

The Crown Oil and Gas Royalty Regulations

being

Chapter C-50.2 Reg 9 (effective January 1, 1994) as amended by Saskatchewan Regulations 93/96, 2/1999, 85/1999, 23/2000, 101/2001, 96/2003, an Errata Notice published in the Gazette December 12, 2003, an Errata Notice published in the Gazette December 24, 2003, 14/2006 and 111/2008.

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.

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CHAPTER C-50.2 REG 9

The Crown Minerals Act

PART I

Short Title, Interpretation and Remittance

Title

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

Interpretation

- 2 In these regulations:

(a) **“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;

(a.1) **Repealed.** 17 Mar 2006 SR 14/2006 s3.

(b) **“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*;

(c) **“drainage unit”** means the area established for a drainage unit pursuant to Part III of *The Oil and Gas Conservation Act* respecting the zone of an oil well or gas well;

(d) **“EOR factor”** means the factor respecting an EOR project, expressed as a percentage, determined in accordance with the following formula:

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

AR is the additional recoverable reserves of oil, as determined by the minister from time to time, that are 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 that is determined by the minister from time to time for a portion of the pool containing the EOR project and that is determined for any period or periods that the minister may specify;

- (e) **“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 from time to time as EOR oil for the purposes of these regulations;
- (f) **“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 from time to time as an EOR project for the purposes of these regulations, for any period or periods specified by the minister;
- (f.1) **“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;
 - (B) that is incremental waterflood oil respecting an approved waterflood project that commenced operation on or after October 1, 2002; or
 - (ii) that is approved by the minister from time to time as fourth tier oil for the purposes of these regulations or that is approved pursuant to section 34.1;

- (g) **“gas”** means natural gas, including casing-head gas and all hydrocarbons not defined as oil;
- (h) **“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 department 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 department 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 from time to time as a gas well;
- (i) **“geological system”** means the strata, as determined from time to time 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;
- (j) **“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;
- (k) **“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 17.1 of *The Oil and Gas Conservation Act*; or
 - (ii) any other oil well approved by the minister as a horizontal oil well;

- (l) **“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;
- (m) **“incremental oil factor”** means the factor respecting an approved waterflood project, expressed as a percentage, determined in accordance with the following formula:

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

AR is the additional recoverable reserves of oil, as determined by the minister from time to time, that are 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 that is determined by the minister from time to time for a portion of the pool containing the approved waterflood project and that is determined for any period or periods that the minister may specify;

- (n) **“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;
- (n.1) **“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 where:
- (i) in the case of a gas well with a horizontal section, the centre of the drainage unit is the centre of the nearest drainage unit that is established for a gas well that does not have a horizontal section and that is penetrated by a horizontal section of the gas well; or
 - (ii) in the case of a gas well location that is planned to have a horizontal section, the centre of the drainage unit is the centre of the nearest drainage unit that is established for a gas well that does not have a horizontal section and that is planned to be penetrated by a horizontal section of the gas well location;

(n.2) **“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 where:

(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;

(o) **“licence”** means a licence to drill an oil well or gas well where the licence is issued pursuant to Part II of *The Oil and Gas Conservation Act*;

(p) **“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, where 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, where 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, where 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 respecting 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 area; or

(G) heavy oil; or

(ii) that is approved by the minister from time to time as new oil for the purposes of these regulations;

(q) **“non-heavy oil”** means all oil produced in Saskatchewan that is not heavy oil;

(r) **“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 section 99 of *The Oil and Gas Conservation Regulations, 1985*;

(r.1) **“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;

(r.2) **“oil shale”** means a compact rock of sedimentary origin containing disseminated organic matter from which oil can be extracted through destructive distillation;

(s) **“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 department 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 department 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 from time to time as an oil well;

(t) **“old oil”** means all oil that is not new oil, third tier oil, fourth tier oil or EOR oil;

- (u) **“operator”** means:
 - (i) the person:
 - (A) designated by the royalty payers as the operator of an oil well, gas well or EOR project for the purposes of remitting royalties to the minister on behalf of the royalty payers who are not special operators; and
 - (B) listed as the operator of the oil well, gas well or EOR project on the department’s records for the purposes of these regulations; or
 - (ii) any other person designated by the minister as the operator of an oil well, gas well or EOR project for the purposes of these regulations;
- (u.1) **“operator’s reporting share”** means the portion of oil and gas produced from an oil well, gas well or EOR project for which an operator or special operator is responsible for remitting the royalties to the minister pursuant to these regulations;
- (v) **“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;
- (w) **“pool boundary”** means the boundary of a pool established pursuant to *The Oil and Gas Conservation Act* and the regulations made pursuant to that Act;
- (x) **“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 produces 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;
- (y) **“royalty payer”** means a person who owns a working interest;
- (z) **“shut-in or suspended oil well”** means an oil well that is not producing oil, gas or any other substance;

- (z.1) “**southwest area**” means the area within Townships 1 through 21 in Ranges 1 through 30, West of the Third Meridian;
- (z.2) “**southwest designated oil**” means:
- (i) all oil produced within the southwest area that is:
 - (A) produced from oil or gas wells 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;
- (aa) “**SRC**” means the Saskatchewan Resource Credit, which equals:
- (i) two and one-half percentage points for:
 - (A) third tier oil that is produced from gas wells or vertical oil wells with a finished drilling date on or after February 9, 1998;
 - (B) incremental waterflood oil produced within an approved waterflood project that commenced operation on or after February 9, 1998 and before October 1, 2002;
 - (C) EOR oil produced within a new or expanded portion of an EOR project that commenced operation on or after February 9, 1998;
 - (C.1) any other oil or gas that is approved by the minister for the purposes of these regulations; and
 - (D) third tier gas; and
 - (ii) one percentage point for all other oil and gas other than fourth tier oil or fourth tier gas;
- (bb) **Repealed.** 29 Jan 99 SR 2/1999 s3.
- (cc) “**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;
 - (B) that is incremental waterflood oil respecting 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 from time to time as third tier oil for the purposes of these regulations;

- (dd) **“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;
- (ee) **“vertical oil well”** means an oil well that is not a horizontal oil well;
- (ff) **“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 from time to time as a waterflood project.
- (gg) **“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;
- (hh) **“working interest”** means an interest acquired pursuant to a Crown lease, including an interest acquired from the person who is the holder of the Crown lease, where the interest:
- (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 from or allocated to the Crown lands that are the subject of the lease;
- (hh) **“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 Crown Minerals Act*, including an interest acquired from the person who is the holder of the lease, if the interest:
- (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;
- (ii) **“zone”** means any interval approved by the minister that is definable respecting a geological formation or geological unit.

2 Dec 94 cC-50.2 Reg 9 s2; 13 Dec 96 SR 93/96 s3; 29 Jan 99 SR 2/1999 s3; 28 Apr 2000 SR 23/2000 s3; 21 Dec 2001 SR 101/2001 s3; 26 Sep 2003 SR 96/2003 s3; 17 Mar 2006 SR 14/2006 s3; 21 Nov 2008 SR 111/2008 s3.

C-50.2 REG 9**CROWN OIL AND GAS ROYALTY****Production from more than one zone**

3(1) Where 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, are to be considered a separate oil well unless the minister determines from time to time that the reserves in all the zones or any combination of the zones, in combination with the wellbore, are to 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.

(2) Where 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, are to be considered a separate gas well unless the minister determines from time to time that the reserves in all the zones or any combination of the zones, in combination with the wellbore, are to 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.

13 Dec 96 SR 93/96 s4.

Allocation and measurement of production

4 For the purposes of these regulations:

(a) where 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) where 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) where the production of oil or gas from an oil well, gas well or EOR project is estimated pursuant to section 99 of *The Oil and Gas Conservation Regulations, 1985*, that estimate is deemed to be the actual amount produced; and

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

13 Dec 96 SR 93/96 s5; 21 Nov 2008 SR 111/2008 s4.

Arm's-length transactions

5 For the purposes of these regulations, persons do not deal at arm's length with each other if they would not be considered as dealing at arm's length pursuant to the *Income Tax Act* (Canada).

2 Dec 94 cC-50.2 Reg 9 s5.

Royalties not remitted until received

6 Royalties that are required to be remitted to the minister are not considered to be remitted until they are received by the minister at the offices of the department at Regina.

2 Dec 94 cC-50.2 Reg 9 s6.

Operator to remit royalties

7(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 is produced or to which is allocated oil or gas produced from an oil well, gas well or EOR project, 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 time or times required by these regulations.

(2) Every operator who collects royalties in accordance with this section shall remit those royalties to the minister on or before the last day of the month following the end of the month for which those royalties are calculated.

(3) Every remittance made by an operator pursuant to subsection (2) is to be:

- (a) accompanied by a return in a form acceptable to the minister; and
- (b) directed to the minister at the offices of the department at Regina.

(4) An operator may deduct from any amount payable by the operator to a royalty payer an amount equal to all amounts that the operator has remitted or is or will be required to remit pursuant to subsection (2) on behalf of the royalty payer to the extent that those amounts have not previously been deducted.

(5) All amounts deducted by an operator pursuant to subsection (4) are deemed to have been received by the royalty payer at the time they are deducted by the operator.

(6) Subject to section 9, 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 of or on account of that oil or gas, with respect to which the full amount mentioned in subsection (4) has not been deducted by the operator, shall promptly remit to the operator an amount equal to the amount that has not been deducted by the operator.

(7) All amounts deducted by an operator pursuant to subsection (4) and all amounts remitted to an operator pursuant to subsection (6) shall be deemed to be held in trust by the operator for the Crown until those amounts are remitted pursuant to subsection (2), and any amount so held in trust by an operator shall not form part of the operator's estate or property for any purpose but is and remains the property of the Crown, whether or not that amount is kept separate by the operator from the operator's own estate or property.

(8) Without limiting the liability of any royalty payer for any royalties payable to the Crown, and in addition to any other liability or penalty to which the royalty payer may be subject, any operator who fails to remit any amount as required by this section is personally liable for and shall pay to the minister an amount equal to the aggregate of all amounts that the operator failed to remit, and for the additional charge on those amounts provided in "The Delayed Payment Charge Regulations, 1970", being Saskatchewan Regulations 263/70, and that amount with the additional charge is a debt due to the Crown and may be recovered, in addition to any other manner in which a debt may be recovered, in any manner provided in these regulations or in *The Crown Minerals Act* for the recovery or collection of royalties payable to the Crown.

(9) Where any amount respecting the royalties payable by a royalty payer is not remitted by the royalty payer to an operator as required by subsection (6), the charge provided in “The Delayed Payment Charge Regulations, 1970”, being Saskatchewan Regulations 263/70, shall be paid by the royalty payer and the royalty payer shall remit that charge to the operator in the manner required by subsection (6).

(10) Where any charge has been remitted to an operator pursuant to subsection (9), the operator shall remit that charge to the minister on or before the last day of the month in which that charge is so remitted to the operator, and the provisions of this section apply, with any necessary modification, to that charge and to the remittance of that charge.

(11) Where, pursuant to these regulations, no royalty is to be calculated or paid for any month respecting any oil or gas produced from or allocated to Crown lands for that month, a return in the form approved for the purposes of subsection (3) must be delivered to the department by the operator within one month after the end of the month in which that oil or gas was produced from or allocated to the Crown lands.

2 Dec 94 cC-50.2 Reg 9 s7; 13 Dec 96 SR 93/96 s6; 21 Nov 2008 SR 111/2008 s5.

Election to apply credits

7.1(1) An operator, or a special operator designated pursuant to subsection 9(1), who has entered into an agreement with the minister pursuant to *The Petroleum Research Incentive Regulations* may, in lieu of remitting any portion of any royalties that are to be remitted pursuant to section 7 or 9, elect to apply credits in an amount equal to that portion by completing a form approved by the minister for that purpose.

(2) Notwithstanding that an operator or special operator does not remit any portion of any royalties pursuant to an election, the operator or special operator shall:

- (a) calculate the amount of royalty; and
- (b) deliver to the department a return, in the form approved for the purposes of subsection 7(3), within one month after the end of the month in which that oil or gas was produced from or allocated to the Crown lands.

(3) In this section and in section 7.2, “**credits**” means credits earned by the operator or special operator pursuant to section 6 of *The Petroleum Research Incentive Regulations*.

26 Nov 99 SR 85/1999 s3.

Application of section 7.1

7.2(1) Section 7.1 applies only to royalties based on oil or gas produced between November 30, 1999 and March 31, 2012.

(2) Where an operator or special operator remits royalties, the operator or special operator is not subsequently entitled to apply credits in lieu of remitting those royalties or to a refund of any amount remitted.

(3) Nothing in section 7.1 relieves an operator or special operator of the obligation to make reports and provide information to the department in accordance with these regulations.

26 Nov 99 SR 85/1999 s3; 26 Sep 2003 SR 96/2003 s4; 17 Mar 2006 SR 14/2006 s4.

Royalty a debt due

8(1) A royalty payer who is required to pay a royalty pursuant to these regulations remains liable to the Crown for the amount of the royalty, and the royalty is a debt due to the Crown, until the royalty payer has paid it to the operator to whom the royalty is to be remitted pursuant to subsection 7(6) or to the minister or until the operator has deducted from an amount payable to a royalty payer an amount equal to, and attributed that amount to, the royalty pursuant to subsection 7(4).

(2) This section applies, with any necessary modification, to an amount that a royalty payer is required to pay pursuant to subsection 7(9).

2 Dec 94 cC-50.2 Reg 9 s8.

Special operator

9(1) Where a royalty payer disposes of oil or gas produced from or allocated to Crown lands separately from the operator, the operator shall advise the minister in a form acceptable to the minister, and the minister may designate the royalty payer as a special operator respecting a portion of the oil or gas produced from or allocated to those Crown lands.

(2) A royalty payer who has been designated pursuant to subsection (1) as a special operator shall determine the royalties payable on the oil or gas mentioned in subsection (1) and remit those royalties to the minister in the manner and at the time or times provided in subsection 7(2) instead of remitting an amount equal to those royalties to the operator as required by subsection 7(6).

(3) Where a royalty payer is designated as a special operator respecting the oil or gas pursuant to subsection (1), the operator shall:

(a) respecting that oil or gas, determine the royalty share pursuant to clause 15(c), 28(c), or 45(c) or any combination of those clauses that the case may require, and provide that information to the special operator; and

(b) provide the special operator with all other information necessary to enable the special operator to comply with subsection (2).

(4) The operator shall provide the information mentioned in subsection (3) in sufficient time to enable the special operator to comply with subsection (2).

(5) Notwithstanding subsection 7(2), where a royalty payer is designated as a special operator respecting 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 respecting that oil or gas on account of a royalty calculated pursuant to these regulations.

13 Dec 96 SR 93/96 s7.

Minister's option for royalty in kind

10(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) Where 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 from time to time.

(3) Where 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.

2 Dec 94 cC-50.2 Reg 9 s10.

Liability of royalty payer

11 A royalty payer is liable to pay the royalties required by these regulations, respecting all oil and gas produced from or allocated to any Crown lands on or after January 1, 1996, that relate to:

- (a) the royalty payer's working interest share of the oil and gas that is included in the operator's reporting share of oil or gas; and
- (b) where there is an agreement for unit operation or a unit operation order made pursuant to *The Oil and Gas Conservation Act*, the royalty payer's working interest share of the oil and gas that is allocated to the unit tracts in which the royalty payer has a working interest pursuant to the agreement or order and that is included in the operator's reporting share of oil or gas.

13 Dec 96 SR 93/96 s8.

PART II
Conventional Oil Royalty

Interpretation

12 In this Part:

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

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

- (a.1) **"D"** means a factor determined in accordance with the following formula and rounded to the nearest hundredth:

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

- (a.2) **"HOP"** means the average heavy oil well-head price, expressed in dollars per cubic metre rounded to the nearest dollar, as estimated and set by the minister for a month in accordance with section 13;

- (b) **"K"** means a factor determined in accordance with the following formulas and rounded to the nearest hundredth:

- (i) for heavy oil that is also 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 also 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 also 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 also 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 also 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 also 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 also 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 also 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 also 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 also 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;

(c) **“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;

(d) **“NOP”** means the average non-heavy oil well-head price, expressed in dollars per cubic metre rounded to the nearest dollar, as estimated and set by the minister for a month in accordance with section 13;

(d.1) **“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 estimated and set by the minister for a month in accordance with section 13;

(e) **“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;

$$X = K \times 75.$$

2 Dec 94 cC-50.2 Reg 9 s12; 29 Jan 99 SR 2/
1999 s4; 26 Sep 2003 SR 96/2003 s5.

Minister to set HOP, NOP and SOP

13(1) No later than the 15th day in a month, the minister shall estimate and 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 department 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;

(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 postings and West Texas Intermediate futures prices;

(f) any event or other information that, in the opinion of the minister, may affect the level of Saskatchewan oil prices.

(2) **Repealed.** 26 Sep 2003 SR 96/2003 s6.

2 Dec 94 cC-50.2 Reg 9 s13; 13 Dec 96 SR 93/96
s9; 29 Jan 1999 SR 2/1999 s5; 26 Sep 2003 SR
96/2003 s6.

Notice of HOP, NOP and SOP

14 The department shall make the HOP, NOP and SOP for the month available to each operator and special operator.

2 Dec 94 cC-50.2 Reg 9 s14; 29 Jan 99 SR 2/
1999 s6.

Calculation of conventional oil royalties

15 The royalty excepted and reserved and the payments to be made respecting old oil, new oil, third tier oil or fourth tier oil that is produced from or allocated to any Crown lands on or after October 1, 2002 are to be determined for each oil well or gas well, for each month, by:

(a) calculating the appropriate Crown royalty rate, expressed as a percentage, respecting each category of oil produced from the well for the month, which, subject to Part III, is to be the greater of nil or 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 respecting each category, as calculated pursuant to clause (a), to the total monthly production of each category produced from the well for the month;

(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 respecting each category of oil produced from the well for the month by applying the royalty payer's well-head value as determined pursuant to section 16 to the royalty payer's share of the Crown royalty share as determined pursuant to clause (c).

2 Dec 94 cC-50.2 Reg 9 s15; 26 Sep 2003 SR 96/
2003 s7.

Well-head value of oil

16(1) In this section, “**allowable transportation expenses**” means:

- (a) 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 the oil; and
 - (b) any other reasonable transportation expenses that are approved by the minister as allowable transportation expenses.
- (2) Subject to subsections (3) and (4), the well-head value of oil produced from or allocated to an oil well, gas well or EOR project during a month is the following:
 - (a) where oil that was produced from or allocated to the oil well, gas well or EOR project was sold by a royalty payer pursuant to one or more arm’s-length agreements during the month, the well-head value of the oil is the positive difference between:
 - (i) the average price, expressed in dollars per cubic metre, received by the royalty payer pursuant to the arm’s-length agreements for sale of the oil during the month; and
 - (ii) allowable transportation expenses, expressed in dollars per cubic metre, respecting that oil; or
 - (b) where none of the oil produced from or allocated to the oil well, gas well or EOR project during the month was sold, the well-head value of the oil is the positive difference between:
 - (i) the average price, expressed in dollars per cubic metre, received in the first subsequent month by the royalty payer pursuant to arm’s-length agreements for oil that was produced from or allocated to that oil well, gas well or EOR project; and
 - (ii) allowable transportation expenses, expressed in dollars per cubic metre, respecting that oil.
- (3) Where, 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 purposes of transporting the oil, shall be used to determine the average price of the oil pursuant to subsection (2).
- (4) The well-head value of oil produced from or allocated to an oil well, gas well or EOR project during a month is the fair value determined by the minister in circumstances where:
 - (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) 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

(c) 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;

(d) **Repealed.** 28 Apr 2000 SR 23/2000 s4.

2 Dec 94 cC-50.2 Reg 9 s16; 13 Dec 96 SR 93/96 s10; 29 Jan 99 SR 2/1999 s7; 28 Apr 2000 SR 23/2000 s4; 21 Nov 2008 SR 111/2008 s6.

17 Repealed. 21 Dec 2001 SR 101/2001 s4.

PART III Conventional Oil Royalty Incentive

Interpretation

18 In this part:

(a) **“deep development vertical oil well”** means:

(i) a vertical oil well that is also 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;

(a.1) **“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 department, 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;

(a.2) “**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) at the time the well is licensed, the inter oil well distance from the vertical oil well to any other oil well or oil well location is more than three kilometres; or
 - (B) produces oil from a zone within an older geological system than the oldest geological system in which:
 - (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;

- (b) **Repealed.** 29 Jan 99 SR 2/1999 s8.
- (c) **Repealed.** 29 Jan 99 SR 2/1999 s8.
- (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 a well licence application:
 - (i) has been approved by the minister and has not subsequently been cancelled;
 - (ii) indicates oil as the well objective; and
 - (iii) has not yet resulted in a wellbore being cased for the purposes of production or abandoned;

- (f) **Repealed.** 29 Jan 99 SR 2/1999 s8.
- (g) **Repealed.** 26 Sep 2003 SR 96/2003 s8.
- (h) **Repealed.** 26 Sep 2003 SR 96/2003 s8.
- (i) **Repealed.** 26 Sep 2003 SR 96/2003 s8.
- (j) **Repealed.** 29 Jan 99 SR 2/1999 s8.
- (k) **Repealed.** 26 Sep 2003 SR 96/2003 s8.
- (l) **Repealed.** 26 Sep 2003 SR 96/2003 s8.

2 Dec 94 cC-50.2 Reg 9 s18; 13 Dec 96 SR 93/96 s12; 29 Jan 99 SR 2/1999 s8; 28 Apr 2000 SR 23/2000 s5; 26 Sep 2003 SR 96/2003 s8.

Maximum 5% new oil incentive

19 For the purposes of determining the appropriate Crown royalty share pursuant to clause 15(b), the appropriate Crown royalty rate is the lesser of the new oil Crown royalty rate calculated pursuant to clause 15(a) and a rate equal to 5% minus the SRC, for the portion of oil produced from or allocated to Crown lands that is included in:

- (a) **Repealed.** 26 Sep 2003 SR 96/2003 s9.
- (b) **Repealed.** 26 Sep 2003 SR 96/2003 s9.
- (c) new oil to which no other section of this Part applies and that is produced from a reactivated oil well during a 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.

2 Dec 94 cC-50.2 Reg 9 s19; 13 Dec 96 SR 93/96 s13; 26 Sep 2003 SR 96/2003 s9.

20 Repealed. 26 Sep 2003 SR 96/2003 s10.

Maximum 2.5% fourth tier incentive

21 For the purposes of determining the appropriate Crown royalty share pursuant to clause 15(b), the appropriate Crown royalty rate is the lesser of the fourth tier oil Crown royalty rate calculated pursuant to clause 15(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 also 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 also a horizontal oil well;

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- (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 also:
 - (i) an exploratory vertical oil well; or
 - (ii) a horizontal oil well.

26 Sep 2003 SR 96/2003 s11.

Reduction of volume incentive amounts

22(1) Where 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 21 will be reduced by the minister in the same proportion that the total investment within the meaning of clauses 26(2)(j) and 26(3)(g) related to the drilling of the oil well is included in calculating the royalty rate pursuant to clause 28(a).

(2) The minister may reduce the volume of oil for the purposes of section 21 for an oil well where:

- (a) the royalty payer has requested that the minister approve the oil well as a horizontal oil well pursuant to clause 2(k), a deep development vertical oil well pursuant to clause 18(a) or an exploratory vertical oil well pursuant to clause 18(a.2); 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 21 for an oil well where:

- (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 17.1 of *The Oil and Gas Conservation Act* and does not meet the conditions outlined in section 30.3 of *The Oil and Gas Conservation Regulations, 1985*; and
- (b) the person who submits an application for a licence to drill the oil well pursuant to Part IV of *The Oil and Gas Conservation Regulations, 1985* agrees with the reduction in volume.

(4) **Repealed.** 26 Sep 2003 SR 96/2003 s12.

(5) **Repealed.** 26 Sep 2003 SR 96/2003 s12.

(6) **Repealed.** 26 Sep 2003 SR 96/2003 s12.

(7) **Repealed.** 26 Sep 2003 SR 96/2003 s12.

2 Dec 94 cC-50.2 Reg 9 s22; 13 Dec 96 SR 93/96 s16; 29 Jan 99 SR 2/1999 s10; 26 Sep 2003 SR 96/2003 s12; 21 Nov 2008 SR 111/2008 s7.

Evaluation of oil well after licensing

23 Where the department has received the well completion information or the well activity report form or where the office of the department responsible for administering this section has received a letter from a royalty payer, 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 department received the well completion information, well activity report form or letter, and the evaluation must be based on the revised information respecting both the expected producing zone and the well objective.

2 Dec 94 cC-50.2 Reg 9 s23; 29 Jan 99 SR 2/1999 s11; 26 Sep 2003 SR 96/2003 s13.

Re-evaluation of oil well location

24 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 where, before the oil well is spudded, the office of the department responsible for administering this section is notified by a royalty payer that the oil well should be re-evaluated because each oil well location that affected that oil well's qualification pursuant to clause 18(a.2) has either:

- (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.

2 Dec 94 cC-50.2 Reg 9 s24; 13 Dec 96 SR 93/96 s17; 29 Jan 99 SR 2/1999 s12; 26 Sep 2003 SR 96/2003 s14.

25 Repealed. 21 Dec 2001 SR 101/2001 s5.

PART IV
Enhanced Oil Recovery (EOR) Royalty

Interpretation

26(1) In this Part, respecting all EOR projects:

- (a) **“administrative cost allowance”** for any royalty year respecting 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) **Repealed.** 21 Nov 2008 SR 111/2008 s8.
- (c) **“current investment”** for any royalty year respecting 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;
- (d) **“direct EOR operating costs”** for any royalty year respecting 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;
- (e) **“direct non-EOR operating costs”** for any royalty year respecting 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;
- (f) **“direct non-EOR operating costs factor”** for any royalty year respecting an EOR project means an amount established by order of the minister;
- (g) **“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;

(h) **“gross EOR Crown revenues”** for any month or royalty year respecting 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 respecting the EOR project pursuant to section 27;

(i) **“gross EOR revenues”** respecting 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 value determined in accordance with section 16 for that month; and

(ii) for any royalty year, the sum of the amounts determined for the EOR project in accordance with subclause (i) for each month in the royalty year;

(j) **“post-payout ratio”** for any royalty year respecting an EOR project means the amount by which 1.0 exceeds the pre-payout ratio for the royalty year;

(k) **“proceeds of disposition”** with respect to a disposition of a project asset respecting 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 value of the project asset at the time of disposition;

(l) **“project asset”** means any asset with respect to which an amount has been included as an investment in an EOR project;

(m) **“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;

(n) **“total direct operating costs”** for any royalty year respecting an EOR project means the costs and expenses of an operating nature that are made or incurred respecting 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 respecting 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 subsection 16(1);

(iii) any cost or expenditure that may be categorized as either an investment or an operating cost;

(iv) any cost incurred respecting 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 respecting any interest held by or on behalf of that person in the lands respecting the EOR project or oil produced from the EOR project and allocated to Crown lands respecting 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;
- (o) **“total EOR operating costs”** for any royalty year respecting 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, respecting an EOR project that commenced operation before April 1, 2005:
- (a) **“closing investment balance”** for any royalty year respecting 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 respecting 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 respecting 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 respecting the EOR project pursuant to section 27 exceeds that portion of the net royalty payments of the EOR project for the royalty year that is allocated to the Crown lands respecting the EOR project pursuant to section 27;
 - (d) **“current EOR operating losses”** for any royalty year respecting 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 respecting the EOR project for the royalty year;
 - (e) **“current EOR operating profits”** for any royalty year respecting 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 respecting the EOR project for the royalty year;

(f) **“EOR operating income”** for any royalty year respecting 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 respecting 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 respecting 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 respecting 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”** respecting 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 respecting 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 respecting the EOR project means the amount, if any, by which the current EOR operating profits exceed the operating loss allowance respecting 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 respecting 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 respecting 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 respecting the EOR project means:
- (i) for the royalty year in which the EOR project commences operation, nil; 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 respecting the EOR project means:
- (i) for the royalty year in which the EOR project commences operation, nil; 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 respecting 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 respecting the EOR project means:
- (i) respecting any royalty year for which the net EOR operating profits are greater than nil, the quotient obtained when the investment allowance is divided by the net EOR operating profits respecting the royalty year; and
 - (ii) respecting any royalty year for which the net EOR operating profits are nil, 1.0;

(s) “**recovered investment**” for any royalty year respecting 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 respecting 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 respecting 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 respecting 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 for 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 respecting any EOR oil produced from the EOR project and allocated to the lands that are subject to a net royalty lease;

(iii) **Repealed.** 21 Nov 2008 SR 111/2008 s8.

(iv) 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 28 of *The Freehold Oil and Gas Production Tax Act* respecting any EOR oil produced from or allocated to the lands subject to those oil and gas rights, but where 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 respecting 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 respecting the EOR project;

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

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

(a) **“CCT allowance”** for any royalty year respecting 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), 2%; or

(B) an amount, expressed as a percentage, that may be established by order of the minister in recognition of the Corporation Capital Tax surcharge rate applicable to the gross EOR revenues of the EOR project for the royalty year;

(b) **“closing unrecovered costs”** for any royalty year respecting 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;

(c) **“cost recovery allowance”** for any royalty year respecting 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;

(d) **“EOR operating income”** for any royalty year respecting the EOR project means the sum of the operating revenue and the recovered investment of the EOR project for the royalty year;

(e) **“escalated unrecovered costs”** for any royalty year respecting 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;

(f) **“escalation factor”** for any royalty year respecting 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;

(g) **“investment”** respecting 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 respecting the EOR project after the date on which the EOR project is approved pursuant to *The Oil and Gas Conservation Act* 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;

(h) **“opening unrecovered costs”** for any royalty year respecting the EOR project means:

- (i) for the royalty year in which the EOR project commences operation, nil; and
- (ii) for any subsequent royalty year, an amount equal to the closing unrecovered costs of the EOR project for the preceding royalty year;

(i) **“operating loss”** for any royalty year respecting the EOR project means the amount by which the sum of the total EOR operating costs and the CCT allowance exceeds the gross EOR revenues of the EOR project for the royalty year;

(j) **“operating revenue”** for any royalty year respecting the EOR project means the amount by which the gross EOR revenues exceeds the sum of the total EOR operating costs and the CCT allowance of the EOR project for the royalty year;

(k) **“pre-payout ratio”** for any royalty year respecting the EOR project means:

- (i) respecting any royalty year for which the closing unrecovered costs are nil, 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) respecting any royalty year for which the closing unrecovered costs are greater than nil, 1.0;

(l) **“recovered investment”** for any royalty year respecting 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 respecting the EOR project exceeds the sum of the following amounts respecting the EOR project for the royalty year:
 - (A) escalated unrecovered costs;
 - (B) operating loss;
 - (C) current investment; and

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(ii) the amount by which the aggregate of all cost recovery allowances respecting 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 respecting the EOR project for all royalty years before the particular royalty year;

(m) **“total unrecovered costs”** for any royalty year respecting the EOR project means the amount by which the sum of the following amounts respecting 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.

17 Mar 2006 SR 14/2006 s5; 21 Nov 2008 SR 111/2008 s8.

Allocation to Crown and non-Crown lands

27 For the purposes of calculating royalties pursuant to this Part, the following must each be allocated between the Crown lands respecting the project and the lands respecting the project that are not Crown lands in the proportions approved by the minister from time to time 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.

2 Dec 94 cC-50.2 Reg 9 s27; 29 Jan 99 SR 2/1999 s14.

Calculation of EOR royalties

28 The royalty excepted and reserved and the payments to be made respecting EOR oil produced from an EOR project and allocated to Crown lands respecting that project on or after January 1, 1994 is to 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 34 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 34 applies or a project to which section 34 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 34 or 34.1 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 respecting the EOR project for the royalty year pursuant to section 27;

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(iv) the Crown royalty rate for an EOR project to which section 34.1 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 15 respecting 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 respecting the EOR project for the royalty year pursuant to section 27;

(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 respecting the EOR oil produced from or allocated to the EOR project for the royalty year by applying the royalty payer's well-head value determined in accordance with section 16 to the royalty payer's share of the Crown royalty share, as determined pursuant to clause (c).

2 Dec 94 cC-50.2 Reg 9 s28; 13 Dec 96 SR 93/95 s19; 29 Jan 99 SR 2/1999 s15; 21 Dec 2001 SR 101/2001 s7; 17 Mar 2006 SR 14/2006 s6; 21 Nov 2008 SR 111/2008 s9.

Collection of royalties for EOR oil

29 The royalties calculated from time to time pursuant to this Part are to 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 7, except that any amounts payable pursuant to section 37 are payable within 30 days of the date of the invoice.

2 Dec 94 cC-50.2 Reg 9 s29; 13 Dec 96 SR 93/96 s20.

Estimate to be filed

30 Every operator of an EOR project shall file with the department, not later than one month prior to the beginning of each royalty year, a statement in a form approved by the minister setting out, respecting the project for the year, an estimate of the following items, together with an allocation in accordance with section 27 of the estimated amounts mentioned in clauses (b) and (h):

- (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) **Repealed.** 17 Mar 2006 SR 14/2006 s7.
- (f) the recovered investment of the project;
- (g) the gross EOR Crown revenues of the project;
- (h) the EOR operating income of the project;
- (i) **Repealed.** 17 Mar 2006 SR 14/2006 s7.
- (j) the royalties calculated pursuant to section 28 respecting the EOR oil to be produced from the project and allocated to Crown lands.

2 Dec 94 cC-50.2 Reg 9 s30; 29 Jan 99 SR 2/
1999 s16; 17 Mar 2006 SR 14/2006 s7.

Estimate to be reviewed

31 Within 30 days after it is filed, the minister shall review any estimate set out in a statement filed pursuant to section 30 respecting 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) where 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.

2 Dec 94 cC-50.2 Reg 9 s31.

Revision of estimate

32 Notwithstanding the approval of an estimate pursuant to section 31, 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

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- (c) specifying the effective date of the revision as it affects the instalment amount to be calculated pursuant to section 33.

2 Dec 94 cC-50.2 Reg 9 s32.

Remittance of instalment amount

33(1) On or before the last day of the month following the end of a month during which EOR oil was produced from an EOR project, other than a project to which section 34 applies, and allocated to Crown lands, the operator of that EOR project shall remit a royalty instalment, as determined in accordance with subsection (2) respecting that EOR oil, on account of the royalties to be calculated for the royalty year pursuant to section 28.

(2) The royalty instalment amount is to be calculated in accordance with the following formula:

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

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 30(j) in the statement filed for the year as the estimate has been approved by the minister pursuant to section 31 or 32; and

Y means the amount of the gross EOR Crown revenues estimated pursuant to clause 30(g) in the statement filed for the year as the estimate has been approved by the minister pursuant to section 31 or 32.

2 Dec 94 cC-50.2 Reg 9 s33; 29 Jan 99 SR 2/
1999 s17.

Exemption

34 The minister may exempt an EOR project from the requirements of sections 30 to 33 during any period or periods that the minister may specify.

2 Dec 94 cC-50.2 Reg 9 s34.

Fourth tier oil - EOR projects

34.1 For the purpose of subclause 2(f.1)(ii) and 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.

17 Mar 2006 SR 14/2006 s8.

Return to be filed

35 Every operator of an EOR project other than a project to which section 34 applies, shall file with the department, no later than three months following the end of each royalty year, a return in a form approved by the department containing a calculation of the royalty pursuant to section 28 respecting the project for the year.

2 Dec 94 cC-50.2 Reg 9 s35.

Interest

36(1) Every operator of an EOR project who fails to file a return within the time required pursuant to section 35 shall pay interest to the Crown on any amount invoiced pursuant to clause 37(a) from the last day on which the return was required to be filed pursuant to section 35 to the day the department receives the return.

(2) The interest is to be calculated using an annual rate equal to 1.2 times the rate of interest published in the Bank of Canada Review as the "Bank Rate" for the day preceding the day on which the return was required to be filed.

2 Dec 94 cC-50.2 Reg 9 s36.

Where minister's calculation differs

37 If, after examination of the return filed with the department pursuant to section 35 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 28 is other than the total amount of royalty paid for the year pursuant to section 33 or an amount previously calculated pursuant to this section, the department 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 33; or
 - (ii) an amount previously calculated pursuant to this section; or
- (b) credit the operator for the amount that the minister's calculation is less than:
 - (i) the total amount paid pursuant to section 33; or
 - (ii) an amount previously calculated pursuant to this section.

2 Dec 94 cC-50.2 Reg 9 s37.

C-50.2 REG 9**CROWN OIL AND GAS ROYALTY****Royalty payer to pay interest**

38(1) Every royalty payer shall pay interest to the Crown on any amount invoiced to the operator pursuant to clause 37(a) as a result of any subsequent audit.

(2) The interest is to be calculated from the last day on which the return was required to be filed pursuant to section 35 to the day the department issues an invoice pursuant to clause 37(a) as a result of any subsequent audit.

(3) The interest is to be calculated using an annual rate equal to 1.2 times the rate of interest published in the Bank of Canada Review as the “Bank Rate” for the day preceding the day on which the return was required to be filed.

2 Dec 94 cC-50.2 Reg 9 s38.

Minister to pay interest

39(1) The minister shall pay interest to a royalty payer on any amount credited to the operator pursuant to clause 37(b) as a result of any subsequent audit.

(2) The interest is to be calculated from the later of the day on which the return was required to be filed pursuant to section 35 and the day on which the return was received by the department to the day the department has issued a credit pursuant to clause 37(b) as a result of any subsequent audit.

(3) The interest is to be calculated using an annual rate equal to the rate of interest published in the Bank of Canada Review as the “Bank Rate” for the day preceding the day on which the interest commences to accrue.

2 Dec 94 cC-50.2 Reg 9 s39.

Revised royalty year

40 With the consent of the minister, the operator of an EOR project, after the time at which the first statement respecting the project is filed pursuant to section 30, 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.

2 Dec 94 cC-50.2 Reg 9 s40.

Special operator to provide information

41 A royalty payer who is designated as a special operator pursuant to section 9 shall provide to the operator all information necessary to enable the operator to calculate the royalties pursuant to section 28 and to file the statement pursuant to section 30.

13 Dec 96 SR 93/96 s21.

PART V Gas Royalty

Interpretation

42 In this Part:

(a) **“associates”** means any corporations that are considered to be associated corporations within the meaning of section 256 of the *Income Tax Act* (Canada) in relation to another operator or special operator and includes any other persons or corporations that are considered by the minister to be associates for the purposes of these regulations;

(a.1) **“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) **Repealed.** 13 Dec 96 SR 93/96 s22.

(c) **“cubic metre”** of 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.1) **“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 from time to time;

(d.1) **“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, where:

(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 from time to time as fourth tier gas for the purposes of these regulations;

(e) **“gas cost allowance”** means an amount respecting 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 from time to time;

(f) **Repealed.** 26 Sep 2003 SR 96/2003 s15.

(f.1) **“gross price”** means the total of:

(i) a price, expressed in dollars per thousand cubic metres or dollars per gigajoule, equal to:

(A) the price received pursuant to the first arm’s-length sales agreement; or

(B) a fair market value approved by the minister in cases where:

(I) the minister is satisfied that the price received pursuant to paragraph (A) does not reflect the fair market value of the gas at the point of sale;

(II) the minister is satisfied a price pursuant to paragraph (A) cannot be determined;

(III) the minister believes one of the purposes of the sales agreement is to unduly or artificially reduce the royalty payable on the production of gas; or

(IV) there is consideration for the sale of gas in addition to or instead of the price received pursuant to the sales agreement; and

(ii) for gas sales that occur:

(A) downstream of a fieldgate, nil; or

(B) upstream of a fieldgate, an amount that may be approved by the minister to raise the price determined pursuant to subclause (i) to a fieldgate level;

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

(i) for old gas:

$$K_g = 26.0 + \left[32.5 \times \left(\frac{PGP - 35}{PGP} \right) \right]$$

where (PGP – 35) is deemed to be zero if PGP is less than 35;

(ii) for new gas:

$$K_g = 19.5 + \left[26.0 \times \left(\frac{PGP - 35}{PGP} \right) \right]$$

where (PGP – 35) is deemed to be zero if PGP is less than 35;

(iii) for third tier gas:

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

where (PGP – 50) is deemed to be zero if PGP is less than 50;

(iv) for fourth tier gas:

$$K_g = 6.75 + \left[33.73 \times \left(\frac{PGP - 50}{PGP} \right) \right]$$

where (PGP – 50) is deemed to be zero if PGP is less than 50;

(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 or gas well for the month;

(i) “**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 from time to time as new gas for the purposes of these regulations;

(i.1) **“OGP”** means the operator average gas price at the fieldgate, expressed in dollars per thousand cubic metres rounded to the nearest cent, as determined by each operator or special operator for each month in accordance with section 44.3;

(j) **“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;

(j.1) **“PGP”** means the provincial average gas price at the fieldgate, expressed in dollars per thousand cubic metres rounded to the nearest cent, as set by the minister for each month in accordance with subsection 43(2);

(j.11) **“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 from time to time as third tier gas for the purposes of these regulations;

(j.2) **“transportation allowance”** means, for gas produced in Saskatchewan and sold downstream of the fieldgate, the total of:

(i) the transmission charges payable to the carrier or carriers for transmission of the gas, other than for sales that are excluded pursuant to section 44.2 during a month, between the fieldgate and the point of sale, in cases where the seller of the gas deals at arm's length with the carrier or carriers of gas between the fieldgate and the point of sale; and

(ii) an amount established from time to time by order of the minister for a month respecting the costs of transmission of the gas, other than for sales that are excluded pursuant to section 44.2, in cases where the seller of the gas does not deal at arm's length with a carrier or carriers of gas between the fieldgate and the point of sale or where, in the opinion of the minister, the transmission charges payable to a carrier or carriers of gas between the fieldgate and the point of sale are not reasonable charges for the transmission of that gas;

(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:

$$X_g = K_g \times 64.7.$$

2 Dec 94 cC-50.2 Reg 9 s42; 13 Dec 96 SR 93/96 s22; 29 Jan 99 SR 2/1999 s18; 26 Nov 99 SR 85/1999 s5; 26 Sep 2003 SR 96/2003 s15; Errata Notice 12 Dec 2003; Errata Notice 24 Dec 2003; 17 Mar 2006 SR 14/2006 s9.

Minister to estimate and set PGP

43(1) The minister shall estimate the PGP for a month after consideration of the following:

- (a) prices specified in contracts applicable to sales of gas produced in Saskatchewan and delivered to purchasers during the month;
- (b) transportation charges applicable to the sales pursuant to clause (a);
- (c) volume shrinkage due to gas volumes delivered to and used for purposes of fuel gas by the carriers of gas between the fieldgate and the point of sale;
- (d) the historical trend of the percentage of gas volumes produced in Saskatchewan and contracted for sale during a month that is actually delivered for sale during the month;
- (e) estimated average prices and sales volumes provided by operators and special operators for the month;
- (f) any event or other information that, in the opinion of the minister, may have affected the level of gas prices in Saskatchewan.

(2) No later than the 15th day in a month, the minister shall set the PGP for the previous month by adjusting the PGP estimated in accordance with subsection (1), to account for:

- (a) the difference between the PGP estimated in accordance with subsection (1) for the most recent month that is being processed by the department's billing system and the actual weighted average gas price at the fieldgate determined by the department for that same month on the basis of actual gas sales information received pursuant to section 44.2;
- (b) the effect of all gas sales amendments, affecting sales of gas on or after January 1, 1996, processed by the department since the previous month's billing cycle; and
- (c) the amount of sales value that was not accounted for in the adjustment to the PGP estimated and set for the previous month because of the 2% limit mentioned in subsection (3).

(3) The adjustment mentioned in subsection (2) is not to exceed 2% of the PGP estimated in accordance with subsection (1).

13 Dec 96 SR 93/96 s23.

Notice of PGP

44 The department shall make the PGP for a month available to each operator and special operator.

13 Dec 96 SR 93/96 s24.

Election of OGP or PGP

44.1(1) An operator or special operator must elect to use either the OGP or the PGP to calculate the royalty payable pursuant to clause 45(d) by the operator or special operator.

(2) The election pursuant to subsection (1) must be received on a form approved by the department:

(a) on or before January 15, 1996, if the operator or special operator was recognized by the department prior to January 1, 1996 as an operator or special operator respecting gas that is subject to royalty pursuant to these regulations; or

(b) on or before the 15th day of the month following the month in which the operator or special operator first becomes an operator or special operator respecting gas that is subject to royalty pursuant to these regulations, if the operator or special operator was not recognized by the department prior to January 1, 1996 as an operator or special operator respecting gas that is subject to royalty pursuant to these regulations.

(3) The minister shall approve an operator or special operator to use the PGP if:

(a) the operator or special operator and all associates in relation to that operator or special operator that are operators or special operators have elected to use the PGP pursuant to subsections (1) and (2); or

(b) the operator or special operator has not previously elected to use the PGP pursuant to clause (a) and, together with all associates in relation to that operator or special operator that are operators or special operators, provides the department with a written notice of the election to commence using the PGP.

(4) The operator or special operator shall use:

(a) the PGP in cases where the operator or special operator:

(i) has been approved to use the PGP pursuant to subsection (3); and

(ii) has not subsequently had the approval repealed pursuant to subsection (5); and

(b) the OGP in cases other than those described in clause (a).

(5) Where an operator or special operator has been approved to use the PGP pursuant to subsection (3), the minister may, at the request of the operator or special operator, withdraw the approval in situations where the operator or special operator has notified the department that:

- (a) changes have occurred respecting the operator's or special operator's ownership, corporate structure or relationship to any associates that are operators or special operators; or
- (b) the operator or special operator who did not have any working interest in gas produced from or allocated to Crown lands at the time the election was made pursuant to subsection (3) obtains a working interest in gas produced from or allocated to Crown lands.

(6) The minister's approval pursuant to:

- (a) clause 3(a) is effective on:
 - (i) January 1, 1996 for an operator or special operator who is recognized by the department prior to January 1, 1996 as an operator or special operator respecting gas that is subject to royalty pursuant to these regulations; or
 - (ii) the first day of the first month in which the operator or special operator first becomes an operator or special operator respecting gas that is subject to royalty pursuant to these regulations, if the operator or special operator was not recognized by the department prior to January 1, 1996 as an operator or special operator respecting gas that is subject to royalty pursuant to these regulations;
- (b) clause 3(b) is effective on the first day of the month following the month in which the written notice is received by the department; and
- (c) subsection (5) is effective on a date approved by the minister.

13 Dec 96 SR 93/96 s25; 21 Dec 2001 SR 101/
2001 s8.

Sales excluded from PGP and OGP

44.2(1) Each operator and special operator is required to submit, on forms prescribed by the department and at the time or times required by the department, details of their sales of gas during a month other than:

- (a) sales of gas not produced in Saskatchewan;
- (b) sales of gas previously purchased at arm's length;
- (c) non-arm's-length sales of gas used as fuel in oilfield and gasfield operations; and
- (d) sales of gas:
 - (i) produced from oil wells where the point of sale occurs upstream of the fieldgate; and
 - (ii) exempt from royalties pursuant to section 47.

(2) In cases where the operator or special operator sells gas during a month and through a review or an audit by the department and following consultation with the operator or special operator the minister is satisfied that gas produced in Saskatchewan was allocated to specific sales contracts during the month in a manner that unduly or artificially reduced the royalty payable on the gas, the minister may specify the sales contracts, to which the gas is to be allocated, that, in the opinion of the minister, more accurately reflect the value received for the Saskatchewan gas by the operator or special operator for the purposes of determining the well-head value of the gas pursuant to section 46.

13 Dec 96 SR 93/96 s25; 29 Jan 99 SR 2/1999
s19; 26 Sep 2003 SR 96/2003 s16.

Calculation of OGP

44.3 The OGP is to be calculated for every month for each operator or special operator in accordance with the following formula:

$$\text{OGP} = \frac{S - T}{V + F}$$

where:

S is the total gross value of gas sales for the month where the gross value of each gas sale is determined by multiplying the gross price of each sale, other than sales excluded pursuant to section 44.2, by the amount of gas delivered to the purchaser at the point of sale;

T is the transportation allowance for the month;

V is the volume of gas related to the sales included in S; and

F is any volume of gas delivered to the arm's-length carrier or carriers of the gas to compensate for fuel and line loss respecting any gas sales included in S where the value was not included in the transportation allowance for the month.

17 Mar 2006 SR 14/2006 s10.

Calculation of gas royalties

45 The royalties excepted and reserved and the payments to be made respecting old gas, new gas, third tier gas or fourth tier gas that is produced from or allocated to any Crown lands on or after October 1, 2002 are to be determined for each oil well or gas well, for each month, by:

- (a) calculating the appropriate Crown royalty rate, expressed as a percentage, respecting each category of gas produced from the well for the month, which, subject to Part VI, is to be the greater of nil or 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	$(C_g \times \text{MGP}) - D_g$
	Over 115.4	$\left(K_g - \frac{X_g}{\text{MGP}} \right)$
Fourth Tier Gas Produced from Oil Wells	0 – 64.7	0
	Over 64.7	$\left(K_g - \frac{X_g}{\text{MGP}} \right)$
Third Tier Gas, New Gas and Old Gas	0 – 115.4	$(C_g \times \text{MGP}) - \text{SRC}$
	Over 115.4	$\left(K_g - \frac{X_g}{\text{MGP}} \right) - \text{SRC}$

- (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 respecting each category, as calculated pursuant to clause (a), to the total monthly production of each category produced from the well for the month;

- (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 royalty payable by each royalty payer for the month respecting each category of gas produced from the well for the month by applying the well-head value, determined pursuant to section 46, of the operator or special operator who is responsible for remitting the payment, to the royalty payer's share of the Crown royalty share as determined pursuant to clause (c).

C-50.2 REG 9**CROWN OIL AND GAS ROYALTY****Well-head value of gas**

46 For the purpose of section 45, the operator's or special operator's well-head value of each category of gas is the amount, if any, by which the following amount exceeds the gas cost allowance:

- (a) if the operator or special operator has received minister's approval to use the PGP pursuant to section 44.1, the PGP;
- (b) if the operator or special operator has not received minister's approval to use the PGP pursuant to section 44.1 and if clause (c) does not apply, the OGP; or
- (c) if the department has not received the required sales information related to the gas pursuant to subsection 44.2(1) at the time or times required by the department, a fair value determined by the minister to be used until the required sales information is received by the department.

17 Mar 2006 SR 14/2006 s11.

Gas from oil wells exempt from royalties

47 No royalties shall be calculated or paid respecting gas produced from an oil well unless:

- (a) the gas:
 - (i) is fourth tier gas as defined in clause 42(d.1); and
 - (ii) is gathered for use or sale; or
- (b) the minister has approved the gas as new gas pursuant to subclause 42(i)(iii) or third tier gas pursuant to subclause 42(j.11)(ii) in cases where 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.

26 Sep 2003 SR 96/2003 s18.

PART VI

Gas Royalty Incentive

Interpretation

48 In this Part:

- (a) **"gas well location"** means a location for which a well licence application:
 - (i) has been approved by the minister and has not subsequently been cancelled;
 - (ii) indicates gas as the well objective; and
 - (iii) has not yet resulted in a wellbore being cased for the purposes of production or abandoned;

(b) **“qualifying exploratory gas well”** means a 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
- (iv) that first produces gas from the zone noted as the expected producing zone or formation on the well licence and:
 - (A) at the time the well is licensed, the inter gas well distance from the gas well to any other gas well or gas well location is more than 4.8 kilometres; or
 - (B) produces gas from a zone within an older geological system than the oldest geological system in which:
 - (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.

2 Dec 94 cC-50.2 Reg 9 s48; 13 Dec 96 SR 93/96 s29; 29 Jan 99 SR 2/1999 s23; 28 Apr 2000 SR 23/2000 s6; 26 Sep 2003 SR 96/2003 s19.

Exploratory gas royalty incentive

49 For the purposes of determining the appropriate Crown royalty share pursuant to clause 45(b), the appropriate Crown royalty rate is the lesser of the fourth tier gas Crown royalty rate calculated pursuant to clause 45(a) and 2.5%, for the portion of gas produced from or allocated to Crown lands that is included in the first 25 million cubic metres of fourth tier gas produced from a qualifying exploratory gas well.

26 Sep 2003 SR 96/2003 s20.

C-50.2 REG 9**CROWN OIL AND GAS ROYALTY****Reduction of volume incentive amounts**

50 The minister may reduce the volume of gas for the purposes of section 49 for a gas well where:

- (a) the royalty payer has requested that the minister approve the gas well as a qualifying exploratory gas well, pursuant to clause 48(b); or
- (b) gas has been produced from more than one zone through the same wellbore.

2 Dec 94 cC-50.2 Reg 9 s50.

Evaluation of gas well after licensing

51 Where the department has received the well completion information or the well activity report form or where the office of the department responsible for administering this section has received a letter from a royalty payer, 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 department received the well completion information or well activity report form or letter, and the evaluation must be based on the revised information respecting both the expected producing zone and the well objective.

2 Dec 94 cC-50.2 Reg 9 s51; 29 Jan 99 SR 2/
1999 s25; 26 Sep 2003 SR 96/2003 s21.

Re-evaluation of gas well location

52 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 where, before the gas well is spudded, the office of the department responsible for administering this section is notified by a royalty payer that the gas well should be re-evaluated because each gas well location that affected that gas well's qualification pursuant to clause 48(b) has either:

- (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.

2 Dec 94 cC-50.2 Reg 9 s52; 13 Dec 96 SR 93/96 s31.

PART VII
General

53 Repealed. 26 Sep 2003 SR 96/2003 s22.

54 Repealed. 29 Jan 99 SR 2/1999 s27.

Forms prescribed

54.1(1) The certificate set out in Form A of the Appendix is prescribed for the purpose of clause 16.01(1)(a) of *The Crown Minerals 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 Crown Minerals 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 Crown Minerals Act*.

17 Mar 2006 SR 14/2006 s12.

Forms to apply to collection of certain amounts mentioned in section 16.03 of Act

54.2 The Forms prescribed in section 54.1 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.

17 Mar 2006 SR 14/2006 s12.

Appendix**FORM A**

[Subsection 54.1(1)]

CERTIFICATE

Pursuant to clause 16.01(1)(a) 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 Industry and Resources

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

 Local Registrar

FORM B
[Subsection 54.1(2)]

NOTICE OF INTENTION

TO: _____

(name and address of person named in certificate)

TAKE NOTICE THAT:

1. A certificate pursuant to clause 16.01(1)(a) 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 respecting 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 Industry and Resources

FORM C
[Subsection 54.1(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 clause 16.01(1)(a) 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 respecting 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 Industry 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 Industry and Resources

17 Mar 2006 SR 14/2006 s13.

