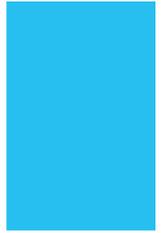


Oil and Gas



Oil and gas is one of Saskatchewan's leading industries.

In 2019, the combined estimated value of oil and gas production was over \$10.5 billion.

- Saskatchewan's upstream oil and gas industry provides an estimated 32,500 person years of employment (direct and indirect).
- In 2018-19, the industry contributed over \$700 million in revenue to the provincial economy.
- Saskatchewan ranked first in Canada for oil and gas investment in the Fraser Institute's Canada-United States (US) Energy Sector Competitiveness Survey 2019.
- Improvements to horizontal oil well drilling and completion techniques have greatly improved production from formations such as the Bakken (southeast Saskatchewan), the Lower Shaunavon (southwest) and the Viking (west-central).
- Other opportunities exist in shale gas in central and east-central Saskatchewan along with an estimated 2.7 million hectares of oil sands potential adjacent to the massive Athabasca deposit.

Our Competitive Edge

- In 2019, Saskatchewan was Canada's second-largest oil producer, accounting for 10% of total crude oil production and the seventh-largest onshore oil-producing jurisdiction in Canada and the United States behind Texas, Alberta, North Dakota, New Mexico, Oklahoma and Colorado.
- In 2019, Saskatchewan produced 177.9 million barrels (28.3 million cubic metres) of oil.
- There are approximately 36,500 active oil wells in Saskatchewan.
- Remaining recoverable oil reserves are 1.2 billion barrels (193.9 million cubic metres).
- Saskatchewan is the third-largest natural gas-producing province in Canada. In 2019, gas production was 179.3 billion cubic feet (5.1 billion cubic metres).
- Remaining recoverable gas reserves are 1.8 trillion cubic feet (51.6 billion cubic metres).

Innovation and Opportunity

- Opportunities abound in exploration, extraction, processing and refining; \$4.5 billion was spent in exploration and development in 2018, and an estimated \$3.9 billion was spent in 2019.
- An extensive network of pipelines and rail ensures quick turnaround from drilling to market.
- Saskatchewan has a crude oil refining capacity of approximately 109,000 barrels (17,323 cubic metres) per day and heavy crude oil upgrading capacity of approximately 137,000 barrels (21,773 cubic metres) per day.



Technology

- Currently approximately 12% of the 56 billion barrels (8.9 billion cubic metres) of oil in-place is recoverable based on current and expected conditions. With approximately 88% of the oil remaining in the ground, there is excellent potential for the use of enhanced oil recovery (EOR) technology.
- EOR technologies like polymer floods, carbon dioxide (CO₂) injection and steam assisted gravity drainage (SAGD) have the potential to increase investment and resource recoveries in Saskatchewan.
- Two major CO₂ flood projects are presently active in the province; one in the Weyburn Unit by Whitecap Resources Inc. and one in the Midale Unit by Cardinal Energy Ltd. Together these projects are projected to recover 267 million barrels (42.4 million cubic metres) of incremental oil, lengthen each unit's operating life by at least 25 years and provide underground storage for approximately 40 million tonnes of CO₂.

The Investment Climate

- High exploration and development potential
- Public land sales held six times a year
- Excellent land access to drilling sites
- Lower drilling costs due to shallower drilling depths and well-defined geology
- Technological advances allow greater oil production at a lower cost
- Affordable land prices – lower overall business and industrial costs
- Central North American location with excellent transportation services and access to markets

The Bottom Line

Tax and Royalty Structures

- Stable, competitive royalty rates – among the lowest in Canada – developed in partnership with industry and

which are sensitive to price and production rates

- Low 'fourth tier' royalties and freehold production taxes applicable to all newly drilled conventional oil and gas wells
- Drilling incentives for new horizontal oil wells, deep oil wells and exploratory wells
- Reduced royalty/freehold production tax rates for incremental oil produced due to enhanced oil recovery projects

Support and Infrastructure

- Over a 40-year history of supplying goods and services to the oil and gas industry in Canada and around the world
- Access to extensive crude oil and natural gas gathering systems connected to interprovincial and international pipeline networks
- Leading-edge research and development (R&D) capabilities through the Petroleum Technology Research Centre (PTRC) and the Saskatchewan Research Council (SRC).
- **SPII** - The Saskatchewan Petroleum Innovation Incentive offers qualifying pilot projects and commercial scaling projects transferable royalty credits of 25% of eligible project costs
- **OGPII** - The Oil and Gas Processing Investment Incentive offers qualified greenfield or brownfield value-added projects transferable royalty credits of 15% eligible project costs.
- **OIIP** - The Oil Infrastructure Investment Program offers transferable royalty credits for qualified greenfield or brownfield value-added projects at a rate of 20% eligible program costs.
- Streamlined and responsive regulatory system
- Producers have access to extensive geological data (the most complete core lab in Canada), seismic data, well location maps and well data
- Hard-working, skilled, reliable and productive workforce

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