (iii) any cost or expenditure that may be categorized as either an investment or an operating cost;
 - (iv) any cost incurred with respect to an investment in the EOR project;
 - (v) any income taxes, profit taxes or other similar taxes;
 - (vi) any royalty or any other payment that is paid to any person with respect to any interest held by or on behalf of that person in the lands with respect to the EOR project or oil produced from the EOR project and allocated to Crown lands with respect to the EOR project; or
 - (vii) any overhead or administrative expense, or any amount paid or payable as, on account of or instead of payment of, or in satisfaction of, interest;
 - (viii) any costs remitted as eligible costs pursuant to *The Petroleum Innovation Incentive Regulations*;
 - (vii) **Repealed.** 21 May 2021 SR 64/2021 s2.
- (n) **“total EOR operating costs”**, for any royalty year with respect to an EOR project, means the sum of the direct EOR operating costs and the administrative cost allowance of the EOR project for the royalty year.
- (2) In this Part, with respect to an EOR project that commenced operation before April 1, 2005:
- (a) **“closing investment balance”**, for any royalty year with respect to the EOR project, means the amount, if any, by which the total investment balance exceeds the investment allowance of the EOR project for the royalty year;
 - (b) **“closing operating loss balance”**, for any royalty year with respect to the EOR project, means the amount, if any, by which the total operating loss balance exceeds the operating loss allowance of the EOR project for the royalty year;
 - (c) **“Crown EOR income subject to royalty”**, for any royalty year with respect to the EOR project, means the amount, if any, by which that portion of the EOR operating income of the EOR project for the royalty year that is allocated to the Crown lands with respect to the EOR project pursuant to section 31 exceeds that portion of the net royalty payments of the EOR project for the royalty year that is allocated to the Crown lands with respect to the EOR project pursuant to section 31;
 - (d) **“current EOR operating losses”**, for any royalty year with respect to the EOR project, means the amount, if any, by which the sum of the total EOR operating costs and the royalty deduction exceeds the sum of the gross EOR revenues and recovered investment with respect to the EOR project for the royalty year;
 - (e) **“current EOR operating profits”**, for any royalty year with respect to the EOR project, means the amount, if any, by which the sum of the gross EOR revenues and recovered investment exceeds the sum of the total EOR operating costs and the royalty deduction with respect to the EOR project for the royalty year;

- (f) **“EOR operating income”**, for any royalty year with respect to the EOR project, means the amount, if any, by which the sum of the gross EOR revenues and the recovered investment exceeds the total EOR operating costs for the royalty year;
- (g) **“escalated investment balance”**, for any royalty year with respect to the EOR project, means the amount determined by increasing the opening investment balance by the escalation factor;
- (h) **“escalated operating loss balance”**, for any royalty year with respect to the EOR project, means the amount determined by increasing the opening operating loss balance by the escalation factor;
- (i) **“escalation factor”**, for any royalty year with respect to the EOR project, means:
- (i) 10% or any other percentage that may be established by order of the minister as the escalation factor of EOR projects for the royalty year; or
 - (ii) if the royalty year is less than 12 months in duration, or if the EOR project ceases to operate for a portion of the royalty year, excluding any temporary cessation of operation for the purpose of performing repairs or maintenance, that proportion of the escalation factor otherwise in effect for the royalty year that the number of days in the royalty year bears to 365;
- (j) **“investment”**, with respect to the EOR project, means:
- (i) that portion, approved by the minister, of the costs and expenditures of a capital or developmental nature that is made or incurred with respect to the EOR project and is required for the purpose of producing EOR oil from the EOR project; and
 - (ii) the cost of any substances, other than water, that are injected into the reservoir for the purpose of enhancing the recovery of oil;
- in each case without deducting any amount credited, granted or paid to any person pursuant to any oil incentive program maintained or administered by the Government of Canada or the Government of Saskatchewan, other than credits applied towards the remission of royalties and taxes pursuant to *The Petroleum Research Incentive Regulations* that relate to the EOR project;
- (k) **“investment allowance”**, for any royalty year for the EOR project, means an amount equal to the lesser of:
- (i) the total investment balance of the EOR project for the royalty year; and
 - (ii) the net EOR operating profits of the EOR project for the royalty year;
- (l) **“net EOR operating profits”**, for any royalty year with respect to the EOR project, means the amount, if any, by which the current EOR operating profits exceed the operating loss allowance with respect to the royalty year;

- (m) **“net royalty lease”** means a lease mentioned in section 39 of *The Petroleum and Natural Gas Regulations, 1969*, being Saskatchewan Regulations 8/69, and includes any other arrangement pursuant to which any person is required to pay to the Crown with respect to oil that is produced from or allocated to Crown lands, an amount greater than the amount that would have been payable had the oil been produced pursuant to a lease granted pursuant to Part V of *The Petroleum and Natural Gas Regulations, 1969*, being Saskatchewan Regulations 8/69;
- (n) **“net royalty payment”** means the amount by which the payments required to be made to the Crown pursuant to a net royalty lease with respect to oil produced from or allocated to Crown lands exceeds the amount that would have been payable had the oil been produced under a lease granted pursuant to Part V of *The Petroleum and Natural Gas Regulations, 1969*, being Saskatchewan Regulations 8/69;
- (o) **“opening investment balance”**, for any royalty year with respect to the EOR project, means:
- (i) for the royalty year in which the EOR project commences operation, zero; and
 - (ii) for any subsequent royalty year, an amount equal to the closing investment balance of the EOR project for the preceding royalty year;
- (p) **“opening operating loss balance”**, for any royalty year with respect to the EOR project, means:
- (i) for the royalty year in which the EOR project commences operation, zero; and
 - (ii) for any subsequent royalty year, an amount equal to the closing operating loss balance of the EOR project for the preceding royalty year;
- (q) **“operating loss allowance”**, for any royalty year with respect to the EOR project, means an amount equal to the lesser of:
- (i) the total operating loss balance of the EOR project for the royalty year; and
 - (ii) the current EOR operating profits of the EOR project for the royalty year;
- (r) **“pre-payout ratio”**, for any royalty year with respect to the EOR project, means:
- (i) with respect to any royalty year for which the net EOR operating profits are greater than zero, the quotient obtained when the investment allowance is divided by the net EOR operating profits with respect to the royalty year; and
 - (ii) with respect to any royalty year for which the net EOR operating profits are zero, 1.0;

- (s) “**recovered investment**”, for any royalty year with respect to the EOR project, means an amount equal to the lesser of:
- (i) the amount by which the aggregate of the proceeds of disposition arising on all dispositions during that royalty year of project assets with respect to the EOR project exceeds the sum of the escalated investment balance and the current investment for the royalty year; and
 - (ii) the amount by which the aggregate of all investment allowances with respect to the EOR project for all royalty years ending after December 31, 1981 and before the particular royalty year exceeds the aggregate of all recovered investments with respect to the EOR project for all royalty years ending after December 31, 1981 and before the particular royalty year;
- (t) “**royalty deduction**” means, for any royalty year with respect to the EOR project, unless the EOR project is an EOR project to which *The Weyburn Unit CO₂ Crown Oil Royalty Regulations* apply, an amount equal to the sum of:
- (i) the amount by which the amount that is not the least or greatest of the following amounts exceeds the amount equal to the product of the SRC and the gross EOR Crown revenues for the EOR project for the royalty year:
 - (A) 1% of the gross EOR Crown revenues of the EOR project for the royalty year;
 - (B) 5% of the gross EOR Crown revenues of the EOR project for the royalty year;
 - (C) 10% of the Crown EOR income subject to royalty of the EOR project for the royalty year;
 - (ii) any net royalty payments made to the Crown for the royalty year with respect to any EOR oil produced from the EOR project and allocated to the lands that are subject to a net royalty lease; and
 - (iii) any royalties paid for the royalty year to a person, other than the Crown, who is a beneficial owner of oil and gas rights within the meaning of section 13 of *The Freehold Oil and Gas Production Tax Act, 2010* with respect to any EOR oil produced from or allocated to the lands subject to those oil and gas rights, but if those royalties are paid pursuant to an agreement or arrangement that was made before 1986, and that agreement or arrangement has been amended to increase the royalties payable after December 31, 1985, the increase must be approved by the minister;
- (u) “**total investment balance**”, for any royalty year with respect to the EOR project, means the amount, if any, by which the sum of the escalated investment balance and the current investment exceeds the aggregate of the proceeds of disposition arising on all dispositions during that royalty year of project assets with respect to the EOR project;

(v) **“total operating loss balance”**, for any royalty year with respect to the EOR project, means the sum of the escalated operating loss balance and the current EOR operating losses with respect to the royalty year.

(3) In this Part, with respect to EOR projects that commenced operation on or after April 1, 2005:

(a) **“closing unrecovered costs”**, for any royalty year with respect to the EOR project, means the amount by which the total unrecovered costs exceeds the cost recovery allowance of the EOR project for the royalty year;

(b) **“cost recovery allowance”**, for any royalty year with respect to the EOR project, means the lesser of:

- (i) the total unrecovered costs of the EOR project for the royalty year; and
- (ii) the EOR operating income of the EOR project for the royalty year;

(c) **“EOR operating income”**, for any royalty year with respect to the EOR project, means the sum of the operating revenue and the recovered investment of the EOR project for the royalty year;

(d) **“escalated unrecovered costs”**, for any royalty year with respect to the EOR project, means the product of:

- (i) the opening unrecovered costs of the EOR project for the royalty year; and
- (ii) the escalation factor of the EOR project for the royalty year;

(e) **“escalation factor”**, for any royalty year with respect to the EOR project, means:

- (i) 5% or any other percentage that may be established by order of the minister as the escalation factor of the EOR project for the royalty year; or
- (ii) if the royalty year is less than 12 months in duration, or if the EOR project ceases to operate for a portion of the royalty year, excluding any temporary cessation of operation for the purpose of performing repairs or maintenance, that proportion of the escalation factor otherwise in effect for the royalty year that the number of days in the royalty year bears to 365;

(f) **“investment”**, with respect to the EOR project, means:

(i) that portion, approved by the minister, of the costs and expenditures of a capital or developmental nature that is:

- (A) made or incurred with respect to the EOR project after the date on which the EOR project is approved pursuant to *The Oil and Gas Conservation Act*;
- (B) brought to the attention of the minister within 4 years after being made or incurred; and
- (C) required for the purpose of producing EOR oil from the EOR project;

in each case without deducting any amount credited, granted or paid to any person pursuant to any oil incentive program maintained or administered by the Government of Canada or the Government of Saskatchewan;

- (g) **“opening unrecovered costs”**, for any royalty year with respect to the EOR project, means:
- (i) for the royalty year in which the EOR project commences operation, zero; and
 - (ii) for any subsequent royalty year, an amount equal to the closing unrecovered costs of the EOR project for the preceding royalty year;
- (h) **“operating loss”**, for any royalty year with respect to the EOR project, means the amount by which the sum of the total EOR operating costs and the resource surcharge allowance exceeds the gross EOR revenues of the EOR project for the royalty year;
- (i) **“operating revenue”**, for any royalty year with respect to the EOR project, means the amount by which the gross EOR revenues exceeds the sum of the total EOR operating costs and the resource surcharge allowance of the EOR project for the royalty year;
- (j) **“pre-payout ratio”**, for any royalty year with respect to the EOR project, means:
- (i) with respect to any royalty year for which the closing unrecovered costs are zero, the quotient obtained when the cost recovery allowance is divided by the EOR operating income of the EOR project for the royalty year; and
 - (ii) with respect to any royalty year for which the closing unrecovered costs are greater than zero, 1.0;
- (k) **“recovered investment”**, for any royalty year with respect to the EOR project, means an amount equal to the lesser of:
- (i) the amount by which the aggregate of the proceeds of disposition arising on all dispositions during that royalty year of project assets with respect to the EOR project exceeds the sum of the following amounts with respect to the EOR project for the royalty year:
 - (A) escalated unrecovered costs;
 - (B) operating loss;
 - (C) current investment; and
 - (ii) the amount by which the aggregate of all cost recovery allowances with respect to the EOR project for all royalty years before the particular royalty year exceeds the sum of the aggregate of the recovered investments and the operating losses with respect to the EOR project for all royalty years before the particular royalty year;

- (l) **“resource surcharge allowance”**, for any royalty year with respect to the EOR project, means the product of:
- (i) the gross EOR revenues of the EOR project for the royalty year; and
 - (ii) either:
 - (A) if the minister has not established an amount for the royalty year pursuant to paragraph (B), 1.7%; or
 - (B) an amount, expressed as a percentage, that may be established by order of the minister in recognition of the resource surcharge rate set pursuant to *The Corporation Capital Tax Act* and *The Financial Administration Act, 1993* and applicable to the gross EOR revenues of the EOR project for the royalty year;
- (m) **“total unrecovered costs”**, for any royalty year with respect to the EOR project, means the amount by which the sum of the following amounts with respect to the EOR project for the royalty year exceeds the aggregate of the proceeds of disposition of the EOR project for the royalty year:
- (i) escalated unrecovered costs;
 - (ii) operating loss;
 - (iii) current investment.

5 Apr 2012 cC-50.2 Reg 28 s30; 29 Nov 2019 SR 85/2019 s6; 21 May 2021 SR 64/2021 s2.

Allocation to Crown and non-Crown lands

31 For the purposes of calculating royalties pursuant to this Part, the following must each be allocated between the Crown lands with respect to the project and the lands with respect to the project that are not Crown lands in the proportions approved by the minister for the purposes of the allocation:

- (a) the gross EOR revenues of an EOR project for each month or royalty year, as the case may be;
- (b) the EOR operating income of an EOR project for each royalty year;
- (c) net royalty payments of an EOR project for each royalty year.

5 Apr 2012 cC-50.2 Reg 28 s31.

Calculation of EOR royalties

32 The royalty excepted and reserved and the payments to be made with respect to EOR oil produced from an EOR project and allocated to Crown lands with respect to that project on or after January 1, 1994 must be determined for each EOR project by:

- (a) calculating the appropriate Crown royalty rate expressed as a percentage of the EOR oil produced from or allocated to the Crown lands for each royalty year in accordance with the following:
 - (i) the Crown royalty rate for an EOR project to which section 38 applies is equal to the amount by which 5% exceeds the average SRC rate for the wells in the project;

(ii) the Crown royalty rate for an EOR project that commenced operation before April 1, 2005, other than an EOR project to which *The Weyburn Unit CO₂ Crown Oil Royalty Regulations* apply or an EOR project to which section 38 applies, is equal to the amount by which the fraction, expressed as a percentage, the numerator of which is the aggregate of paragraphs (A) and (B), and the denominator of which is the gross EOR Crown revenues of the project for the year, exceeds the average SRC rate for the wells in the project:

(A) the product obtained when the pre-payout ratio of the project for the year is multiplied by the intermediate amount of the following amounts:

(I) 1% of the gross EOR Crown revenues of the project for the year;

(II) 5% of the gross EOR Crown revenues of the project for the year;

(III) 10% of the Crown EOR income subject to royalty of the project for the year; and

(B) the product obtained when the post-payout ratio of the project for the year is multiplied by an amount equal to the greater of:

(I) 5% of the gross EOR Crown revenues of the project for the year; and

(II) 30% of the Crown EOR income subject to royalty of the project for the year;

(iii) the Crown royalty rate for an EOR project that commenced operation on or after April 1, 2005, other than an EOR project to which section 38 or 39 applies, is equal to the fraction, expressed as a percentage, the numerator of which is the aggregate of paragraphs (A) and (B), and the denominator of which is the gross EOR Crown revenues of the project for the year:

(A) the product obtained when the pre-payout ratio of the project for the year is multiplied by 1% of the gross EOR Crown revenues of the project for the royalty year;

(B) the product obtained when the post-payout ratio of the project for the royalty year is multiplied by 20% of the EOR operating income allocated to the Crown lands with respect to the EOR project for the royalty year pursuant to section 31;

(iv) the Crown royalty rate for an EOR project to which section 39 applies is equal to the fraction, expressed as a percentage, the numerator of which is the aggregate of paragraphs (A), (B) and (C) and the denominator of which is the gross EOR Crown revenues of the EOR project for the royalty year:

(A) the product obtained when the pre-payout ratio of the EOR project for the royalty year is multiplied by 1% of the gross EOR Crown revenues of the EOR project for the royalty year;

(B) the product obtained when the post-payout ratio of the EOR project for the royalty year is multiplied by the aggregate of the fourth tier oil royalty amounts determined every month in the royalty year in accordance with section 10 with respect to EOR oil produced from or allocated to Crown lands for all oil wells that are part of the EOR project; and

(C) the product obtained when 20% is multiplied by the portion of recovered investment allocated to the Crown lands with respect to the EOR project for the royalty year pursuant to section 31;

(b) determining the Crown royalty share of EOR oil produced from the project and allocated to Crown lands by applying the appropriate Crown royalty rate for the EOR project for the royalty year, as calculated pursuant to clause (a), to the total amount of EOR oil produced from the project and allocated to Crown lands for the royalty year;

(c) determining each royalty payer's share of the Crown royalty share, as determined pursuant to clause (b), of EOR oil produced from or allocated to the EOR project for the royalty year by applying the royalty payer's proportionate share of EOR oil to the Crown royalty share of EOR oil; and

(d) calculating the payment required to be made by each royalty payer for the royalty year with respect to the EOR oil produced from or allocated to the EOR project for the royalty year by applying the royalty payer's well-head price determined in accordance with section 11 to the royalty payer's share of the Crown royalty share, as determined pursuant to clause (c).

5 Apr 2012 cC-50.2 Reg 28 s32.

Collection of royalties for EOR oil

33 The royalties calculated pursuant to this Part must be paid, collected and remitted as otherwise provided in these regulations and, in particular, the royalties shall be collected and remitted by the operator of the EOR project to which they relate in the manner and at the time or times required by section 50, except that any amounts payable pursuant to section 42 are payable within 30 days after the date of the invoice.

5 Apr 2012 cC-50.2 Reg 28 s33.

Estimate to be filed

34 Every operator of an EOR project shall file with the minister, not later than one month before the beginning of each royalty year, a statement in a form approved by the minister setting out, with respect to the project for the year, an estimate of the following items, together with an allocation in accordance with section 31 of the estimated amounts mentioned in clauses (b) and (g):

- (a) the monthly production of EOR oil to be produced from or allocated to the project;
- (b) the gross EOR revenues of the project;
- (c) the direct EOR operating costs of the project;
- (d) the current investment in the project;

- (e) the recovered investment of the project;
- (f) the gross EOR Crown revenues of the project;
- (g) the EOR operating income of the project;
- (h) the royalties calculated pursuant to section 32 with respect to the EOR oil to be produced from the project and allocated to Crown lands.

5 Apr 2012 cC-50.2 Reg 28 s34.

Estimate to be reviewed

35 Within 30 days after it is filed, the minister shall review any estimate set out in a statement filed pursuant to section 34 with respect to an EOR project for any royalty year, and after that review the minister shall promptly send to the operator of the project written notice:

- (a) stating that the estimate has been approved by the minister without revision; or
- (b) if the minister considers it necessary to revise the estimate, stating that the estimate has been approved by the minister with revisions and setting out the revisions and the reasons for those revisions.

5 Apr 2012 cC-50.2 Reg 28 s35.

Revision of estimate

36 Notwithstanding the approval of an estimate pursuant to section 35, if at any time during a royalty year the minister is satisfied that changing events justify a revision of the estimate, the minister shall send to the operator of the EOR project a written notice:

- (a) stating that the minister considers it necessary to revise the previously approved estimate;
- (b) setting out the revision to the estimate and the reasons for the revision; and
- (c) specifying the effective date of the revision as it affects the instalment amount to be calculated pursuant to section 37.

5 Apr 2012 cC-50.2 Reg 28 s36.

Remittance of instalment amount

37(1) Every operator of an EOR project, other than a project to which section 38 applies, shall remit a royalty instalment on EOR oil with respect to that EOR oil, on account of the royalties to be calculated for the royalty year pursuant to section 32, in accordance with this section.

(2) The royalty instalment amount mentioned in subsection (1) must be calculated in accordance with the following formula:

$$\text{Royalty Instalment} = M \times \frac{R}{Y}$$

where:

M means the amount of the gross EOR Crown revenues associated with the EOR oil that was produced from an EOR project and allocated to Crown lands during a month;

R means the amount of royalties estimated pursuant to clause 34(h) in the statement filed for the year as the estimate has been approved by the minister pursuant to section 35 or 36; and

Y means the amount of the gross EOR Crown revenues estimated pursuant to clause 34(f) in the statement filed for the year as the estimate has been approved by the minister pursuant to section 35 or 36.

(3) Sections 49 and 50 apply, with any necessary modification, to the invoice and payment of the royalty instalment amount.

5 Apr 2012 cC-50.2 Reg 28 s37.

Exemption

38 The minister may exempt an EOR project from the requirements of sections 34 to 37 during any period or periods that the minister may specify.

5 Apr 2012 cC-50.2 Reg 28 s38.

Fourth tier oil - EOR projects

39 With the agreement of the operator of an EOR project, the minister may approve as fourth tier oil the portion of EOR oil produced from the EOR project during a royalty year equal to the product of:

- (a) the post-payout ratio of the EOR project for the royalty year; and
- (b) the total amount of EOR oil produced from the EOR project during the royalty year.

5 Apr 2012 cC-50.2 Reg 28 s39.

Return to be filed

40 Every operator of an EOR project other than a project to which section 38 applies, shall file with the minister, no later than three months after the end of each royalty year, a return in a form approved by the minister containing a calculation of the royalty pursuant to section 32 with respect to the project for the year.

5 Apr 2012 cC-50.2 Reg 28 s40.

Penalty on audit assessments

40.1(1) For the purposes of section 24.1 of the Act, every operator shall pay to the minister a penalty on any amount invoiced to the operator pursuant to clause 42(a).

(2) For the purposes of subsection (1), the penalty is 10% of the amount invoiced to the operator pursuant to clause 42(a).

7 Jly 2017 SR 64/2017 s3.

Interest

41(1) For the purposes of section 24.1 of the Act, every operator of an EOR project who fails to file a return within the time required pursuant to section 40 shall pay to the minister interest on any amount invoiced pursuant to clause 42(a) from the last day on which the return was required to be filed pursuant to section 40 to the day on which the minister receives the return, as shown in the records of the minister.

(2) For the purposes of section 24.1 of the Act, every royalty payer shall pay to the minister interest on any amount invoiced to the operator pursuant to clause 42(a) as a result of any examination of the return mentioned in subsection (1) or any subsequent audit.

(3) The interest to be paid pursuant to subsection (2) must be calculated from the last day on which the return was required to be filed pursuant to section 40 to the day the minister issues an invoice pursuant to clause 42(a) as a result of any examination of the return or any subsequent audit.

(4) The rate of interest per annum for the purposes of this section is the rate equal to the sum of:

(a) the prime lending rate of the bank holding the general revenue fund as determined and adjusted in accordance with this section; and

(b) 3%.

(5) The interest rate prescribed by this section shall be determined on June 15 and December 15 in each year and:

(a) the interest rate as determined on June 15 applies to any amount that is invoiced on or after July 1; and

(b) the interest rate as determined on December 15 applies to any amount that is invoiced on or after January 1 of the following year.

5 Apr 2012 cC-50.2 Reg 28 s41; 7 Jly 2017 SR 64/2017 s4.

Minister's calculation differs

42 If, after examination of the return filed with the minister pursuant to section 40 or any audit subsequent to the initial examination of the information contained in the return, the minister's calculation of the amount of royalty owing pursuant to section 32 is other than the total amount of royalty paid for the year pursuant to section 37 or an amount previously calculated pursuant to this section, the minister shall:

- (a) invoice the operator for the amount of the minister's calculation that is greater than:
 - (i) the total amount paid pursuant to section 37; or
 - (ii) an amount previously calculated pursuant to this section; or
- (b) refund the operator for the amount that the minister's calculation is less than:
 - (i) the total amount paid pursuant to section 37; or
 - (ii) an amount previously calculated pursuant to this section.

5 Apr 2012 cC-50.2 Reg 28 s42.

Minister to pay interest

43(1) The minister shall pay interest to a royalty payer on any amount to be refunded to the operator pursuant to clause 42(b) as a result of any examination of the return or any subsequent audit.

(2) The interest must be calculated from the later of the day on which the return was required to be filed pursuant to section 40 and the day on which the return was received by the minister to the day the minister issues a refund pursuant to clause 42(b) as a result of any examination of the return or any subsequent audit.

(3) The rate of interest per annum for the purposes of this section is the rate equal to the prime lending rate of the bank holding the general revenue fund as determined and adjusted in accordance with this section.

(4) The interest rate prescribed by this section shall be determined on June 15 and December 15 in each year and:

- (a) the interest rate as determined on June 15 applies to any amount that is credited on or after July 1; and
- (b) the interest rate as determined on December 15 applies to any amount that is credited on or after January 1 of the following year.

5 Apr 2012 cC-50.2 Reg 28 s43.

Revised royalty year

44 With the consent of the minister, the operator of an EOR project, after the time at which the first statement with respect to the project is filed pursuant to section 34, may designate in writing a revised period not exceeding 53 weeks to be the royalty year for the project, and from and after the effective date of the change, royalty year means the revised period so designated.

5 Apr 2012 cC-50.2 Reg 28 s44.

Special operator to provide information

45 A royalty payer who is designated as a special operator pursuant to section 48 shall provide to the operator all information necessary to enable the operator to calculate the royalties pursuant to section 32 and to file the statements pursuant to section 34 and the return pursuant to section 40.

5 Apr 2012 cC-50.2 Reg 28 s45.

PART VII
Remittance

Designation of operator

46(1) Subject to subsection (2), the holders of working interests in a well who are liable to pay royalties pursuant to section 14 of the Act shall:

- (a) designate an operator of the well for the purposes of collecting and remitting royalties; and
 - (b) advise the minister in a manner acceptable to the minister of the designation made pursuant to clause (a).
- (2) The minister may designate any person that the minister considers appropriate as an operator for the purposes of collecting and remitting royalties.

5 Apr 2012 cC-50.2 Reg 28 s46.

Operator to remit royalties

47(1) Every operator is an agent of the Crown for the purposes of:

- (a) collecting, from each royalty payer having a working interest in Crown lands from which oil or gas is produced from or allocated to an oil well, gas well, EOR project or any other well, all royalties that each royalty payer is required to pay to the Crown in relation to that oil or gas; and
 - (b) remitting those royalties to the minister in the manner and at the times required by these regulations.
- (2) Subject to section 48, every royalty payer who receives or is entitled to receive any of the oil or gas produced from or allocated to Crown lands, or any proceeds of disposition or on account of that oil or gas, shall remit to the operator all royalties that the royalty payer is required to pay.
- (3) Without limiting the liability of any royalty payer for any of the royalties imposed by these regulations, and in addition to any other liability pursuant to this Part, any operator of a well who fails to deduct, to remit, or to deduct and remit any amount as and when required by these regulations:
- (a) is personally liable for and shall pay to the minister an amount equal to the aggregate of all amounts that the operator failed to deduct, to remit, or to deduct and remit, or any lesser amount as the minister may demand; and
 - (b) shall immediately remit the amount mentioned in clause (a) to the minister in accordance with these regulations.

5 Apr 2012 cC-50.2 Reg 28 s47; 7 May 2021 SR 44/2021 s8.

Special operator

48(1) If a royalty payer disposes of oil or gas produced from or allocated to Crown lands separately from the operator, a practice commonly referred to as “taking-in-kind”, the operator shall:

- (a) designate the royalty payer as a special operator; and
- (b) advise the minister in a manner acceptable to the minister of the designation made pursuant to clause (a).

(2) A royalty payer who has been designated pursuant to subsection (1) as a special operator shall remit royalties to the minister in accordance with sections 49 to 54 instead of remitting an amount equal to those royalties to the operator as required by subsection 47(2).

(3) If a royalty payer is designated as a special operator with respect to the oil or gas pursuant to subsection (1), the operator shall provide the special operator with all of the necessary information in sufficient time to enable the special operator to remit the royalties pursuant to subsection (2).

(4) Notwithstanding subsection 47(3), if a royalty payer is designated as a special operator with respect to the oil or gas pursuant to subsection (1), the operator is relieved from any obligation to remit to the minister all amounts that the royalty payer is liable to pay the Crown with respect to that oil or gas on account of a royalty calculated pursuant to these regulations.

5 Apr 2012 cC-50.2 Reg 28 s48.

Invoice of royalties

49 The minister shall, on a monthly basis:

- (a) determine the royalties required by these regulations with respect to all oil and gas produced from or allocated to any Crown lands in accordance with Parts II to VI of these regulations; and
- (b) provide to every operator and special operator an invoice that sets out the royalties mentioned in clause (a) applicable to that operator or special operator.

5 Apr 2012 cC-50.2 Reg 28 s49.

Payment of royalties

50(1) In this section, “**month of production**” means the month in which oil or gas is produced from an oil well, gas well, EOR project or any other well.

(2) Any payment required to be paid pursuant to these regulations must be paid:

- (a) subject to clause (b), by one of the following methods that is chosen by the minister:
 - (i) pre-authorized debit;
 - (ii) electronic transfer of funds;
 - (iii) cash or cash equivalent; or

- (b) in the case of exceptional circumstances that, in the opinion of the minister, prevent payment by the method chosen by the minister pursuant to clause (a), by any other method acceptable to the minister and the Minister of Finance.
- (3) The royalties required by these regulations shall be paid:
- (a) on or before the 15th day of the second month following the month of production; or
- (b) if the day mentioned in clause (a) is not a business day, on or before the last business day before the 15th day of the second month following the month of production.
- (4) Every operator and special operator who pays by pre-authorized debit pursuant to subclause (2)(a)(i) or by electronic transfer of funds pursuant to subclause (2)(a)(ii) shall provide the minister with the information required to enable payment by the applicable method.

5 Apr 2012 cC-50.2 Reg 28 s50; 6 Dec 2013 SR 96/2013 s3; 29 Nov 2019 SR 85/2019 s7; 7 May 2021 SR 44/2021 s9.

Election to apply credits

51(1) In this section, “**credits**” means credits earned by or transferred to an operator or special operator pursuant to any of the following:

- (a) *The Petroleum Research Incentive Regulations*;
- (b) *The Petroleum Innovation Incentive Regulations*;
- (c) *The Oil and Gas Processing Investment Incentive Regulations*;
- (d) *The Oil Infrastructure Investment Program Regulations*.
- (2) Subject to subsection (4), an operator or special operator who holds credits that have been earned or transferred pursuant to *The Petroleum Research Incentive Regulations*, *The Petroleum Innovation Incentive Regulations*, *The Oil and Gas Processing Investment Incentive Regulations* or *The Oil Infrastructure Investment Program Regulations* may elect to apply credits to royalties that have been paid pursuant to these regulations by applying to the minister in an approved form and manner.
- (3) Subject to subsections (5) and (6), the minister shall refund all or any part of the royalties paid by an operator or special operator if the minister is satisfied that:
- (a) the operator or special operator paid the royalties; and
- (b) the operator or special operator holds credits equal to the amount to be refunded.
- (4) This section applies only to royalties with respect to oil and gas produced between:
- (a) in the case of *The Petroleum Research Incentive Regulations*, March 1, 2012 and March 31, 2022;
- (b) in the case of *The Petroleum Innovation Incentive Regulations*, April 1, 2019 and March 31, 2035;

- (c) in the case of *The Oil and Gas Processing Investment Incentive Regulations*, April 1, 2019 and March 31, 2035; and
 - (d) in the case of *The Oil Infrastructure Investment Program Regulations*, April 1, 2020 and March 31, 2035.
- (5) Sections 64 and 65 do not apply to a refund of royalties made in accordance with this section.
- (6) Subsection (3) only applies with respect to the royalties paid:
- (a) during the month in which the operator or special operator earns or receives transfer of the credits; and
 - (b) during any subsequent month.

27 Mar 2020 SR 24/2020 s2.

Deferral of royalties–Waterflood Development Program

51.1 Notwithstanding any other provision of these regulations, payment of royalties may be deferred in accordance with *The Waterflood Development Program Regulations*.

29 Nov 2019 SR 85/2019 s8.

Receipt of remittance

52 For the purposes of section 15 the Act and these regulations, a remittance of royalty is deemed to have been received by the minister on the date shown in the ministry's records.

5 Apr 2012 cC-50.2 Reg 28 s52.

Provisional royalty

53(1) In this section:

- (a) **“delivered volume”** means the sum of the total fuel, total flared, total vent, total disposition, total purchased disposition, total injection, total load injection, closing inventory, shrinkage, total fire, total theft, total spill and total storage injection volumes for a facility;
- (b) **“facility”** means a common storage facility receiving production from one or more wells and includes equipment for separating the fluid into oil, gas, water and any other substances and for measurement;
- (c) **“facility operator”** means the operator of a facility within the meaning of *The Oil and Gas Conservation Regulations, 2012*;
- (d) **“provisional royalty amount”** means an amount calculated in accordance with subsections (2) to (5);
- (e) **“received volume”** means the sum of the opening inventory, total production, total receipts, total purchased receipts, total load recovery, inventory adjustment, process and total storage recovery volumes for a facility;

- (f) “**volumetric imbalance**” means the amount by which the volume of oil or gas reported as the delivered volume for a facility in a month exceeds the volume of oil or gas reported as the received volume for the facility in the month pursuant to section 105 of *The Oil and Gas Conservation Regulations, 2012*.
- (2) For each facility with respect to which there is a volumetric imbalance:
- (a) the oil or gas with respect to which there is a volumetric imbalance is deemed to be oil or gas produced from or allocated to Crown lands;
- (b) the facility operator is deemed for the purposes of these regulations to be the royalty payer with respect to the royalties owing on the volume of oil or gas mentioned in clause (a); and
- (c) the facility operator is liable for the payment of a provisional royalty amount with respect to the royalties mentioned in clause (b), calculated in accordance with this section.
- (3) The provisional royalty amount payable with respect to the volume of oil mentioned in clause (2)(a) is the amount POR calculated in accordance with the following formula and rounded to the nearest dollar:

$$\text{POR} = \text{OVI} \times \frac{\text{K}}{100} \times \text{NOP}$$

where:

OVI is the volumetric imbalance in cubic metres related to oil for the facility;

K is the K factor for non-heavy oil that is not southwest designated oil and that is old oil determined in accordance with subclause 7(d)(iv); and

NOP is NOP as defined in clause 7(f).

- (4) Subject to subsection (5), the provisional royalty amount payable with respect to the volume of gas mentioned in clause (2)(a) is the amount PGR calculated in accordance with the following formula and rounded to the nearest dollar:

$$\text{PGR} = \left[\text{GVI} - \frac{(\text{RV})}{10} \right] \times \frac{\text{K}_g}{100} \times \text{PGP} \times \text{PCF}$$

where:

GVI is the volumetric imbalance in thousand cubic metres related to gas for the facility;

RV is the received volume of gas in thousand cubic metres for the facility;

K_g is the K_g factor for old gas determined in accordance with subclause 18(g)(i);

PGP is PGP as defined in clause 18(i); and

PCF is the price conversion factor and is a constant value equal to 37.0 gigajoules per thousand cubic metres.

- (5) No provisional royalty amount is payable with respect to gas if either of the following conditions apply to the variables mentioned in subsection (4):
- (a) the GVI is less than or equal to 10 000 cubic metres;
 - (b) the GVI divided by the RV, expressed as a percentage, is less than 10.
- (6) The minister shall provide an invoice to every facility operator that sets out the provisional royalty amount calculated pursuant to subsections (3) to (5).
- (7) The provisional royalty amount shall be paid on or before the last business day of the month following the month in which the invoice is issued.
- (8) Sections 57 and 63 apply, with any necessary modification, to the provisional royalty amount.
- (9) Subject to subsections (10) and (11), if a facility operator submits amended information pursuant to section 105 of *The Oil and Gas Conservation Regulations, 2012* and if, as a result of that amended information, the provisional royalty amount calculated pursuant to this section changes, the minister shall:
- (a) provide an invoice to the facility operator that sets out the new provisional royalty amount owing, if any; and
 - (b) refund any provisional royalty amount paid by the facility operator before the amendment that is no longer payable due to the amended information.
- (10) The minister shall not refund any interest paid by the facility operator pursuant to section 57 with respect to any amount refunded pursuant to clause (9)(b).
- (11) Sections 64 and 65 do not apply to any refund provided pursuant to clause (9)(b).

5 Apr 2012 cC-50.2 Reg 28 s53.

Minister's option for royalty in kind

- 54(1) The minister, on behalf of the Crown, may elect to receive in kind all or any portion of the Crown royalty share of oil or gas instead of the payment calculated pursuant to these regulations.
- (2) If the minister has elected to receive the Crown royalty share in kind, the royalty payer shall deliver the Crown royalty share, or cause the Crown royalty share to be delivered, at the time or times, to the place or places, and in the manner that the minister may specify.
- (3) If a Crown royalty share is to be delivered to a place or places other than the place of production, the minister may allow a deduction from the quantity to be delivered to compensate for the expenses of delivery.

5 Apr 2012 cC-50.2 Reg 28 s54.

PART VIII
Recovery of Royalty

Debt due to Crown

55 All amounts required by or pursuant to the Act or these regulations to be paid or remitted to the minister are a debt due to the Crown and may be recovered in any manner provided in the Act or these regulations, in any manner authorized by *The Financial Administration Act, 1993* or in any other manner authorized by law.

5 Apr 2012 cC-50.2 Reg 28 s55.

Interim assessment of royalties - failure of system

56(1) If for any reason the petroleum registry or any other electronic system used by the minister is not operational and as a result, the minister is not able to calculate the royalty owing or send a notice of assessment to an operator, special operator or royalty payer with respect to any month, the operator, special operator or royalty payer shall pay to the minister an estimated amount of royalty that is equal to the amount of royalties with respect to oil and gas that were payable by the operator, special operator or royalty payer for the previous month.

(2) In the circumstances mentioned in subsection (1), the minister shall cause notice of the requirement to comply with subsection (1) to be given to operators, special operators and royalty payers in any manner that the minister considers appropriate to bring the requirement to the attention of operators, special operators and royalty payers.

(3) The estimated amount of royalty payable by an operator, special operator or royalty payer pursuant to subsection (1) may not be appealed.

(4) The royalty owing pursuant to subsection (1) shall be paid in accordance with section 50.

5 Apr 2012 cC-50.2 Reg 28 s56.

Penalty on audit assessments

56.1(1) For the purposes of section 24.1 of the Act, if any amount with respect to the royalties imposed by the Act or these regulations is not remitted by an operator or special operator to the minister as and when required by these regulations, the operator or special operator shall pay to the minister a penalty on that amount at the rate set out in subsection (2).

(2) For the purposes of this section, the penalty is 10% of the royalty that is not paid or remitted as and when required by the Act or these regulations.

7 Jly 2017 SR 64/2017 s5.

Interest

57(1) For the purposes of section 24.1 of the Act, if any amount with respect to the royalties imposed by the Act or these regulations is not remitted to the minister by an operator or special operator as and when required by these regulations, the operator or special operator shall pay to the minister interest on the amount at the rate set out in section 63 from the day on which that amount should have been remitted to the day on which it is remitted, as shown in the records of the minister.

(2) For the purposes of section 24.1 of the Act, if any amount with respect to the royalties imposed by the Act or these regulations is not remitted by a royalty payer to an operator or special operator as and when required by these regulations, the royalty payer shall:

- (a) pay to the minister interest on that amount at the rate set out in section 63 from the day on which that amount should have been remitted to the day on which it is remitted, as shown in the records of the minister; and
- (b) remit the interest to the operator or special operator to which that amount relates in the manner required by these regulations.

(3) For the purposes of section 24.1 of the Act, if any interest has been remitted to an operator or special operator pursuant to subsection (2), the operator or special operator shall remit the interest to the minister on or before the last day of the month in which the interest is remitted to the operator, and section 47 applies, with any necessary modification, to the interest and to the remittance of it, except as otherwise provided in these regulations.

7 Jly 2017 SR 64/2017 s6.

Lien

58 Notwithstanding any other Act:

- (a) all royalties imposed by the Act and these regulations on oil or gas produced from or allocated to Crown lands, and all interest, penalties or other amounts payable pursuant to the Act and regulations with respect to those royalties, constitute a first lien, charge and encumbrance in favour of the Crown on the entire estate, real and personal, of the person who is liable to pay those royalties, interest, penalties or other amounts, including the person's interest in the well or EOR project from which that oil or gas was produced, or to which it was allocated, in priority to every claim, privilege, lien or encumbrance of any other person, whether the right or title of that other person has accrued before or accrues after the attaching of the first lien, charge and encumbrance;
- (b) the priority of the first lien, charge and encumbrance mentioned in clause (a) is not lost or impaired by any neglect, omission or error of any official, officer or person, or by want of registration, or by the tender or acceptance of any partial payment of the royalties, interest, penalties or other amounts mentioned in clause (a); and
- (c) the first lien, charge and encumbrance mentioned in clause (a) may be realized by the seizure or the seizure and sale of all or any part of the estate, real and personal, of the person who is liable to pay those royalties and all interest, penalties or other amounts with respect to those royalties.

5 Apr 2012 cC-50.2 Reg 28 s58.

Distress

59(1) If default is made in the payment of any royalties, interest, penalties or other amounts due and owing pursuant to the Act and these regulations, the royalties, interest, penalties and other amounts may be levied and collected by distress, together with all costs of distress, on the goods and chattels, wherever found, of the royalty payer under a warrant signed by the minister directed to the sheriff having jurisdiction in the area in which the royalty payer may have any goods or chattels.

(2) The sheriff shall realize the amount directed to be realized by the warrant, together with all incidental costs, by the sale of the goods and chattels distrained or as may be necessary to satisfy the amount directed to be levied by the warrant together with the costs of the distress and sale.

5 Apr 2012 cC-50.2 Reg 28 s59.

Deduction or set-off

60 If any royalties, interest, penalties or other amounts imposed pursuant to the Act and regulations are not paid when due, the minister may require the retention by way of deduction or set-off of any amount that the minister may specify from or out of any amount that is or may become payable by the Crown to the royalty payer or to any other person on behalf or for the benefit of the royalty payer.

5 Apr 2012 cC-50.2 Reg 28 s60.

Action for recovery

61(1) If any royalty, interest, penalty or other amount due and owing pursuant to the Act and these regulations is not paid, the minister may bring an action in a court of competent jurisdiction to obtain payment of the royalty, interest, penalty or other amount as a debt due to the Government of Saskatchewan.

(2) The right of action provided in subsection (1) is in addition to all other rights that may be exercised pursuant to the Act.

5 Apr 2012 cC-50.2 Reg 28 s61.

**PART IX
General**

Working interest information

62(1) In this section:

- (a) **“business associate”** means a person who has registered to use the petroleum registry;
 - (b) **“business associate number”** means the numeric code assigned by the minister to identify a business associate.
- (2) Every operator shall submit, with respect to each holder of a working interest in a well:
- (a) the interest, expressed as a percentage, held in the well by the holder; and
 - (b) either:
 - (i) in the case of a holder that has a business associate number, the business associate number of the holder; or
 - (ii) in the case of a holder that does not have a business associate number, the name, mailing address, telephone number and email address of the holder.
- (3) The information required pursuant to subsection (2) must be submitted on or before the last business day of the month following the month with respect to which the information is being submitted.

(4) If there is a change in any of the information submitted to the minister pursuant to subsection (2), the operator shall submit to the minister a notice of change of information in a form and manner approved by the minister on or before the last business day of the month following the month with respect to which the information is being submitted.

5 Apr 2012 cC-50.2 Reg 28 s62.

Interest rate

63(1) For the purposes of section 57, the prescribed rate of interest per annum with respect to unpaid royalty is the rate equal to the sum of:

- (a) the prime lending rate of the bank holding the general revenue fund as determined and adjusted in accordance with this section; and
- (b) 3%.

(2) The interest rate prescribed by this section shall be determined on June 15 and December 15 in each year and:

- (a) the interest rate as determined on June 15 applies to unpaid royalty that is owing on or after July 1; and
- (b) the interest rate as determined on December 15 applies to unpaid royalty that is owing on or after January 1 of the following year.

5 Apr 2012 cC-50.2 Reg 28 s63.

Refunds

64(1) Subject to subsections (2) and (3), if an operator or special operator has made an overpayment of royalty, the minister:

- (a) shall refund the amount of the overpayment to the operator or special operator, as the case may be; and
- (b) may pay interest at the rate and in the manner set out in subsection 65(1).

(2) If an operator or special operator owes any royalty to the Crown pursuant to the Act or these regulations and has subsequently made an overpayment to the minister:

- (a) the minister shall retain the amount of the overpayment, or as much of the overpayment as is required, and apply it to the royalty owing; and
- (b) the minister shall notify the operator or special operator of the set-off.

(3) No refund is payable if the fact of the overpayment did not come to the knowledge of the minister within four years from the date on which the overpayment occurred.

(4) Notwithstanding *The Limitations Act*, no action may be brought to recover an overpayment after the expiration of four years from the date on which the overpayment occurred.

(5) The refund for an overpayment of royalty is to be made in a manner approved by the minister.

5 Apr 2012 cC-50.2 Reg 28 s64.

Interest on overpayment

65(1) For the purposes of clause 64(1)(b), the rate of interest per annum with respect to an overpayment of royalty is the prime lending rate of the bank holding the general revenue fund as determined and adjusted in accordance with this section.

(2) The interest rate prescribed by this section shall be determined on June 15 and December 15 in each year and:

(a) the interest rate as determined on June 15 applies to any royalty that is overpaid on or after July 1; and

(b) the interest rate as determined on December 15 applies to any royalty that is overpaid on or after January 1 of the following year.

5 Apr 2012 cC-50.2 Reg 28 s65.

Service of communication

66(1) Any communication required by these regulations to be given or served may be given or served:

(a) by personal service;

(b) by ordinary or registered mail to the last known address of the person being served; or

(c) on a person described in subsection (4), by electronic means.

(2) A communication served by ordinary mail or registered mail is deemed to have been received on the fifth business day following the day of its mailing, unless the person to whom it is mailed establishes that through no fault of the person, the person did not receive it or that the person received it at a later date.

(3) A communication served by electronic means is deemed to have been received on the second business day after it is sent.

(4) Every operator and special operator:

(a) is deemed to have consented to receive any notice or information pursuant to these regulations by electronic means; and

(b) shall provide the minister with an email address for service on that person.

(5) Irregularity in the service of a communication does not affect the validity of an otherwise valid communication.

5 Apr 2012 cC-50.2 Reg 28 s66.

Forms prescribed

67(1) The certificate set out in Form A of the Appendix is prescribed for the purpose of clause 16.01(1)(a) of the Act.

(2) The notice of intention set out in Form B of the Appendix is prescribed for the purpose of subsection 16.02(2) of the Act.

(3) The third party demand set out in Form C of the Appendix is prescribed for the purpose of subsection 16.02(3) of the Act.

(4) The forms prescribed in subsections (1) to (3) apply, with any necessary modification, to the collection of any rent, fees, dues or other charges, other than royalties, owing pursuant to the Act or these regulations.

5 Apr 2012 cC-50.2 Reg 28 s67.

PART IX.1

Inspections and Investigations

Definitions for Part

67.1 In this Part, “**property**” includes computer software.

29 Nov 2019 SR 85/2019 s9.

Inspections

67.2(1) The minister may make inquiries and conduct inspections, examinations and audits respecting the business and activities of any person governed by these regulations.

(2) Subject to subsection 67.3(4), the minister may do all or any of the following things in the course of making an inquiry or conducting an inspection, examination or audit:

(a) enter at any reasonable time and inspect any commercial premises used by a person governed by these regulations, including entering any building or structure used in connection with the operation of any well or any facility, plant or work at which the production from any well is treated or processed and take from that well, facility, plant or work any samples or specimens to determine the quantity or quality of production from that well, facility, plant or work;

(b) enter at any reasonable time premises containing any records or property required to be kept pursuant to these regulations or related to the administration of these regulations and inspect, examine or audit those records or that property;

(c) require the person governed by these regulations and any agent, representative, partner, director, officer or employee of the person to:

(i) answer any questions that may be relevant to the inquiry, inspection, examination or audit; and

(ii) provide the minister with all reasonable assistance, including using any computer hardware or software or any other data storage, processing or retrieval device or system to produce information;

(d) use any machinery, equipment, appliance or things that the minister considers necessary while at any premises mentioned in clause (a) or (b);

(e) in order to produce information, use any computer hardware or software or any other data storage, processing or retrieval device or system that is used in connection with the business or activities of any person governed by these regulations;

- (f) remove for examination and copying anything that may be relevant to the inquiry, inspection, examination or audit, including removing any computer hardware or software or any other data storage, processing or retrieval device or system in order to produce information.
- (3) The minister may serve a written demand on any person requiring that person to produce any records or property:
 - (a) required to be kept pursuant to these regulations; or
 - (b) related to the administration of these regulations.
- (4) No person on whom a written demand is served pursuant to this section shall fail to produce the records or property mentioned in the written demand within the time specified in the written demand.
- (5) If the minister demands any records or property pursuant to this section, the minister may examine the records or property and make copies of the records with reasonable dispatch and promptly return the originals of the records to the person who produced them.
- (6) If the minister requires a person to answer questions, to produce a record or other property or to provide assistance in accordance with this section, the person shall do so in the manner and within the period specified by the minister.
- (7) The minister shall:
 - (a) give a receipt for anything that the minister removes for examination and copying;
 - (b) promptly return anything removed pursuant to this section to the place from which it was removed or any other place agreed to by the minister and the person who produced it; and
 - (c) take all reasonable steps to ensure that, if a record is taken, a copy of the record is left at the premises to allow business to be carried on.

29 Nov 2019 SR 85/2019 s9.

Investigations

- 67.3(1)** If a justice or a provincial court judge is satisfied by information on oath or affirmation that there are reasonable grounds to believe that an offence against these regulations has occurred and that evidence of that offence is likely to be found, the justice or the provincial court judge may issue a warrant to do all or any of the following:
- (a) enter and search any place or premises named in the warrant;
 - (b) stop and search any vehicle described in the warrant;
 - (c) seize and remove from any place, premises or vehicle searched anything that may be evidence of an offence against these regulations;
 - (d) carry out any other activities mentioned in subsection (2).
- (2) With a warrant issued pursuant to subsection (1), the minister may:
- (a) enter at any time and search any place or premises named in the warrant;
 - (b) stop and search any vehicle described in the warrant;

- (c) open and examine the contents within any trunk, box, bag, parcel, closet, cupboard or other receptacle that the minister finds in the place, premises or vehicle;
 - (d) require the production of and examine any records or property that the minister believes, on reasonable grounds, may contain information related to an offence against these regulations;
 - (e) remove, for the purpose of making copies, any records examined pursuant to this section; and
 - (f) seize and remove from any place, premises or vehicle searched anything that may be evidence of an offence against these regulations.
- (3) Subject to subsection (4), the minister may exercise all or any of the powers mentioned in subsection (2) without a warrant issued pursuant to this section if:
- (a) the conditions for obtaining a warrant exist; and
 - (b) the minister has reasonable grounds to believe that the delay necessary to obtain a warrant would result:
 - (i) in danger to human life or safety; or
 - (ii) in the loss, removal or destruction of evidence.
- (4) The minister shall not enter a private dwelling without a warrant issued pursuant to this section unless the occupant of the dwelling consents to the entry.

29 Nov 2019 SR 85/2019 s9.

Copies admissible as evidence

67.4 A record certified by the minister or any person authorized by the minister to be a copy of a record made pursuant to section 67.2 or 67.3 is admissible in evidence, without proof of the office or signature of the person appearing to have certified the document, and has the same probative force as the original document.

29 Nov 2019 SR 85/2019 s9.

Entry on land

67.5 For the purposes of carrying out their duties pursuant to these regulations, the minister and any person lawfully accompanying the minister may enter on or pass over any land, whether enclosed or not, without a warrant.

29 Nov 2019 SR 85/2019 s9.

PART X
Repeal, Transitional and Coming into Force

R.R.S. c.C-50.2 Reg 9 repealed

68 *The Crown Oil and Gas Royalty Regulations* are repealed.

5 Apr 2012 cC-50.2 Reg 28 s68.

Transitional

69(1) In this section, “**former regulations**” means *The Crown Oil and Gas Royalty Regulations* as those regulations existed before the coming into force of these regulations.

(2) Notwithstanding the repeal of the former regulations, the former regulations remain in force and apply with respect to all oil and gas produced from or allocated to any Crown lands before March 1, 2012.

(3) Notwithstanding section 23, the minister shall assign the royalty payer’s well-head price of each category of gas pursuant to subsection (4) for the purposes of an interim royalty calculation if, in the opinion of the minister, there are any technical or other difficulties related to the determination of the amount in section 23 that would interfere with the timely preparation of the invoice required pursuant to section 49.

(4) For the purpose of subsection (3), the minister shall assign the well-head price of each category of gas to be the amount, if any, by which the multiplication of the PGP and a heating value of 37.0 gigajoules per thousand cubic metres exceeds the gas cost allowance.

5 Apr 2012 cC-50.2 Reg 28 s69; 5 Apr 2013 SR
17/2013 s6.

Coming into force

70(1) Subject to subsection (2), these regulations come into force on April 1, 2012 but are retroactive and are deemed to have been in force on and from March 1, 2012.

(2) If these regulations are filed with the Registrar of Regulations after April 1, 2012, 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 March 1, 2012.

5 Apr 2012 cC-50.2 Reg 28 s70.

Appendix**PART I
Tables****TABLE 1****Due Date for Payment of Royalties****Repealed.** 6 Dec 2013 SR 96/2013 s4.**PART II
Forms****FORM A
[Subsection 67(1)]****CERTIFICATE**

Pursuant to subsection 16.01(1) of *The Crown Minerals Act*, I hereby certify that

(name of person liable to pay or remit royalty)

owes the sum of \$ _____ to the Crown pursuant to *The Crown Minerals Act*, and that the amount has remained unpaid for at least 30 days since it became owing, and is determined as follows:

[Here specify the amount of royalty owing, including any penalty or interest owing with respect to that amount, and the property and period in relation to which the amounts are due.]

DATED at _____, Saskatchewan, this _____ day of _____, 20 ____ .

Minister of Energy and Resources

No. _____ filed with the Local Registrar
at the Judicial Centre of _____,
this ____ day of _____, 20 ____ .

Local Registrar

FORM B
[Subsection 67(2)]

NOTICE OF INTENTION

TO: _____

(name and address of person named in certificate)

TAKE NOTICE THAT:

1. A certificate pursuant to subsection 16.01(1) of *The Crown Minerals Act* has been filed with the Local Registrar in the Court of Queen’s Bench for the Judicial Centre of _____, a copy of which is attached to this notice.
2. The certificate mentioned in paragraph 1 has the same force and effect as if it were a judgment obtained in the Court of Queen’s Bench for the recovery of the sum in the amount specified in the certificate, together with any reasonable costs and charges with respect to its filing.
3. The minister intends to serve a demand for payment on _____
(third party)
requiring that all or any part of the money payable by the third party to you be paid to the minister immediately on it becoming payable.

DATED at _____, Saskatchewan, this ____ day of _____, 20 ____.

Minister of Energy and Resources

FORM C
[Subsection 67(3)]

THIRD-PARTY DEMAND

TO: _____

(name and address of third party)

RE: _____

(the person liable to pay or remit royalty)

(name of person named in the certificate)

TAKE NOTICE THAT:

1. Pursuant to subsection 16.01(1) of *The Crown Minerals Act*, a certificate has been filed with the Local Registrar of the court of Queen's Bench for the Judicial Centre of _____ certifying that the person liable to pay or remit a royalty owes the Crown certain amounts as payment of royalties, penalties or interest pursuant to *The Crown Minerals Act* in the amount of \$ _____.

That certificate has the same force and effect as if it were a judgment obtained in the Court of Queen's Bench for the recovery of a sum in the amount specified in the certificate, together with any reasonable costs and charges with respect to its filing.

2. It is believed that you are, or are about to become, indebted to or liable to pay money to _____, the person liable to pay or remit a royalty, being the person named in the certificate.
3. Pursuant to section 16.02 of *The Crown Minerals Act*, you are directed to pay to the Minister of Energy and Resources the lesser of:
 - (a) \$ _____; and
 - (b) all of the moneys owing by you to the person liable to pay or remit a royalty.

If, at the time of receipt of this third party demand, you are not indebted to the person liable to pay or remit a royalty, then as soon as you become indebted to the person liable to pay or remit a royalty, you must pay to the minister the amount of the indebtedness until the sum specified is fully paid and satisfied.

4. Unless revoked by the minister, this third party demand remains in force for six months after the day on which it was served.
5. Payment to the minister for money received pursuant to this third party demand discharges your liability to the person liable to pay or remit a royalty to the extent of the amount paid.
6. If, contrary to this direction, you fail to honour this third party demand or should you discharge your obligation to the person liable to pay or remit a royalty, you will be held liable to the Crown to the extent of the lesser of:
 - (a) the amount of liability discharged to the person liable to pay or remit a royalty; and
 - (b) the amount specified in the third party demand.

DATED at _____, Saskatchewan, this ____ day of _____, 20 ____.

Minister of Energy and Resources

