



*Saskatchewan Petroleum & Natural
Gas, Oil Sands, and Oil Shale
Disposition Types and Crown Public
Offerings*

**Lands and Mineral Tenure Branch
Mineral Lands and Resource Policy
Division**

Revised: January 2019

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Introduction

The Saskatchewan Ministry of Energy and Resources is responsible for administering mineral rights owned by the provincial Crown and regulating the oil and gas industry in the province. Provincial Crown oil and gas, oil sands, oil shale, and helium and associated gases dispositions are administered by the Lands and Mineral Tenure Branch in the Mineral Lands and Resource Policy Division. The province owns approximately 80% of all petroleum and natural gas rights in the surveyed area of Saskatchewan. Freehold lands comprise 16.5%, and 3.5% are Federal mineral rights. Dispositions of provincial Crown oil and gas rights can be purchased at Crown Public Offerings (aka Crown Sales) that are held six times per year. This document provides an overview of the dispositions administered by the Branch and the Public Offering process.

Petroleum and Natural Gas Dispositions

Special Exploratory Permits

This is the largest disposition type available and is designed to encourage exploration in the designated ‘special exploration area’ located in the central and extreme northwest portion of the province where limited work has been done.

The area for oil and gas and oil shale permits is located within:

- A) Township 20 north to the Precambrian Shield and from Range 30, West 1 to Range 27, West 2, inclusive;
- B) Township 1 north to the Precambrian Shield and from Range 28, West 2 to Range 3, West 3, inclusive; and
- C) Township 4 north to the Precambrian Shield and from Range 4, West 3 to Range 11 West 3, inclusive.
- D) Any approved area and approved zone at the discretion of the Minister.

The area for oil sands permits is between Township 73 and the Precambrian Shield and from the Fourth Meridian east to the Precambrian Shield.

No Special Exploratory Permit will be posted within 40 kilometres of any well cased for oil or gas production or within 10 km of an active oil shale or oil sands Enhanced Oil Recovery (EOR) project. Bids for this disposition will be in the form of work commitments for oil and gas and oil shale, and bonus bids for oil sands. The work commitment bid-type allows capital normally used for land acquisition to be applied to actual exploration work, thus making the disposition more attractive in that respect.

Size: The minimum size of these permits is 9,324 hectares and the maximum size is 186,500 hectares for petroleum and natural gas, and 93,240 hectares for oil sands and oil shale.

Term: The term is five years with a maximum of three (3) one-year extensions.

Rental: Twenty-five cents per hectare per year payable in advance.

Work Commitments: minimum of one well per 100,000 hectares with a minimum of one well per acre. Wells must be spaced at least 8 kilometers apart in order to qualify as work commitment wells. Minimum expenditures for oil and gas permits will be \$2.00 per hectare for each of the first two years, \$4.00 per hectare for each of the last three years, and \$6.00 per hectare for each year the permit has been extended. Expenditures for oil sands permits will be \$1.00 per hectare for each of the first two years, \$2.00 per hectare for each of the last three years, and \$3.00 per hectare for each year the permit has been extended. Minimum expenditures for oil shale permits will be \$1.00 per hectare for each of the first two years, \$2.00 per hectare for each of the final three years, and \$3.00 per hectare for each year the permit has been extended. Both drilling and seismic operations qualify as exploration expenditures. Excess expenditures may be allowed for credit purposes towards lease rents or expenditures to a maximum of \$2.00 per hectare for oil and gas permits or \$1.00 per hectare for oil sands or oil shale permits. You are required to file within four months of the end of each permit year a detailed report as to the exploration work done. This report should accompany your permit expenditure statement. If seismic work is to be claimed then certain technical material must be submitted in accordance with *The Oil and Gas Tenure Registry Regulations*. This must include:

- A shot point map complete with elevations;
- A shot hole lithology report or driller's log;
- Three different time structure maps of suitable horizons in a reproducible format; and
- A copy of the seismic report or observer's report.

Up to three permits may be grouped for expenditure purposes provided the permits are not separated by more than 10 km, are commonly-owned, and have not been extended.

Where the permittee does not meet the minimum annual expenditure a deficiency deposit equivalent to the work commitment may be submitted to keep the permit in good standing. It should be noted that a deficiency payment cannot be made in consecutive years or on permits that have been extended.

Lease Selection: For a single, ungrouped permit, lease selections may not exceed 25% of the original permit lands for oil and gas and oil shale permits or 50% of the original permit lands for oil sands permits. Grouping of the area factors of no more than three permits is allowed as long as the licences are within 10 kms of each other, are held by the same company and are granted for the same substance. Where no commercial discovery has been made, the lease selection must be made in a checkerboard pattern within 60 days of the expiry of the permit. Where a commercial discovery has been made, the lease selection can be in any configuration at any time during the term of the permit.

Exploration Licences

Exploration licences were first made available for posting in the April 1998 sale for oil and gas, and in 2007 for oil sands. This disposition grants the right to both explore for and produce oil and natural gas or oil sands, as the case may be. The terms and conditions of exploration licences are basically similar to Alberta's drilling licence disposition.

Size: The size of an exploration licence can range from one section to 36 sections in size; however, requests for three sections or less should be accompanied by details justifying the small size.

Term: Two-year terms for most of the province, except for the following areas:

- three years for licences that are between township 54 and township 66;
- four years for licences that are fully north of township 65; or
- five years for licences issued for oil sands.

Extensions will be granted where a company is drilling over the expiry date (three months maximum) or where access to the lands had been denied due to such things as environmental issues.

Rental: The rental is \$1.75 per hectare per year.

Lease Selection: Lease acreage earned is determined by the depth to which lease-earning wells are drilled. The method of determining the amount of land is as follows:

- for wells drilled to 1800 metres or less the area factor (number of sections earned) will be 0.004 times the total measured depth of the well;
- for wells drilled to more than 1800 metres the area factor (number of sections earned) will be 0.006 times the total measured depth of the well; or
- for oil sands licences, wells that are drilled to depth sufficient to intersect the oil sands zone the area factor is equal to one (1).

The total number of sections earned from an exploration licence is equal to the sum of area factors for each well drilled on the exploration licence. Grouping of the area factors of no more than two licences is allowed as long as the licences are within 3.2 kms of each other and both licences are held by the same company or companies.

Exploration Licence Guidelines are available online at:
<http://www.publications.gov.sk.ca/details.cfm?p=76013>

Leases

Leases are by far the most abundant disposition in the province. They convey the right to explore for and produce oil and/or gas. Leases can be obtained three ways:

- by exercise of rights under permits or exploration licences;
- offered for bid at Crown Public Offerings of petroleum and natural gas dispositions;
- in situations where the Ministry owns only a portion of a drainage unit (less than 16 hectares) such as lands under right of ways, water bodies, etc., and the remaining drainage unit is Freehold, a company can submit a request with the Ministry to negotiate a private sale for a lease consisting of the Crown's portion of the drainage unit provided they hold the balance that is Freehold.

Size: Oil and gas leases cannot exceed 3,173 hectares (49 quarters) in size. Such large leases, however, can only be derived from permits, or exploration licence lease

selections. For oil sands or oil shale, leases can be a maximum of one township (36 sections) in size. All the lands in a lease must be contiguous (they must adjoin). Leases offered at Public Offerings range in size from one legal subdivision to a maximum of four sections.

Term: Five-years for petroleum and natural gas and fifteen years for oil sands and oil shale.

Rental: The rental is \$3.50 per hectare per year, with a minimum amount of \$50.00.

Continuance: At the end of the primary term, leases are subject to the Deeper Rights Reversion annual review for further continuance. Continuance reasons (provided the wells are not abandoned prior to March 31) include:

- Licence (LI) - a valid well licence on March 31 of the continuance year;
- Drilling Operations (DO) - a spud date within 90 days of expiry;
- Production (P) – reportable production during the review period
 - production on commonly-owned leases on a surveyed section qualify for Surveyed Section Production (SSP);
- Unit (UN), Gas Area (GA), Gas Pool (GP), and Designated Heavy Oil Area (HO) - those portions of leases within a unit, gas area, gas pool or designated heavy oil area;
- Drainage Unit (DU) - if no production reported during review period;
- Offset (O) - leases within a surveyed section paying compensatory royalty
 - commonly-owned leases on the same section qualify for Surveyed Section Offset (SSO); and
- Surface Restrictions reason (SR) – where access has been denied due to causes such as an action by another government agency, surface reserves, consultation purposes, or a potash restricted drilling area.

For a detailed explanation of continuance reasons and FAQ's, refer to the Lease Continuance Review Guidelines which are available on the Ministry website at <http://publications.gov.sk.ca/documents/310/88931-Continuance%20Guidelines%20March%20202016.pdf>

Crown Public Offerings

The parcels posted in a Public Offering are those requested by oil/gas companies. To facilitate this process a closing date for receiving postings is set approximately four months prior to the Offering date. However, requests for Special Exploratory Permits must be submitted at least one month prior to the published close date to allow sufficient time for processing.

The posting requests are reviewed internally to determine whether or not they are already under lease, freehold, or if they are encumbered by caveats or other restrictions. If the PNG rights are Crown and undisposed, a further review determines whether or not they are selected for Treaty Land Entitlement purposes or overlapping mineral permits/leases (e.g. coal, potash, diamonds, etc.), and then reviewed for environmental or heritage concerns.

If your company is conducting seismic in advance of submitting posting requests, it is a good idea to review the land for these same concerns prior to gathering the seismic since the Ministry may not be able to post the lands and cannot guarantee surface access.

Submitting Posting Requests

Requests for postings will be accepted by the Ministry's online IRIS up to 4:00 p.m. CST on the closing date for each Offering. Requests for Special Exploratory Permits must be submitted at least one month prior to the closing date.

Information acquired from the following websites will assist in determining the availability of the mineral land: Mineral Ownership: www.isc.ca

Existing Dispositions and Land Claims: Mining and Petroleum GeoAtlas

If further information is required, please submit a request to mineralrights@gov.sk.ca.

For inquiries regarding postings, please contact the Manager of Crown Sales at (306) 787-2610.

In the case of overlapping requests, priority will be given to:

1. an Exploration Licence over a Lease.
2. an Exploration Licence or Lease over a Special Exploratory Permit.
3. the first request received.

The final configuration of a parcel is solely at the discretion of the Ministry.

Requests for Leases

A request for a single lease parcel cannot be larger than 4 sections. The lands requested for a single lease must be contiguous. Parcels less than 16 hectares, which are required to complete a drainage unit, will generally be negotiated with the holder of the freehold lease for the remainder of the drainage unit. All requests are to be submitted through IRIS.

Requests for Exploration Licences

The size of an Exploration Licence shall be a minimum of 1 section to a maximum of 36 sections. Requests for an Exploration Licence of 3 sections or less must be accompanied by details justifying the small size.

Requests for Special Exploratory Permits

Special Exploratory Permits are for very large tracts of land in a designated area of central Saskatchewan. The size of a Special Exploratory Permit shall be a minimum of 9,324 hectares to a maximum of 186,500 hectares for PNG rights and 93,240 hectares for Oil Sands and Oil Shale rights. Special Exploratory Permits cannot be posted within 40 kilometres of any well which is cased for petroleum or natural gas production or within 10 kilometres of any active Oil Shale or Oil Sands Enhanced Oil Recovery (EOR) project.

Posting requests for a Special Exploratory Permit must be submitted at least one month prior to the closing date for the Public Offering for which it is requested.

Updates and Other Information

If further information is required, please submit a request to mineralrights@gov.sk.ca.

Bidding Requirements-all bids to be submitted through IRIS.

Bidding on Special Exploratory Permits

When bidding on Special Exploratory Permits a bidder must submit the following:

1. a bid specifying the amount of money on eligible work to be spent on the permit lands during the first two years of the permit; and
2. an electronic debit code, to which the expenditure deposit (for oil and natural gas permits only), equal to 25% of the proposed first year's work commitment, the rental fee of 25¢ per hectare for the first year and application fee of \$600 will be charged if this is the successful bid.

Bidding on Exploration Licences

When bidding on an Exploration Licence a bidder must submit:

1. a bonus bid; and
2. an electronic debit code, to which the bonus bid amount, the rental fee of \$1.75 per hectare for the year, and an application fee of \$600.00 will be charged if this is the successful bid.

Bidding on Leases

When bidding on a Lease a bidder must submit:

1. a bonus bid; and
2. an electronic debit code, to which the bonus bid amount, the rental fee of \$3.50 per hectare (minimum of \$50.00) for the year (the rental fee is prorated for less than a full year at a rate of 25¢ per hectare per month) and an application fee of \$600.00 will be charged if this is the successful bid.

Public Offering Notice

Once the list of Special Exploratory Permits, Exploration Licences and Lease parcels has been finalized, the Public Offering Notice is prepared. This is issued about one month after the closing date and made available to the public. The Notice can be accessed online at <http://www.saskatchewan.ca/business/agriculture-natural-resources-and-industry/oil-and-gas/crown-land-sales-dispositions-and-tenure/public-offerings/schedule-of-crown-land-sales> or email landsale-subscribe-request@list.gov.sk.ca to subscribe to the Ministry's FREE e-mail service.

The Notice identifies the parcels on offer and the rights to be issued for each along with restrictions that apply to the parcel.

Information on individual wells near parcels is made available at a cost of \$1.00 per well and can be obtained by contacting our Geodata Unit at (306)787-2562. Geophysical information can also be acquired from Geodata at a cost of \$11.00 per map.

Bidding on Parcels

The closing time for submitting bids through IRIS is noon CST on the date of the Offering. The procedure for submitting bids is outlined on page one of the Sale Notice. The electronic debit system for payment of successful bids is the only acceptable form of payment.

Type of Bid that may be submitted

All bids must be submitted through IRIS. There are two types of bids; which are dependent on the substance/disposition.

1. Bonus Bids - Applicable for Exploration Licences, Leases and Oil Sands Exploratory Permits.
2. Work Commitment Bids - Applicable for P&NG and Oil Shale Exploratory Permits.

Acceptance or Rejection of Bids

Once the bids have been received, processed and the highest bidder on each parcel has been determined, the Ministry then reviews each bid to see whether or not it will be accepted. Each parcel has an evaluation done prior to the sale and this evaluation is updated as last minute information is obtained from confidential (DATH) holes and from the Ministry's field staff.

Evaluations are based on a number of technical criteria including current land values in the vicinity of the parcel being offered, geology/reservoir engineering and economic indicators.

Results of the Public Offering

Results of the Offering are typically published by 10:00 a.m. on the Thursday following the date of the Offering, after the News Release from the Minister's Office is made available to the public. The results are immediately loaded onto the website and sent to email subscribers (free email subscription at landsale-subscribe-request@list.gov.sk.ca). Hard copies are mailed out the next day.

Public Offering statistics and graphs are available online at <http://publications.gov.sk.ca/deplist.cfm?d=310&c=5024>.

Relevant Legislation and Regulation

Crown oil and gas dispositions are regulated under *The Oil and Gas Tenure Registry Regulations*, which are created pursuant to *The Crown Minerals Act*. The regulations and legislation can be downloaded in PDF format for free at the Queen's Printer Freelaw website www.qp.gov.sk.ca. Links to these documents and others (including, *The Oil and Gas Conservation Act*, *The Oil and Gas Conservation Regulations, 2012* and *The Crown Oil and Gas Royalty Regulations*) are available on the Government of Saskatchewan Publications Centre at <http://publications.gov.sk.ca/legislation.cfm>.

Table 1 – Disposition Report ending January 1, 2019:

	Dispositions	Hectares
LEASES		
Standard PNG Leases	18514	3,641,833
Net Royalty Leases	69	6,775
Helium Leases	123	170,528
Oil Sands Leases	2	17,437
Oil Shale Leases	17	91,668
PERMITS		
Helium Permits	83	913,690
PNG Special Exploratory Permits	0	0
Oil Sands Exploratory Permits	2	196,995
Oil Shale Exploratory Permits	0	0
LEASE OF SPACE AGREEMENTS	111	33,486
EXPLORATION LICENCES		
PNG Exploration Licences	43	164,478