

The Petroleum and Natural Gas Regulations, 1969

being

Saskatchewan Regulations 8/69 (effective January 1, 1969)
(consult Table of Regulations of Saskatchewan for list of amendments).

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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SASKATCHEWAN REGULATION 8/69

under The Mineral Resources Act

Petroleum and Natural Gas Regulations *under The Mineral Resources Act*

PART I

Title

1 These regulations may be cited as *The Petroleum and Natural Gas Regulations, 1969*.

2 Repealed. 2 Dec 94 SR 80/94 s3.

Definitions

3 In these regulations the expression:

(a) “**Act**” means *The Crown Minerals Act*;

(a.01) “**adjoin**” or “**adjoining**” where used in connection with subdivisions of land means touching at one or more points, and subdivisions that are separated by a correction line, road allowance, railway or other right of way shall be deemed to be adjoining;

(a.1) “**administrator**” means the Administrator of Petroleum Lands in the Geology and Petroleum Lands Branch of the department;

(b) “**approved**” means approved by the minister;

(c) **Repealed.** 28 Mar 91 SR 25/91 s3.

(d) “**commercial quantities**” means the production from a well of that quantity of oil or gas, oil sands products or oil shale products that would, in the opinion of the minister, economically warrant undertaking a similar well in the vicinity of that well for the taking of oil or gas, oil sands products or oil shale products, consideration having been given to:

(i) the cost of drilling, mining and production operations;

(ii) available markets; and

(iii) the value, nature and quality of the oil or gas, oil sands products or oil shale products;

(d.1) “**court**” means Her Majesty’s Court of Queen’s Bench for Saskatchewan;

(e) “**Crown lands**” means oil and gas, and oil sands and oil shale, rights, the property of the Crown in the right of Saskatchewan, that are designated in the department as Crown lands;

(f) **Repealed.** 28 Mar 91 SR 25/91 s3.

(g) **Repealed.** 2 Aug 91 SR 58/91 s3.

- (h) **“drainage unit”** means the area allocated to a well for the purpose of drilling for and producing oil or gas and includes subsurface areas bounded by the vertical planes in which surface boundaries lie;
- (i) **“gas”** or **“natural gas”** means natural gas, including casinghead gas and all hydrocarbons not defined as oil in clause (k), but does not include oil sands products or oil shale products;
- (i.1) **“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;
- (i.2) **“horizontal well”** means:
 - (i) a 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 well approved by the minister as a horizontal well;
- (j) **Repealed.** 2 Aug 91 SR 58/91 s3.
- (k) **“oil”, “crude”, “crude oil”** or **“petroleum”** means crude petroleum oil and all other hydrocarbons, regardless of density, that are produced at a well in liquid form by ordinary production methods and that are not:
 - (i) oil sands products or oil shale products; or
 - (ii) the result of condensation of gas;
- (l) **“oil and gas”, “oil or gas”, “petroleum and natural gas”** and **“petroleum or natural gas”** means both or either of them;
- (l.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 well;
 - (ii) lie above the top of the Devonian System; and
 - (iii) lie north of Township 73;

- (l.2) **“oil sands products”** means oil and associated hydrocarbon gas that may be recovered when processing oil sands;
- (l.3) **“oil shale”** means a compact rock of sedimentary origin containing disseminated organic matter from which oil shale products can be extracted through destructive distillation;
- (l.4) **“oil shale products”** means oil and associated hydrocarbon gas that can be extracted through the destructive distillation of oil shale;
- (m) **“reservation”** or **“drilling reservation”** means a reservation of oil and gas rights made pursuant to these regulations or any former petroleum and natural gas regulations;
- (m.1) **“vertical well”** means a well that is not a horizontal well;
- (n) **“well”** means any opening in the ground, except seismic shot holes or structure test holes, made or being made by drilling or boring, or in any other manner, for the purpose of:
- (i) obtaining oil or gas, oil sands or oil sands products or oil shale or oil shale products; or
 - (ii) injecting any fluid into an underground reservoir;
- (o) **“wellbore”** means an artificial opening in the ground other than a seismic shot hole or structure test hole.

10 Jan 69 SR 8/69 s3; 28 Mar 91 SR 25/91 s3; 2
Aug 91 SR 58/91 s3; 2 Dec 94 SR 80/94 s4; 3 Jly
98 SR 49/98 s3; 11 May 2007 SR 33/2007 s3.

3.1 Repealed. 2 Dec 94 SR 80/94 s5.

Application

- 4(1) These regulations apply to all oil and gas rights, and oil sands and oil shale rights, that are the property of the Crown in right of Saskatchewan and that are:
- (a) disposed of pursuant to these regulations; or
 - (b) deemed to be Crown dispositions issued pursuant to *The Crown Minerals Act* by virtue of section 11 of that Act.
- (2) These regulations do not apply to dispositions issued pursuant to the Oil Shale Regulations, 1964, being Saskatchewan Regulations 555/64.

3 Jly 98 SR 49/98 s4; 11 May 2007 SR 33/2007
s4.

PART II

Petroleum and Natural Gas Permits

Time limit on applications and issuing permits

4.1 Notwithstanding any other provision of this Part:

- (a) no person may apply for a permit pursuant to this Part after January 9, 1998; and
- (b) the minister shall not issue a permit pursuant to this Part after April 30, 1998.

2 Jan 98 SR 108/97 s3.

Application for permit

5 An application for a permit to explore for oil and gas may be submitted to the department, and the minister may issue such permit in accordance with these regulations for any area of land not exceeding 40 469 hectares in respect of which the oil and gas rights are the property of the Crown in the right of Saskatchewan.

10 Jan 69 SR 8/69 s5; 28 Mar 91 SR 25/91 s4.

Requirements for application

6 An application for a permit shall be accompanied by:

- (a) a plan and description of the lands applied for satisfactory to the minister;
- (b) a program of work that the applicant intends to carry out in respect thereof;
- (c) a statement proving the applicant's ability to have the proposed work done where such proof is not already on record in the department;
- (d) the rent for the first year, and such rent shall be retained by the department if the permit is granted or returned to the applicant if the application is not granted; and
- (e) the names and addresses of the directors and officers of the applicant if the applicant is a corporation and if such information is not on record in the department.

10 Jan 69 SR 8/69 s6.

Excluded areas

7 Where there are leased Crown lands within the outer boundaries of an area under application for a permit (which area shall hereinafter be called "**permit area**"), an area of Crown lands in each township or portion of a township within such permit area equal to as nearly as conveniently possible the area of the Crown lands so leased therein shall be excluded from the lands described in the schedule thereto (which lands described in the schedule shall hereinafter be called "**permit lands**").

10 Jan 69 SR 8/69 s7; 28 Mar 91 SR 25/91 s5.

Rights granted

8(1) Subject to *The Sedimentary Basin Geophysical Exploration Regulations, 1985* made pursuant to *The Mineral Resources Act, 1985*, the permit shall grant to the permittee the right, licence, privilege and authority to explore the permit lands for oil and gas but not to remove, produce or recover such oil and gas until a lease pursuant to these regulations has been applied for and the granting thereof has been approved.

(2) Notwithstanding subsection (1), upon application of the permittee, the minister may, if he deems it advisable, waive for a specified period of time the requirement to lease upon such terms and conditions as he may prescribe in order that the permittee may place a well on production for production test purposes.

10 Jan 69 SR 8/69 s8; 2 Jan 98 SR 108/97 s4.

Term of permit

9(1) The term of the permit shall be for a maximum period of three years from the date of issue provided that, if the permit is issued between the first day of October and the first day of March next following, the term shall commence on the first day of March or on an earlier date within such first day of October and the first day of March next following as the applicant may specify.

(2) Notwithstanding subsection (1), the minister may, if he considers it in the public interest and approves an exploration program submitted and to be performed by the applicant for an extension, grant up to two one-year extensions to the term of the permit and in each one-year extension period the permittee shall spend in exploring for petroleum and natural gas in and upon the permit lands not less than \$3.00 per hectare of permit lands.

(3) Notwithstanding subsections (1) and (2), where:

(a) the exploratory work required to be carried out pursuant to these regulations is delayed by an action of a government agency or a member of the Executive Council for environmental or regulatory purposes with respect to the surface of the land; and

(b) the delay is greater than 60 days;

the minister may, on request, extend the term of the permit for a period equivalent to the length of the delay.

(4) Where the term of a permit is extended pursuant to subsection (3):

(a) no rent is required to be paid by the permittee with respect to the period of the delay; and

(b) no additional expenditure pursuant to subsection (2) or section 11 is required to be paid by the permittee with respect to the period of the extension.

10 Jan 69 SR 8/69 s9; 14 Jun 74 SR 160/74, s1;
1 Mar 91 SR 11/91 s3; 28 Mar 91 SR 25/91 s6; 7
Feb 92 SR 3/92 s3.

Permit rent

10 Rent shall be payable in advance annually at the rate of 25¢ per hectare of permit lands.

14 Jun 74 SR 160/74, s10; 28 Mar 91 SR 25/91 s7.

Work commitment

11 The permittee shall expend in exploring for petroleum and natural gas in and upon the permit lands as follows:

- (a) \$1 per hectare for the first year;
- (b) \$1 per hectare for the second year;
- (c) \$2 per hectare for the third year;
- (d) **Repealed.** 28 Mar 91 SR 25/91 s8.

14 Jun 74 SR 160/74, s3; 28 Mar 91 SR 25/91 s8.

Waiver by minister

11.1 Notwithstanding subsection 9(2) and sections 11 and 17, where, in the opinion of the minister, exploration or development of permit lands contained within the area known as 'The Great Sand Hills' has been or will be delayed or impeded by environmental restrictions imposed by a government agency or by a member of the Executive Council, the minister may waive:

- (a) the expenditure requirements set forth in those sections; or
- (b) the requirements to submit an exploration program mentioned in subsection 9(2).

7 Feb 92 SR 3/92 s4.

Proof of expenditures

12(1) The permittee shall, within thirty days next following the anniversary date of each year of the term of the permit, submit to the minister a statement setting forth the estimated sums of money expended during such year in carrying out the work and operations on the permit lands and on any lands in respect of which work credit is claimed by the permittee.

(2) The permittee shall, within four months next following the anniversary date of each year of the term of the permit, submit to the minister a detailed statement setting forth the sums of money expended in carrying out the work and operations during such year on the permit lands and on any lands in respect of which work credit is claimed by the permittee, and such statement shall be certified by a member in good standing of a recognized accounting profession that is regulated by an Act who is satisfactory to the minister or verified by statutory declaration by a person with personal knowledge of the facts and accompanied by original vouchers or certified copies thereof, verifying the expenditures provided that, if the minister in any particular case so requires, the statement shall be certified by a member in good standing of a recognized accounting profession that is regulated by an Act who is satisfactory to the minister.

(3) If there is a deficiency in the amount of expenditures required to be made pursuant to section 11, the permittee may at the discretion of the minister:

(a) make a cash payment equivalent to the amount of such deficiency in order to maintain the permit in good standing; or

(b) make a cash deposit equivalent to the amount of such deficiency and such deposit shall be refunded upon proof by the permittee that he has expended in the year following such deficiency an amount equivalent to the cash deposit together with the expenditures required to be made by section 11 for such following year: provided that the minister may, if the permittee has expended the amount required to be made by section 11 for the year following the deficiency but has not expended an additional amount equivalent to the cash deposit, refund a portion of the cash deposit equivalent to the expenditures made over and above the expenditures required to be made under section 11 and forfeit the remainder of the deposit to the Crown.

10 Jan 69 SR 8/69 s12; 2006, c.25, s.10.

Credit for expenditures

13(1) The amount of expenditures approved by the minister in respect of the work and operations carried out by the permittee during any year of the term of the permit shall be credited to the permittee toward the amount of expenditures required to be made during such year.

(2) If the permittee expends during any year an amount of money greater than that which is required to be made pursuant to section 11, such excess expenditures shall be deemed to have been expended in work in succeeding years of the permit.

(3) Expenditures made in excess of those allowed for credit purposes in accordance with subsection (2) may, at the option of the permittee, be applied for credit toward lease rents pursuant to section 23.

(4) For the purpose of determining from time to time the amount of expenditures made pursuant to section 11:

(a) the maximum capital charges shall not exceed the maximum capital cost allowance as provided for in the Income Tax Act (Canada);

- (b) the cost of unrecovered casing may be accepted as an expenditure; and
 - (c) if the permit area is in an unsurveyed territory the cost of a recognized legal survey of the area shall be accepted as an expenditure in the year in which any work in connection with such survey was done, but the total credit for the cost of such survey shall not exceed twenty per cent of the expenditures required to be made during the second year of the term of the permit.
- (5) Where any area of permit lands is surrendered in accordance with these regulations, expenditures in excess of those required to be made by section 11 shall be proportionately reduced in the ratio of the area surrendered to the area held prior to the surrender.
- (6) If the permittee drills a well on freehold lands or on Crown lands other than his permit lands, he may claim credit for the expenditures made in drilling such well to the extent that the amount of such credit bears to the actual expenditures as the area of all Crown lands in an eight kilometre by eight kilometre square area centred by the section in which the well is located bears to the total area of lands in such square area, provided that the well is located within the permit area and not more than 1.6 kilometres from his permit lands.

10 Jan 69 SR 8/69 s13; 28 Mar 91 SR 25/91 s9;
2 Dec 94 SR 80/94 s6.

Grouping of permits

- 14(1) The permittee may group his permit lands covered by two or more permits provided that such lands are not separated by more than 10 kilometres, and provided further that such grouping includes all lands covered by his permits.
- (2) The minister may authorize the grouping of two or more permits held by different permittees upon such terms as he deems to be in the public interest.
- (3) No grouping shall be valid for more than one rental year.
- (4) Excess expenditures credited pursuant to section 13 shall be prorated to the permit lands in the group on an area basis.
- (5) Where permit lands are grouped pursuant to this section, any work performed upon such lands subsequent to the grouping or that portion of the work performed subsequent to the grouping and attributable to such lands as work credit shall, for the purpose of determining expenditures and credits, be deemed to be operations conducted on the permit lands in the group.

10 Jan 69 SR 8/69 s14; 28 Mar 91 SR 25/91 s10.

Information and material to be submitted

15(1) The permittee shall, within four months after the end of each year of the term of the permit, submit to the minister a detailed statement setting forth full particulars of the work and operations conducted on the permit lands and on any lands in respect of which work credit is claimed during the preceding year and specifically setting forth the following information and accompanied by the following material:

- (a) the nature of the operations and work performed;
- (b) the extent to which drilling operations were carried out;
- (c) where a gravity meter survey has been made:
 - (i) a clear sepia copy of a map showing the location and ground elevation of each station;
 - (ii) a clear sepia copy of a map showing the final corrected value at each station contoured on 0.5 milligals or less; and
 - (iii) a translucent copy of the complete report on the survey signed by a qualified geophysicist, geologist or engineer;
- (d) where an approved geophysical survey or an aerial magnetometer or ground magnetometer survey has been made:
 - (i) a clear sepia copy of a map contoured on a suitable scale, showing the location of each station and the corresponding observed value; and
 - (ii) a translucent copy of the complete report on the survey signed by a qualified geophysicist, geologist or engineer;
- (e) where a seismic survey has been made;
 - (i) a clear sepia copy of a map showing on the map, or in suitable translucent tabular form, the location and ground elevation of each shot hole and the depth of the overburden, glacial drift, water, sand, gravel, coal, clay and other minerals encountered;
 - (ii) clear sepia copies of maps for the most dependable and continuous reflecting horizon above, at and below the top of the Palaeozoic group where information at such levels is available, based on the best current interpretation of all the seismograms obtained in the permit area, indicating the correction data and velocity functions applied, showing at each shot point the corrected time values or corresponding depths and contoured on the basis of these values, employing a contour interval of 0.010 seconds or less if the value at the shot point is represented in corrected time and 15 metres or less if the value at the shot point is given in metres; and
 - (iii) a translucent copy of the complete report on the survey submitted by the contracting seismograph company to the operator or by the operator's own seismograph department;
- (f) **Repealed.** 28 Mar 91 SR 25/91 s11.

(g) in addition to the information requested under subclause (ii) of clause (e), the minister may request clear copies of the seismograms taken at each shot point, with the necessary computational data included on the face of each record and a departmental employee authorized by him may at any time examine the original seismograms and any pertinent data related to them.

(2) Notwithstanding anything contained in subsection (1), the permittee may delay the submission of the information required by clause (c), (d) or subclause (ii) or (iii) of clause (e) of subsection (1) upon depositing with the department the sum of \$10,000 to guarantee the submission of the required information not later than four months after the termination of the permit. If such information is submitted before the expiration of four months after the termination of the permit the deposit shall be returned to the permittee, but if the information is not so submitted the deposit shall be forfeited to the Crown upon giving notice of intended forfeiture to the permittee.

10 Jan 69 SR 8/69 s15; 28 Mar 91 SR 25/91 s11.

Release of information

16(1) No information submitted pursuant to clause (g) of subsection (1) of section 15 shall be made available to the public.

(2) No information submitted pursuant to subclauses (ii) and (iii) of clause (c), clause (d) and subclauses (ii) and (iii) of clause (e) of subsection (1) of section 15 shall be made available to the public for one year after the termination of the permit.

10 Jan 69 SR 8/69 s16.

Surrender

17 The permittee shall have the right to surrender all or any part of the permit lands at any time during the term of the permit, but no refund of rent shall be made and the expenditure requirements shall be based upon the area of permit lands at the commencement of each rental year.

10 Jan 69 SR 8/69 s17; 28 Mar 91 SR 25/91 s12.

Conversion to lease upon commercial discovery

18(1) Where a well drilled on any land within the permit area has determined the presence of oil or gas in commercial quantities the permittee shall, within ninety days after being notified by the department:

(a) apply for a lease or leases of Crown lands within a rectangular area designated by the permittee in accordance with these regulations, and such rectangular area shall contain within its boundaries the well and shall comprise not less than 518 hectares; and

(b) shall surrender the Crown lands in the permit area that constitute, upon selection of the lease or leases, the Crown reserve areas laterally adjoining the boundaries of the rectangular area.

(2) The permittee shall not drill another well on Crown lands within 4.8 kilometres of the well described in subsection (1) unless an application for a lease or leases has been made in accordance with subsection (1).

(3) If a well drilled on a drainage unit adjoining the permit lands has determined the presence of oil or gas in commercial quantities the minister may, in order to protect the rights of the Crown, require the permittee to surrender in advance that portion of his permit lands that would under subsection (2) of section 21 become the 0.8 kilometres Crown reserve boundary area of the section or sections laterally adjoining such drainage unit.

10 Jan 69 SR 8/69 s18; 28 Mar 91 SR 25/91 s13.

Right to lease

19 The permittee shall, subject to prior compliance with section 11 or subsection (3) of section 12 in addition to any lease or leases that he may obtain pursuant to the foregoing provisions, having the exclusive right, at any time during the term of the permit and during the period of sixty days after the termination of the permit unless it is terminated for any default on the part of the permittee, to apply for and obtain a lease or leases of permit lands.

10 Jan 69 SR 8/69 s19; 28 Mar 91 SR 25/91 s14.

Part V to apply in lease selections

20 Subject to sections 21 to 22 an application for and granting of a lease pursuant to the rights acquired under this part shall be in accordance with Part V.

10 Jan 69 SR 8/69 s2; 2 Jan 98 SR 108/97 s5.

Lease selections

21(1) The applicant for leases under this part shall designate a rectangular area, of which no side shall be longer than 5.6 kilometres, in respect of which he desires to acquire the oil and gas rights.

(2) No rectangular block designated pursuant to subsection (1) shall be:

- (a) nearer than 0.8 kilometres from the boundary of the permit area;
- (b) so situated that any side of one block is less than 1.6 kilometres perpendicularly distant from any side of another block except that the blocks may be diagonally situated so as to have a common corner.

(3) Notwithstanding anything contained in subsection (2), the minister may allow the permittee to designate a rectangular block nearer than 0.8 kilometres from the boundary of the permit area if:

- (a) Crown lands equal in area to the lease area selected within the 0.8 kilometres boundary is set aside within the designated rectangular block; or

- (b) the holders of adjoining permits mutually agree to:
 - (i) create a concentration of leases to comprise rights on both sides of the common boundary provided that no such concentration shall contain a rectangular block of which any side is greater than 5.6 kilometres; or
 - (ii) allow the holder of one permit to apply for a location or concentration of leases adjoining the common boundary provided that the holder of the other adjoining permit allows an area of Crown lands of at least 1.6 kilometres in width adjoining the location or concentration of leases to be set aside from his permit lands; or
 - (c) where the applicable portion of the boundary of the permit area is adjoined by undisposed Crown lands for which provisions for disposition has not been made.
- (4) The maximum area that may be leased shall be as follows:
- (a) where no side of the rectangular area is longer than 3.2 kilometres, no more than sixty per cent of the oil and gas rights owned by the Crown within the permit area in the township within which such rectangular area is wholly or partially situated may be leased;
 - (b) where a side of the rectangular area is more than 3.2 kilometres but not more than 4.8 kilometres long, no more than fifty per cent of the oil and gas rights owned by the Crown within the permit area in the township within which the rectangular area is wholly or partially situated may be leased; and
 - (c) where a side of the rectangular area is more than 4.8 kilometres but not more than 5.6 kilometres long, no more than forty per cent of the oil and gas rights owned by the Crown within the permit area in the township within which the rectangular area is wholly or partially situated may be leased.
- (5) Notwithstanding subsection (4), if a permittee makes a discovery of gas in commercial quantities in a zone of a formation in the permit area, he may lease up to one hundred per cent of the gas rights owned by the Crown in the permit lands in the zone of the formation in which the discovery is made provided that the permittee relinquishes to the Crown his rights to all Crown oil in the permit lands in such zone.
- (6) The effective date of the leases issued pursuant to the rights acquired under this part shall be:
- (a) the date of application in the case of leases applied for during the term of the permit; and
 - (b) the day following the date of the termination of the permit in the case of leases applied for within sixty days after the termination of the permit.

Lease selections

21.1(1) As an alternative to applying for a lease pursuant to section 21, a permittee pursuant to this Part may apply, in accordance with this section, for one or more leases of the permittee's permit lands.

(2) Subject to subsection (3), in the permittee's application pursuant to subsection (1), the permittee shall designate blocks to be leased that comply with the following criteria:

(a) the maximum size of each block is three sections by three sections or 4.8 kilometres by 4.8 kilometres;

(b) each block is to be situated so that any side of one block is at least 1.6 kilometres perpendicularly distant from any side of another block except that the blocks may be diagonally situated so as to have a common corner.

(3) Notwithstanding subsection (2), if a permittee submits evidence satisfactory to the minister that a well drilled in permit lands has resulted in the discovery of gas in commercial quantities, the permittee may designate blocks that are in any configuration.

(4) The maximum area for which a permittee may apply for leases pursuant to this section is 50% of the area of the permittee's permit lands.

(5) For the purposes of calculating the maximum area that a permittee may apply for pursuant to this section, the permittee shall round the calculation to the nearest quarter section.

(6) Unless otherwise approved by the minister, a permittee shall not designate in a block a unit of land that is less than a complete quarter section:

(a) as determined pursuant to *The Land Surveys Act*; or

(b) if there is no survey pursuant to that Act for the area to be covered by a lease, as determined by the minister.

(7) The minister may reject any application for a lease where, in the opinion of the minister, the permittee has not complied with subsection (6).

(8) Where a lease is issued as a result of an application made pursuant to this section, the effective date of the lease is:

(a) in the case of an application for a lease during the term of the permit, the date of application; or

(b) in the case of an application for a lease within 60 days after the expiry of the permit, the day following the date of expiry.

Discovery lease selection

22(1) Notwithstanding sections 21 and 21.1:

- (a) **Repealed.** 2 Jan 98 SR 108/97 s7.
 - (b) if a permittee makes a discovery of oil or gas in commercial quantities in the Devonian System, he may select for lease up to fifty per cent of the permit lands in each township in the permit area;
 - (c) if a permittee makes a discovery of oil or gas in commercial quantities in the Silurian System, he may select for lease up to fifty-five per cent of the permit lands in each township in the permit area;
 - (d) if a permittee makes a discovery of oil or gas in commercial quantities in the Ordovician System, he may select for lease up to sixty per cent of the permit lands in each township in the permit area;
 - (e) if a permittee makes a discovery of oil or gas in commercial quantities in the Cambrian System, he may select for lease up to seventy per cent of the permit lands in each township in the permit area;
 - (f) if a permittee submits evidence satisfactory to the minister that a well drilled in permit lands has resulted in the discovery of oil or gas in commercial quantities, the permittee may designate blocks that are in any configuration.
- (2) In the event of a discovery of oil or gas in more than one System the lease selection of the deeper or deepest System in which the discovery is made shall prevail at the option of the permittee.
- (3) The lease selection provided for in clauses (b), (c), (d) and (e) of subsection (1) and in subsection (2) shall not apply to a commercial discovery of oil or gas made within 10 kilometres from a previous commercial discovery of oil or gas in another disposition in the same geological system.
- (4) Upon selection of the lands for lease provided for under this section, the permit shall terminate forthwith and shall be of no further effect.

10 Jan 69 SR 8/69 s22; 28 Mar 91 SR 25/91 s16;
2 Jan 98 SR 108/97 s7.

Lease rent credits

23 The minister shall, if he is satisfied that the permittee has during the term of the permit fulfilled all the requirements of these regulations, credit the permittee with the amount by which the expenditures approved pursuant to section 13 in respect of the term of the permit exceed the expenditures required to be made pursuant to section 11 and such credit shall be applied toward the rent for the first twenty-four months or, at the option of the permittee, the first twenty-four months of the term commencing from the first day of April, of any lease or leases that may have been, or may thereafter be, granted to the permittee in respect of the permit lands: provided that no credit for excess expenditures shall be applied toward the rent for a lease or leases taken out in the first, second or third year of the term of the permit unless the permittee has spent on actual drilling and prior to the conversion of the permit to such lease or leases an amount equal to at least 40¢ per hectare of permit lands.

10 Jan 69 SR 8/69 s23; 28 Mar 91 SR 25/91 s17.

PART II.1
Special Exploratory Permits
 INTERPRETATION

Interpretation

23.1 In this Part:

- (a) **“expenditure deposit”** means a deposit by a permittee pursuant to section 23.41;
- (b) **“lease”** means a lease entered into by a permittee pursuant to section 23.71 or 23.8;
- (c) **“permit”** means a special exploratory permit to explore for oil or gas, or oil sands or oil shale, as the case may be, in permit lands;
- (d) **“permit land”** means land for which a permit has been issued or is proposed to be issued and:
 - (i) is in the special exploration area; and
 - (ii) is a minimum of 10 000 hectares and a maximum of:
 - (A) 200 000 hectares for petroleum, natural gas, or petroleum and natural gas rights; or
 - (B) 100 000 hectares for oil sands rights or oil shale rights;
- (e) **“proposed annual work”** means one-half of the total amount of money that:
 - (i) the bidder will spend in eligible work on the permit land during the first two years of the term of the permit pursuant to section 23.4; and
 - (ii) is set out in the bid submitted in accordance with subsection 37(3);
- (f) **“rent”** means the rent payable pursuant to section 23.3;
- (g) **“special exploration area”** means:
 - (i) Crown oil and gas and oil shale rights lying within:
 - (A) Township 20 north to the Precambrian Shield and from Range 30, West 1 to Range 27, West 2, inclusive;
 - (B) Township 1 north to the Precambrian Shield and from Range 28, West 2 to Range 3, West 3, inclusive; and
 - (C) Township 4 north to the Precambrian Shield and from Range 4, West 3 to Range 11, West 3, inclusive; and
 - (ii) Crown oil sands rights lying within Township 74 north to the Precambrian Shield, and from the Fourth Meridian east to the Precambrian Shield.

PERMIT RIGHTS

Issuance of permit

23.11 The minister may issue a permit to an applicant who:

- (a) complies with this Part;
- (b) submits a bid acceptable to the minister pursuant to subsection 37(3) specifying:
 - (i) in the case of an application for a permit respecting oil or gas or oil shale, as the case may be, the amount of money that the applicant will spend in eligible work on the permit land during the first two years of the term of the permit in accordance with the minimum expenditure requirements of subsection 23.4(1), (2) or (3), as the case may be; or
 - (ii) in the case of an application respecting oil sands, the bonus amount the applicant is willing to pay to acquire an oil sands permit; and
- (c) agrees to accept the permit and to be bound by its terms and by the Act and any regulations made pursuant to the Act.

11 May 2007 SR 33/2007 s8.

Term of permit

23.2(1) Subject to subsections (2) and (3), the term of a permit is for a maximum of five years from the date it is issued.

(2) The minister may grant up to three one-year extensions to the term of an oil shale or oil sands permit if the minister approves an exploration program that:

- (a) is submitted in an application to the minister before the expiration of the permit; and
- (b) is to be performed by the person who applied for the extension.

(3) On the request of a permittee, the minister may extend the term of the permit if:

- (a) the exploratory work required to be carried out pursuant to these regulations is delayed by an action of a government agency or a member of the Executive Council for environmental, regulatory, jurisdictional or consultation purposes with respect to the surface of the land; and
- (b) the delay is greater than 60 days.

(4) In accordance with subsection (3), the minister may extend the term of the permit for a period equivalent to the length of the delay.

11 May 2007 SR 33/2007 s9.

Rights granted

23.21(1) Subject to *The Seismic Exploration Regulations, 1999*, a permittee has the right, licence, privilege and authority to explore for oil and gas or oil sands or oil shale, as the case may be, within the permit lands.

(2) The permittee may not remove, produce, recover or extract any oil and gas, oil shale or oil shale products or oil sands or oil sands products discovered by exploration under a permit until a lease is granted to the permittee pursuant to this Part.

(3) On the application of the permittee, the minister may waive the requirement to obtain a lease for a specified period on those terms that the minister considers appropriate to enable the permittee:

- (a) to place a well on production for production test purposes; or
- (b) to remove, produce, recover or extract for test purposes:
 - (i) oil shale and oil shale products; or
 - (ii) oil sands and oil sands products.

(4) The permittee shall comply with section 84 of *The Oil and Gas Conservation Regulations, 1985*.

11 May 2007 SR 33/2007 s9.

OBLIGATIONS OF PERMITTEE**Rent**

23.3(1) During the term of the permit, the permittee shall pay rent of \$0.25 per hectare to the department annually.

(2) During the term of any lease, the permittee shall pay rent to the department in accordance with subsection 44(1).

(3) Rents are due and payable to the department in advance of the anniversary date of the permit or the lease.

(4) Rent is not refundable where lands are surrendered or the permit or lease is terminated.

(5) Where a permittee or lessee fails to pay rent in accordance with this section, the minister shall terminate the permit or lease, and all interest in any land affected reverts to the Crown.

2 Jun 95 SR 47/95, s2; 11 May 2007 SR 33/2007 s10.

Work commitment

23.31(1) The permittee shall make a minimum of one well per permit to a depth that is satisfactory to the minister.

(2) Where the petroleum, natural gas or petroleum and natural gas permit land exceeds 100,000 hectares, the permittee shall make at least two wells to depths that are satisfactory to the minister.

(3) Wells made in satisfaction of the requirements of this section are to be separated by at least eight kilometres.

2 Jun 95 SR 47/95, s2; 11 May 2007 SR 33/2007 s11.

Expenditure requirements

23.4(1) In the case of a permit issued to explore for oil and gas, the permittee shall expend at least the following amounts exploring for petroleum and natural gas in the permit land during the term of the permit:

(a) the greater of the amount of the proposed annual work and \$2 per hectare for each of the first two years;

(b) \$4 per hectare for each of the last three years.

(2) In the case of a permit issued to explore for oil sands, the permittee shall expend at least the following amounts exploring for oil sands in the permit land during the term of the permit:

(a) \$1 per hectare for each of the first two years;

(b) \$2 per hectare for each of the last three years;

(c) \$3 per hectare for each year the permit has been extended.

(3) In the case of a permit issued to explore for oil shale in the permit land, the permittee shall expend at least the following amounts exploring for oil shale in the permit land during the term of the permit:

(a) the greater of the amount of the proposed annual work and \$1 per hectare for each of the first two years;

(b) \$2 per hectare for each of the last three years;

(c) \$3 per hectare for each year the permit has been extended.

(4) The provisions respecting proof of eligible expenditures and credit for expenditures in sections 12 and 13 apply to permits, with any necessary modification.

(5) Subject to section 23.51, if a permittee fails to meet the permittee's minimum annual expenditure requirements, the minister shall cancel the permit and all interest in the permit lands reverts to the Crown.

11 May 2007 SR 33/2007 s12.

Expenditure deposit

23.41(1) The expenditure deposit for each of the first two years of the term of the petroleum, natural gas or petroleum and natural gas permit is 25% of the proposed annual work.

(2) The expenditure deposit for the third and subsequent years of the term of the petroleum, natural gas or petroleum and natural gas permit is \$1 per hectare.

(3) Expenditure deposits are due and payable to the department in advance of the anniversary date of the petroleum, natural gas or petroleum and natural gas permit.

(4) Expenditure deposits are to be refunded to the permittee at a rate of 25% of eligible expenditures if proof of those expenditures is submitted to and accepted by the department.

(5) Where a permittee fails to submit an expenditure deposit pursuant to this section, the minister shall cancel the permit and all interest in the permit lands reverts to the Crown.

2 Jun 95 SR 47/95 s2; 11 May 2007 SR 33/2007 s13.

Grouping of permits

23.5(1) For the purpose of grouping expenditures, a permittee may group the permit lands covered by up to three permits as long as:

- (a) the ownership and the interests of each owner is common to all of the permits to be grouped;
- (b) those lands are not separated by more than 10 kilometres; and
- (c) the grouping includes all lands covered by those permits.

(2) Excess expenditures credited pursuant to section 13 will be prorated to the permit lands in the group.

(3) For the purpose of determining expenditures and credits, any work performed on lands grouped pursuant to this section subsequent to the grouping that is attributable to those lands as work credit is deemed to be work conducted on the permit lands in the group.

2 Jun 95 SR 47/95 s2.

Deficiency payments

23.51(1) Where the permittee does not meet the permittee's minimum annual expenditure requirements pursuant to subsection 23.4(1), (2) or (3), as the case may be, the minister may allow the permittee to make a non-refundable cash payment in the amount of the deficiency in order to maintain the permit in good standing.

(2) Subsection (1) does not apply where the permittee fails to meet the minimum annual expenditure requirements in consecutive years.

2 Jun 95 SR 47/95 s2; 11 May 2007 SR 33/2007 s14.

Permittee to submit annual statements

23.6(1) Every permittee shall submit annual statements to the minister pursuant to section 15.

(2) Section 16 applies to the release of any information submitted pursuant to section 15.

2 Jun 95 SR 47/95 s2.

Surrender

23.61(1) The permittee may surrender all or part of any permit land at any time during the term of the permit.

(2) Where permit land is surrendered:

(a) no refund of rent is to be made;

(b) the minimum annual expenditure requirement for the lands surrendered is the amount C calculated as follows:

$$C = \left(\frac{D}{365} \times \frac{S}{P} \right) \times ER$$

where:

D is the number of days in the current year of the permit prior to the date of surrender;

S is the size of the permit lands surrendered, in hectares;

P is the original size of the permit lands, in hectares; and

ER is the minimum annual expenditure requirements for the total area of permit lands at the beginning of the current year of the term of the permit, in accordance with subsection 23.4(1), (2) or (3), as the case may be.

2 Jun 95 SR 47/95 s2; 11 May 2007 SR 33/2007 s15.

Termination

23.7 Where a permit is terminated, cancelled or surrendered pursuant to subsections 23.3(5), 23.4(5) or 23.41(5) or section 23.61, any remaining expenditure deposit held by the department is forfeited by the permittee.

2 Jun 95 SR 47/95 s2; 11 May 2007 SR 33/2007 s16.

LEASES

Conversion to lease based on commercial discovery

23.71(1) In this section, “**lease block**” means:

- (a) a block of permit land with minimum surface dimensions of 1.6 kilometres by 1.6 kilometres and maximum surface dimensions of 4.8 kilometres by 4.8 kilometres for petroleum, natural gas, or petroleum and natural gas permits, but only if all lands in the lease are adjoining; or
 - (b) a block of permit land with minimum surface dimensions of 1.6 kilometres by 1.6 kilometres and maximum surface dimensions of 9.7 kilometres by 9.7 kilometres for oil sands or oil shale permits, but only if all lands in the lease are adjoining.
- (2) If a well made on permit land pursuant to section 23.31 results in the discovery of commercial quantities of oil or gas or results in the discovery of oil sands or oil shale capable of producing oil sands products or oil shale products in commercial quantities, as the case may be, and the permittee wishes to obtain a lease for that land, the permittee shall, if the permit is in good standing, within 180 days after the discovery:
- (a) select one or more lease blocks; and
 - (b) apply for a lease or leases of the selected lease blocks in accordance with these regulations.
- (3) The lease blocks selected pursuant to subsection (2) must include the well whose making resulted in the discovery of oil or gas, or of oil sands or oil shale capable of producing oil sands products or oil shale products, in commercial quantities.
- (4) In addition to any lease or leases obtained pursuant to subsection (2), the permittee has the exclusive right at the expiry of the term of the permit or within 60 days after the expiry to select one or more lease blocks and apply for a lease or leases of the areas included in the lease blocks if the permittee:
- (a) complies with sections 23.31, 23.4 and 23.51; and
 - (b) applies for the lease or leases in accordance with these regulations.
- (5) The total area of the lease blocks selected by a permittee pursuant to this section is not to comprise more than:
- (a) 25% of the permit land covered by the petroleum, natural gas, petroleum and natural gas permit;
 - (b) 25% of the permit land covered by the oil shale permit; or
 - (c) 50% of the permit land covered by the oil sands permit.

(6) If a permittee selects more than one lease block from a petroleum, natural gas, or petroleum and natural gas permit, each lease block is to be situated so that any side of one block is at least 1.6 kilometres perpendicularly distant from any side of another block except that the blocks may be diagonally situated so as to have a common corner.

(7) If a permittee selects more than one lease block from an oil sands or oil shale permit and that permittee has not discovered oil sands or oil shale capable of producing oil sands products or oil shale products in commercial quantities within the area covered by the permit, each lease block is to be situated so that any side of one block is at least 4.8 kilometres perpendicularly distant from any side of another block except that the blocks may be diagonally situated so as to have a common corner.

(8) If a permittee selects more than one lease block from an oil sands or oil shale permit and the permittee has discovered oil sands or oil shale capable of producing oil sands products or oil shale products in commercial quantities in the area covered by the permit, the permittee may select each lease block at random.

11 May 2007 SR 33/2007 s17.

Gas rights

23.8(1) Where a permittee with petroleum, natural gas, or petroleum and natural gas rights has determined the presence of gas in commercial quantities in a zone of a formation within the permit land, the permittee may select at random for lease up to 25% of the gas rights owned by the Crown within the zone of the formation in which the discovery is made.

(2) Where a permittee leases Crown gas rights pursuant to this section, the permittee relinquishes to the Crown any right to Crown oil within the permit land in that zone, unless those same lands have also been selected pursuant to subsection 23.71(4).

(3) Where a permittee with oil sands or oil shale rights has determined the presence of gas in commercial quantities in a zone of a formation within the permit land, the permittee shall not remove, produce or recover the gas.

2 Jun 95 SR 47/95 s2; 11 May 2007 SR 33/2007 s18.

Lease deposit

23.81 Any application for a lease made by a permittee pursuant to this Part is to be accompanied by the rent for the lease lands for the first year of the lease term.

2 Jun 95 SR 47/95, s2.

Powers of minister

23.9(1) The minister may determine the form of any permit or lease issued pursuant to this Part.

(2) The minister may place environmental or drilling restrictions on a permit or lease.

(3) Where a permittee violates any of the terms, conditions, stipulations or restrictions placed on a permit or lease by the minister, the minister may cancel that permit or lease and all interests in any lands affected revert to the Crown.

2 Jun 95 SR 47/95 s2; 11 May 2007 SR 33/2007 s19.

23.91 Repealed. 27 Jne 97 SR 32/97 s4.

PART III Drilling Reservation

Time limit on applications and issuing drilling reservations

23.92 Notwithstanding any other provision of this Part:

(a) no person may apply for a drilling reservation pursuant to this Part after January 9, 1998; and

(b) the minister shall not issue a drilling reservation pursuant to this Part after April 30, 1998.

2 Jan 98 SR 108/97 s8.

Application for drilling reservation

24 An application for a drilling reservation to explore for oil and gas may be submitted to the department, and the minister may issue such drilling reservation in accordance with these regulations for an area of land not exceeding 8 094 hectares in respect of which the oil and gas rights are the property of the Crown in the right of Saskatchewan.

10 Jan 69 SR 8/69 s24; 28 Mar 91 SR 25/91 s18.

Requirement for application

25 An application for a drilling reservation shall be accompanied by:

(a) a plan and description of the lands applied for satisfactory to the minister;

(b) the application fee of \$250;

(c) the rent for the first year at the rate of \$1.25 per hectare which rent shall be returned if the application is not granted;

- (d) a statement as to the depth or formation to which the applicant intends to drill the first well;
- (e) proposed basis of the selection of Crown lands for lease purposes;
- (f) a statement proving the applicant's ability to have the proposed work done where such proof is not already on record in the department;
- (g) where the applicant is a company or corporation not presently operating in Saskatchewan, the names and officers of the company.

10 Jan 69 SR 8/69 s25; 28 Mar 91 SR 25/91 s19.

Approval of application

26 The minister may reject an application for a drilling reservation under these regulations or he may, with the approval of the applicant, make certain changes in the application and where the applicant approves such changes the minister may make a disposition by reservation as if the original application contained such changes.

10 Jan 69 SR 8/69 s26.

Effective date of reservation

27 The effective date of a drilling reservation granted under this part shall be the date of issue of the reservation.

10 Jan 69 SR 8/69 s27.

Form of reservation

28 The instrument of reservation shall be in such form as the minister may prescribe.

10 Jan 69 SR 8/69 s28.

Term and renewal of reservation

29 Except as may otherwise be provided herein, the term of a drilling reservation shall be for one year and may, subject to section 31, be renewed upon written application of the reservation holder at the rate of \$1.25 per hectare per year.

10 Jan 69 SR 8/69 s29; 28 Mar 91 SR 25/91 s20.

Rights granted

30 Subject to *The Sedimentary Basin Geophysical Exploration Regulations, 1985* made pursuant to *The Mineral Resources Act, 1985*, the drilling reservation shall grant to the reservation holder the right, licence, privilege and authority to explore the lands therein described for oil and gas, but not to remove, produce or recover such oil and gas, except such production as is necessary to establish that the well is or is not a producer in commercial quantities, until a lease pursuant to these regulations has been applied for and approved.

10 Jan 69 SR 8/69 s30; 2 Jan 98 SR 108/97 s9.

Renewal and reports

31(1) Subject to section 33, if a drilling reservation holder has drilled or is in the process of drilling a well to the specified depth or formation and has filed with the department a progress report satisfactory to the minister, he may apply for leases of the lands in the reservation under Part V or he may renew his reservation for periods of one year but not more than two such renewals shall be granted.

(2) The renewal of a drilling reservation shall be subject to a further drilling obligation in the renewal period equivalent to the obligation for the first year of the reservation and the acquisition of leases subsequent to such first year shall be contingent upon satisfactory completion of such further drilling obligation.

(3) Except where the reservation is cancelled pursuant to section 33, an application for renewal of a reservation or a letter indicating the intention of the reservation holder to take out leases shall be given to the department prior to the expiration of the term of the reservation.

(4) If the reservation holder indicates his intention to take out leases under subsection (3), he shall make his selection of Crown lands in accordance with subsection (3) of section 32 and apply for a lease or leases within sixty days after the expiration of the term of the reservation.

(5) The reports required to be submitted under this section shall include a detailed statement setting forth full particulars of the work and operation conducted during the year on the lands described in the reservation and specifically setting forth the information in accordance with section 15.

10 Jan 69 SR 8/69 s31; 28 Mar 91 SR 25/91 s21.

Leases

32(1) Subject to subsection (1) of section 31, in order to qualify for leases under these regulations, the drilling reservation holder shall drill, within one year from the effective date of the reservation, at least one well in the reservation area to the depth or formation stipulated in the reservation.

(2) Leases shall be issued to the reservation holder according to his selection of Crown lands upon the basis set forth in the drilling reservation provided that, if a holder of a drilling reservation drills a well below the Mississippian System and more than 30 metres below the top of the Devonian System, the holder may, if no commercial discovery of oil is made above the Devonian System, select at random for lease up to fifty per cent of the lands in the drilling reservation.

(3) No reservation holder shall select for leasing more than fifty per cent of the total area in the reservation.

(4) Notwithstanding subsection (3), if the holder of a drilling reservation makes a discovery of gas in commercial quantities in a zone in a formation in the lands in his drilling reservation, he may lease up to one hundred per cent of the gas rights owned by the Crown in the drilling reservation in the zone of the formation in which the discovery is made provided that the holder relinquishes to the Crown his right to all Crown oil in the lands in the drilling reservation in such zone.

(5) Subject to subsections (1) and (2), an application for, granting and provisions of, leases issued pursuant to the rights acquired under this part shall be in accordance with Part V.

10 Jan 69 SR 8/69 s32; 24 Jan 69 Errata; 28
Mar 91 SR 25/91 s22.

Oil discovery

33(1) If oil or gas is discovered in commercial quantities in the lands in the drilling reservation, the minister may cancel the reservation and in that event the reservation holder shall have sixty days from the receipt of the notice of such cancellation to file with the department a progress report in accordance with subsection (4) of section 31 and to select and apply for leases according to section 32.

(2) If oil or gas is discovered in commercial quantities in the lands in the reservation, no further drilling shall be undertaken on such lands by the reservation holder until a lease or leases have been applied for and granted.

(3) If oil or gas is discovered in commercial quantities in lands adjacent to the reservation, section 52 shall apply *mutatis mutandis*.

10 Jan 69 SR 8/69 s33.

Surrender

34 A drilling reservation holder may surrender at any time, or from time to time, the lands in his reservation or any portion thereof, but no rent or fee paid by him shall be refundable by the department.

10 Jan 69 SR 8/69 s34.

Reservation terminated when leases taken out

35 When an application is made for a lease or leases prior to the expiration of the original term of the drilling reservation or any renewal thereof the reservation shall terminate.

10 Jan 69 SR 8/69 s35.

Effective date of leases

36 Where leases are issued pursuant to this part, the effective date of such leases shall be the date upon which the drilling reservation terminated.

10 Jan 69 SR 8/69 s36.

PART III.1
Exploration Licences

Issuance of exploration licence

36.1(1) The minister may issue an exploration licence to an applicant who:

- (a) complies with this Part;
 - (b) submits a bonus amount acceptable to the minister along with the bid submitted pursuant to subsection 37(3);
 - (c) submits an application fee of \$250; and
 - (d) agrees to accept the exploration licence and to be bound by its terms and by the provisions of the Act and the regulations made pursuant to the Act.
- (2) The maximum area that may be the subject of an exploration licence is 36 sections of Crown land and the minimum area is one section of Crown land.

11 May 2007 SR 33/2006 s20.

36.11 Repealed. 11 May 2007 SR 33/2007 s20.

Rights granted under licence

36.2 Subject to these regulations and unless otherwise specifically stated in the exploration licence, an exploration licence grants to the licensee the exclusive right to:

- (a) search, dig, bore and drill for oil and gas or oil sands, as the case may be, within the lands described in the exploration licence; and
- (b) win, get, recover, extract, procure, carry away, dispose of and sell the oil and gas or oil sands products found within the lands described in the exploration licence.

11 May 2007 SR 33/2006 s20.

Exploration licence deemed to be Crown lease

36.21 An exploration licence is deemed to be a Crown lease within the meaning of the Act for the purpose of determining royalties payable on oil and gas or oil sands products produced from or allocated to the lands with respect to which the licence is issued.

11 May 2007 SR 33/2006 s20.

36.22 Repealed. 11 May 2007 SR 33/2007 s20.

Rent

36.3(1) During the term of an exploration licence, the licensee shall pay annually to the department a rent of \$1.75 per hectare of land described in the exploration licence.

(2) Rents are due and payable to the department in advance of the anniversary of the exploration licence.

(3) Rent is not refundable where lands are surrendered or the exploration licence is cancelled.

(4) Where the term of an exploration licence is extended pursuant to section 36.4 for a period that is three months or longer, the holder of the exploration licence shall pay the full amount of the annual rent required pursuant to this section for the extended term even though the extended term is less than a full year.

2 Jan 98 SR 108/97 s10.

Term of licence

36.4(1) Unless sooner surrendered or cancelled and subject to subsections (2) to (4), an exploration licence is valid for:

- (a) two years after the date of its issuance, if any of the lands with respect to which the licence is issued are located south of Township 55;
 - (b) three years after the date of its issuance, if:
 - (i) all of the lands with respect to which the licence is issued are located north of Township 54 but south of Township 66; or
 - (ii) some of the lands with respect to which the licence is issued are located north of Township 54 but south of Township 66 and the remainder of the lands are located north of Township 65;
 - (c) four years after the date of its issuance, if all of the lands with respect to which the licence is issued are located north of Township 65; or
 - (d) five years after the date of its issuance if the rights are for oil sands.
- (2) On the request of a licensee, the minister may extend the term of the licensee's exploration licence where:
- (a) the exploratory work required to be carried out pursuant to these regulations is delayed by an action of a government agency or a member of the Executive Council for environmental, regulatory, jurisdictional or consultation purposes with respect to the surface of the land; and
 - (b) the delay is greater than 60 days.
- (3) In accordance with subsection (2), the minister may extend the term of the exploration licence for a period equivalent to the length of the delay.
- (4) Where the holder of an exploration licence is conducting drilling operations on a well within the land covered by the exploration licence when the period for which the licence is valid expires, the minister may extend the term of the exploration licence for a period not to exceed three months after the finished drilling date of the well.

(5) The minister may extend the term of an exploration licence for a period not to exceed three months where:

- (a) the holder of the exploration licence is in compliance with these regulations and the terms of the licence;
 - (b) a well licence has been issued to the holder of the exploration licence but drilling operations have not begun due to events beyond the control of the holder of the licence; and
 - (c) the well with respect to which the well licence was issued has a finished drilling date that falls within the extended term of the exploration licence.
- (6) Where the term of an exploration licence is extended pursuant to subsection (2), no rent is required to be paid by the licensee for the period of the extended term.

2 Jan 98 SR 108/97 s10; 11 May 2007 SR 33/2007 s21.

Conversion to lease

36.5(1) In this section and in sections 36.8 and 36.9, “**lease**” means a lease issued pursuant to Part V.

(2) The holder of an exploration licence may apply to convert the exploration licence to a lease or leases, but only if the holder is in compliance with section 84 of *The Oil and Gas Conservation Regulations, 1985*.

(3) The holder of an exploration licence who wishes to apply to convert the exploration licence to a lease or leases shall apply on or before 60 days after the expiry of the exploration licence.

(4) The maximum area that may be covered by a lease resulting from a conversion pursuant to subsection (2) is equal to the sum of area factors for all wells made within the area covered by the exploration licence.

(5) The area factor mentioned in subsection (4) for a well is equal to the amount calculated in accordance with the following formula:

$$A = TD \times F$$

where:

A is:

- (a) equal to 1 in the case of a well made on exploration licences for oil sands but only if:
 - (i) the well is made sufficiently deep, in the minister’s opinion, to intersect the oil sands zone; and
 - (ii) any core recovered from the well is in compliance with *The Oil and Gas Conservation Regulations, 1985*; or
- (b) in the case of a well made on exploration licences for petroleum, natural gas, or petroleum and natural gas, the area factor in sections rounded to the nearest quarter section;

TD is the total measured depth, as expressed in metres, for the well;

F is 0.004 sections, if the well is drilled to 1,800 metres or less, and 0.006 sections, if the well is drilled to more than 1,800 metres.

(6) Notwithstanding subsection (4), the holder of an exploration licence may group the area factors of any or all wells made in one other area covered by another exploration licence if:

- (a) the other exploration licence is held by the same holder; and
- (b) the other area covered by the other exploration licence is not more than 3.2 kilometres distant from the area that is the subject of the application.

(7) If the holder of an exploration licence groups the area factors of wells made in another area pursuant to subsection (6), the holder may not include the area factors that were grouped in any other application pursuant to this section.

2 Jan 98 SR 108/97 s10; 11 May 2007 SR 33/2007 s22.

Powers of minister

36.6(1) The minister may determine the form of an exploration licence issued pursuant to this Part.

(2) The minister may place any environmental, drilling or developmental restrictions on an exploration licence.

2 Jan 98 SR 108/97 s10; 11 May 2007 SR 33/2007 s23.

Surrender

36.7(1) The holder of an exploration licence may surrender the lands covered by the exploration licence at any time or may surrender part of those lands from time to time.

(2) No rent or fee paid by the holder of an exploration licence is refundable to the holder if the holder surrenders his or her exploration licence.

2 Jan 98 SR 108/97 s10.

Exploration licence terminated when lease issued

36.8 If the holder of an exploration licence obtains a lease pursuant to Part V for lands covered by the exploration licence prior to the end of the term of the exploration licence, the exploration licence is deemed to be terminated at the time the lease is issued.

2 Jan 98 SR 108/97 s10.

Effective date of leases

36.9 Where leases are issued pursuant to Part V respecting lands covered by an exploration licence, the effective date of those leases is the date on which the lease is issued.

2 Jan 98 SR 108/97 s10.

PART IV
Acquiring Crown Dispositions

Advertisement for bids and offers

37(1) On the application of an interested person or on the minister's own motion, the minister may advertise for sale any Crown disposition that may be granted pursuant to these regulations.

(1.1) The maximum area that may be the subject of any application for a lease pursuant to subsection (1) is four sections of Crown land.

(1.2) The minister may reject any application for a lease where, in the opinion of the minister, the applicant has not complied with subsection (1.1).

(1.3) No land is to be advertised for petroleum, natural gas, or petroleum and natural gas rights under a permit to be issued pursuant to Part II.1 if the land is:

(a) within 40 kilometres of any well that is cased for petroleum and natural gas production purposes at the time of the advertisement; or

(b) disposed for oil sands or oil shale rights pursuant to these regulations or The Oil Shale Regulations, 1964, being Saskatchewan Regulations 555/64.

(1.4) No land is to be advertised for oil shale or oil sands rights under a permit to be issued pursuant to Part II.1, if the land is within 10 kilometres of any active oil shale or oil sands EOR project at the time of advertisement.

(2) An advertisement for the purposes of subsection (1) is to:

(a) be published in the Gazette; and

(b) contain:

(i) the date of the sale;

(ii) the date and time after which the minister will not receive bids or offers; and

(iii) the address to which interested persons may write or to which they may go to obtain:

(A) the pertinent terms and conditions under which the bids or offers may be made;

(B) a list of the petroleum, natural gas, petroleum and natural gas, oil sands or oil shale rights available for disposition at the sale; and

(C) any other information that the minister considers relevant.

(3) Sealed bids or offers submitted to the minister are to be in accordance with the terms and conditions mentioned in paragraph (2)(b)(iii)(A).

(3.1) to (3.4) **Repealed.** 2 Jan 98 SR 108/97 s12.

(4) The unqualified right to refuse any or all bids or offers and the unqualified right to refuse to issue a disposition to any or all persons submitting bids or offers shall be reserved to the minister and the money submitted with the bids or offers by the unsuccessful applicants shall be refunded.

(4.1) The rights set out in subsection (4) are terms or conditions under which all bids or offers may be made.

(5) **Repealed.** 17 Aug 90 SR 63/90 s3.

(6) The minister may determine the form of any Crown disposition issued pursuant to these regulations.

(7) If there are ongoing thermal enhanced oil recovery activities on Crown lands that, in the opinion of the minister, may be adversely affected by the development of the deeper rights, as determined by the minister, in those Crown lands, the minister shall withdraw those deeper rights from disposition.

10 Jan 69 SR 8/69 s37; 17 Aug 90 SR 63/90 s3;
7 Feb 92 SR 3/92, s5; 15 May 92 SR 29/92 s2;
29 Mar 96 SR 9/96 s2; 2 Jan 98 SR 108/97 s12;
11 May 2007 SR 33/2007 s24.

Disposition of interest in less than 16 hectares

38 Notwithstanding section 37, the minister may lease interests in oil and gas rights in any area of less than 16 hectares that is required to complete a drainage unit.

28 Mar 91 SR 25/91 s23.

Net royalty leases

39(1) Subject to subsections (2) and (3) but notwithstanding any other provision, net royalty leases shall be in the form and contain the terms and conditions approved by the Lieutenant Governor in Council.

(2) Notwithstanding section 55, a lessee of a net royalty lease may surrender an interest in the whole or any part of the lands covered by the net royalty lease if:

- (a) the surrender meets the requirements of section 53;
- (b) the lessee applies pursuant to subsection (3) for a standard lease of the lands to be surrendered pursuant to this subsection; and
- (c) the minister approves the lessee's application for a standard lease.

(3) Where a lessee who has surrendered an interest pursuant to subsection (2):

- (a) applies pursuant to this section for a standard lease of the surrendered lands;

- (b) pays a cash bonus in an amount acceptable to the minister; and
- (c) makes a commitment, in a form acceptable to the minister, with respect to the conditions that the minister may require;

the minister may grant a standard lease of the surrendered lands to the lessee in accordance with Part V.

- (4) If a lessee fails to comply with a commitment made pursuant to clause (3)(c) within any period determined by the minister, the minister may cancel the lease in accordance with section 9 of *The Crown Minerals Act*.

27 Oct 89 SR 67/89 s3; 7 Jan 94 SR 110/93 s3.

Farmout agreements

39.01 Subsections 39(2) to (4) apply, with any necessary modification, to the termination or surrender of a farmout agreement with respect to Crown lands and the granting of a standard lease in substitution for the farmout agreement.

28 Mar 91 SR 25/91 s24.

Production after January 1, 1994

39.02 Notwithstanding anything to the contrary in a net royalty lease:

- (a) the cash proceeds of production from any of the following are not to be included for the purposes of determining the net royalty payable as specified in the net royalty lease:
 - (i) all oil and gas production from or allocated to a well with a finished drilling date on or after January 1, 1994;
 - (ii) incremental oil and gas production:
 - (A) with respect to an enhanced recovery project approved pursuant to *The Oil and Gas Conservation Act* that has an operation commencement date on or after January 1, 1994; and
 - (B) that is determined by the same method that is used in determining incremental waterflood oil pursuant to *The Crown Oil and Gas Royalty Regulations*; and
- (b) payments, costs, charges, expenses or allowances, as determined by the minister, that relate to the oil and gas production mentioned in clause (a) are not to be deducted when determining the net proceeds of production for the net royalty lease.

7 Jan 94 SR 110/93 s4; 2 Dec 94 SR 80/94 s7.

Application to farmout agreements

39.03 Section 39.02 applies, with any necessary modification, to a farmout agreement.

7 Jan 94 SR 110/93 s4.

39.1 Repealed. 2 Dec 94 SR 80/94 s8.

PART V
Leases of Crown Lands

Granting of lease

40 The minister may, upon application, grant leases of petroleum, natural gas, petroleum and natural gas, oil sands or oil shale rights in accordance with these regulations.

10 Jan 69 SR 8/69 s40; 11 May 2007 SR 33/2007 s25.

Size of lease

41(1) The area that may be included in any one lease for petroleum, natural gas, or petroleum and natural gas rights is to be:

- (a) a minimum of one legal subdivision, unless otherwise approved by the minister; and
- (b) a maximum of 49 quarter sections or 3 173 hectares, but only if all lands in the lease are adjoining.

(2) The area that may be included in any one lease for oil sands or oil shale rights is to be:

- (a) a minimum of one legal subdivision, unless otherwise approved by the minister; and
- (b) a maximum of 36 sections or 9 324 hectares in the configuration as described in section 23.71, but only if all lands in the lease are adjoining.

11 May 2007 SR 33/2007 s26.

Application

42 Every application for a lease shall be accompanied by:

- (a) a plan showing the area applied for and the lands in the area within which the petroleum, natural gas, petroleum and natural gas, oil sands or oil shale rights are the property of the Crown in the right of Saskatchewan;
- (b) either:
 - (i) a legal description of those lands if they are in a surveyed territory; or
 - (ii) if those lands are in unsurveyed territory, Global Positioning System (GPS) coordinates describing those lands or a plan and land description satisfactory to the minister;

- (c) subject to section 23, the rent at the rate of 25¢ per hectare for each month or portion thereof, if any, between the effective date of the lease and the first day of April next following;
- (d) an application fee as required by SCHEDULE 'A'; and
- (e) the names and addresses of the directors and officers of the applicant if the applicant is a corporation and if such information is not already on record in the department.

10 Jan 69 SR 8/69 s42; 12 Jun 87 SR 47/87 s3;
 28 Mar 91 SR 25/91 s26; 11 May 2007 SR 33/
 2007 s27.

Term of lease

43(1) In this section and in section 43.1, “**deeper rights**” means deeper rights as determined by the minister.

(2) This section and section 43.1 apply on and after April 1, 1998.

(3) The minister may, by order, determine deeper rights for the purposes of section 37, this section and section 43.1 and, if the minister issues an order determining deeper rights, shall cause that order to be published in the Gazette within 30 days after the date the order is issued.

(4) A lease is effective on the date stated in the lease and continues:

- (a) for five years if the rights are for petroleum, natural gas, or petroleum and natural gas, beginning on the first day of April following the effective date of the lease or, if the effective date of the lease is April 1, for five years from that date; or
- (b) for 15 years if the rights are for oil sands or oil shale, beginning on the first day of April following the effective date of the lease or, if the effective date of the lease is April 1, for 15 years from that date.

(5) Subject to subsections (6), (7), (8) and (10) and to the termination of any deeper rights pursuant to section 16.1 of *The Crown Minerals Act*, a lease continues past the period mentioned in subsection (4) if the holder of the lease is in compliance with these regulations and the terms of the lease and if:

- (a) a well is being made at the time of the expiration of the period mentioned in subsection (4);
- (b) there are one or more producing wells on the lease lands, but, in that case, the lease continues only for that portion of the lease lands in each surveyed section that contains the producing well or wells and only for a period ending 90 days after production from that portion of the lease lands ceases;

- (c) any part of the lease lands is under unit operation approved by the minister or by an order of the Lieutenant Governor in Council, but, in that case, the lease continues only for that part or whole of the lease lands and only for a period ending six months after that part is no longer subject to that unit operation;
 - (d) any part of the lease lands is included within a designated gas area pursuant to section 56, but, in that case, the lease continues only for that part of the lease lands that is within the designated gas area;
 - (e) the lease is continued pursuant to sections 56.3 to 56.9;
 - (f) compensatory royalty payments are being made pursuant to subsection 52.1(1) respecting a location designated by the minister pursuant to subsection 52(2) on the lease lands, but, in that case, the lease continues only for that portion of the lease lands in the surveyed section containing the location; or
 - (g) access to the lease lands has been denied:
 - (i) by an action of a government agency or by a member of the Executive Council for environmental, regulatory, jurisdictional or consultation reasons;
 - (ii) if the lease lands are in a potash restricted drilling area, by the minister or by a potash disposition holder pursuant to section 20 of *The Oil and Gas Conservation Regulations, 1985*; or
 - (iii) by an action of the beneficial owner of the surface rights of the area overlying the lease lands where those surface rights are not subject to *The Surface Rights Acquisition and Compensation Act*.
- (6) In clause (5)(b), “**surveyed section**” means a complete section:
- (a) as determined pursuant to *The Land Surveys Act*; or
 - (b) if there is no survey pursuant to that Act for the area to be covered by a lease, as determined by the minister.
- (7) Unless otherwise specified in this section, a lease is continued pursuant to subsection (5) for one year beyond the expiry of the period mentioned in subsection (4).
- (8) Subject to the termination of any deeper rights pursuant to section 16.1 of *The Crown Minerals Act*, a lease continues past the period mentioned in subsection (4) if the holder of the lease is in compliance with these regulations and the terms of the lease and if a well licence has been issued but drilling operations have not begun due to events beyond the control of the holder.

(9) A lease is continued pursuant to subsection (8) for three months, or any longer period that the minister may determine, beyond the expiry of the period mentioned in subsection (4).

(10) Where a lease is continued pursuant to this section, the holder of the lease shall pay the full amount of the annual rent payable pursuant to section 44 even though the lease may be continued for less than a full year.

(11) A lease is continued pursuant to this section only to the base of the deepest productive zone for that lease as determined by the minister.

2 Jan 98 SR 108/97 s13; 11 May 2007 SR 33/2007 s28.

Continuation of deeper rights

43.1(1) In accordance with section 16.1 of *The Crown Minerals Act*, the holder of a Crown lease may apply to the minister for approval to have the deeper rights continue as part of the lease.

(2) The application is to be in a form acceptable to the minister and is to contain information that demonstrates to the minister's satisfaction that access to the lease lands has been denied by:

(a) an action of a government agency or a member of the Executive Council for environmental, regulatory or jurisdictional reasons; or

(b) an action of the beneficial owner of the surface rights of the area overlying the lease lands where those surface rights are not subject to *The Surface Rights Acquisition and Compensation Act*.

2 Jan 98 SR 108/97 s13.

Annual rent

44(1) The rent subsequent to the rent referred to in clause (c) of section 42 shall be at the rate of \$3.50 per hectare per year, except as may otherwise be provided herein and subject to section 23, is payable yearly in advance on or before the first day of April.

(2) Notwithstanding subsection (1), when a lessee elects to apply credits in lieu of cash rent covering the first twenty-four months of the lease as provided for in section 23, the rent for that portion of the year from the termination of the credit period to the next succeeding rent anniversary date of April 1 shall be due and payable on the termination date of such credit period.

10 Jan 69 SR 8/69 s44; 28 Mar 91 SR 25/91 s28.

45 to 49 Repealed. 28 Mar 91 SR 25/91 s29.

What lease conveys

50 Subject to these regulations, each lease, unless otherwise specifically provided for in the lease, grants to the lessee the exclusive right, licence, privilege and authority to:

- (a) search, dig, bore and drill for oil and gas, oil sands or oil shale, as the case may be, within the lands described in the lease; and
- (b) win, get, recover, extract, procure, carry away, dispose of and sell the oil and gas, oil sands or oil sands products or oil shale or oil shale products, as the case may be, found within those lands.

11 May 2007 SR 33/2007 s29.

Commence work

51(1) Within six months after receiving a written request from the minister to do so, the lessee shall commence drilling operations on the lands described in the lease or group of leases, and he shall continue such drilling operations with reasonable diligence to the satisfaction of the minister with a view to the discovery of oil or gas.

(2) If the lessee does not commence drilling operations within the time prescribed or, having commenced such operations, does not continue operations with reasonable diligence to the satisfaction of the minister or, without the consent of the minister, ceases to carry on such operations for a period of more than six months, the lease or group of leases shall be subject to cancellation on sixty days' notice in the discretion of the minister.

(3) Notwithstanding anything contained in subsection (1), the minister may extend the time therein specified for such period as he may deem expedient.

(4) Subsections (1), (2) and (3) shall not apply to five year leases, 15-year leases or to the first five years of ten year leases.

10 Jan 69 SR 8/69 s51; 14 Jun 74 SR 160/74 s5;
11 May 2007 SR 33/2007 s30.

Offset obligation

52(1) If the lands covered by a lease adjoin lands that are not Crown mineral lands and the adjoining lands contain a vertical well or any portion of the horizontal section of a horizontal well producing oil or gas from a zone or formation to which the lease applies, the lessee, within one year after receiving a written notification from the minister or any other person authorized by the minister, shall be required to comply with an offset obligation to:

- (a) commence drilling a well on the location designated by the minister to a depth sufficient to test that producing zone or formation;

- (b) pay to the Crown a compensatory royalty in accordance with section 52.1; or
 - (c) surrender to the Crown the drainage unit on which the well is required pursuant to clause (a), including all the zones or formations covered by the lease except any zone or formation with respect to which oil or gas is being produced by the lessee to the satisfaction of the minister.
- (2) For the purposes of subsection (1), a location designated by the minister must be:
- (a) a lateral location on the lands covered by the lease in the case of spacing areas of one-quarter, one, four or 16 legal subdivisions;
 - (b) a diagonal location on the lands covered by the lease in the case of spacing areas of one-half, two or eight legal subdivisions; or
 - (c) a lateral location or a diagonal location on the lands covered by the lease in special circumstances.
- (3) For the purposes of subsection (1), a written notification addressed to the lessee at the last known address on record in the department is deemed to have been received by the lessee within three days after the notification is mailed.
- (4) Notwithstanding subsection (1), where an application for relief from an offset obligation is submitted in writing and supported by necessary maps, reports and other pertinent information, the minister, under special circumstances, may cancel that obligation;
- (5) In this section and in section 52.1, “**Crown mineral lands**” means lands in which the Crown holds at least a 50% interest.

2 Dec 94 SR 80/94 s11; 2 Jan 98 SR 108/97 s14.

Calculation of compensatory royalty

52.1(1) Subject to subsection (1.1), for the purposes of clause 52(1)(b), the compensatory royalty is equal to the amount of the royalty that would be payable pursuant to *The Crown Oil and Gas Royalty Regulations* as if:

- (a) in the case of a vertical well creating the offset obligation, the oil and gas produced from the vertical well were actually produced from a vertical well on the location designated by the minister;

(b) in the case of a horizontal well creating the offset obligation, the percentage A, calculated in accordance with the following formula, of oil and gas produced from the horizontal well were actually produced from a vertical well on the location designated by the minister:

$$A = (L/T) \times 100$$

where:

L is the length of the portion of the horizontal well that:

- (i) is located within the drainage unit creating the offset obligation; and
- (ii) is, in the opinion of the minister, capable of producing oil or gas; and

T is the portion of the total length of the horizontal well that is, in the opinion of the minister, capable of producing oil or gas;

(c) Parts III and VI of *The Crown Oil and Gas Royalty Regulations* did not exist; and

(d) the well-head value of the oil or gas is the fair value determined by the minister.

(1.1) The compensatory royalty calculated pursuant to subsection (1) is to be prorated in accordance with the following formula:

$$FCR = CR(100\% - CI)$$

where:

FCR is the compensatory royalty payable pursuant to clause 52(1)(b);

CR is the compensatory royalty calculated pursuant to subsection (1);

CI is the percentage interest of the Crown in the adjoining lands that are not Crown mineral lands.

(2) The royalty payable to the Crown is to be based on the production from the well creating the offset obligation with respect to which a written notification was first given pursuant to subsection 52(1).

(3) Notwithstanding subsection (2), the minister may give written notification to a lessee that the royalty payable to the Crown is to be based on the production from a well other than the well for which notification was first given.

(4) The minister may exempt any lessee from the payment of compensatory royalty for a specified period.

Surrender whole or part of a lease

53(1) Subject to sections 39, 55 and 56, a lessee may surrender the whole or part of the lands covered by his lease provided that:

- (a) the surrendered portions conform to legally described parcels of land and include all the rights granted in the original lease; and
 - (b) the retained portion of the lease is not less than a legal subdivision.
- (2) Where lands are surrendered there shall be no refund of rent.
- (3) Where a lessee holds the gas rights and not the oil rights from the Crown under the lease and he discovers oil in the gas lease lands, he may surrender to the Crown all his gas rights leased from the Crown in the surveyed section except in the legal subdivision in which the discovery well is located and the lessee may acquire the Crown oil rights to such legal subdivision provided that such oil rights are undisposed or are not committed for disposition by an application for posting, notice of sale or otherwise at the time the application for acquisition of the oil rights is made by the lessee.

10 Jan 69 SR 8/69 s53; 24 Jan 69 Errata; 27
Oct 89 SR 67/89, s4; 7 Feb 92 SR 3/92, s6.

Form of lease

54 The minister shall prescribe the form of lease in accordance with these regulations.

10 Jan 69 SR 8/69 s54.

Operations continuous if oil or gas or oil shale products or oil sands products being produced

55 If the lands described in a lease produce oil or gas in commercial quantities, or produce oil sands products or oil shale products from an active EOR project, the lessee shall produce and work the wells on those lands:

- (a) in accordance with these regulations; and
- (b) to the satisfaction of the minister.

11 May 2007 SR 33/2007 s32.

Designation of gas areas

56(1) A lessee who:

- (a) claims to have made a discovery of gas in an area; and
- (b) delimits the area mentioned in clause (a) by drilling wells that are adequately spaced to the satisfaction of the minister within the confines of his lease or leases;

may apply to the minister to have the area mentioned in clause (a) designated as a gas area.

- (2) The minister may designate an area as a gas area where he is satisfied that:
- (a) the wells drilled pursuant to clause (1)(b) by the lessee sufficiently delimit the area for which designation is sought; and
 - (b) further development and production of gas from the area:
 - (i) is not warranted because of:
 - (A) economic considerations;
 - (B) lack of accessible transportation for gas or an adequate market for gas;
 - (C) environmental considerations; or
 - (ii) is not consistent with good oil and gas conservation practices.
- (3) Notwithstanding anything contained in these regulations, where an area has been designated as a gas area pursuant to subsection (2), the lessee is relieved from the development and production requirements of the lease or leases set forth in subsection 43(5) with respect to the gas area.
- (4) Where:
- (a) an area has been designated as a gas area; and
 - (b) the minister subsequently determines that circumstances warrant the further development and production of gas from the area designated as a gas area;
- the minister may give notice to the lessee rescinding the designation of the area as a gas area.
- (5) Subject to subsection (6), on and from the anniversary date of the lease or leases next following the date set forth in a notice mentioned in subsection (4), the lease or leases affected by the rescission of a designation of a gas area shall be subject to the requirements of subsection 43(5).
- (6) Where the date set forth in a notice mentioned in subsection (4) falls within the period beginning on January 1 and ending on March 31 in any year, the leases affected by the rescission of a designation of a gas area shall be subject to the requirements of subsection 43(5) on and from June 30 of that year.
- (7) All lease rental reductions for designated gas areas that were effected prior to the coming into force of this section are rescinded.

22 Apr 88 SR 16/88 s5; 17 Aug 90 SR 63/90 s4;
11 May 2007 SR 33/2007 s33.

Interpretation on section 56.1 to 56.9

56.1(1) In this section and in sections 56.2 to 56.9:

- (a) **“designated heavy oil area”** means an area designated by the minister pursuant to subsection 56.2(1);
 - (b) **“EOR oil”** means EOR oil as defined in *The Crown Oil and Gas Royalty Regulations*;
 - (c) **“EOR project”** means, subject to subsection (3), an EOR project as defined in *The Crown Oil and Gas Royalty Regulations*;
 - (d) **“investment”** means an investment as defined in Part IV of *The Crown Oil and Gas Royalty Regulations*, but does not include any amount credited, granted or paid to any person pursuant to any oil incentive scheme of the Government of Canada or the Government of Saskatchewan;
 - (e) **“primary recovery methods”** includes horizontal well technology;
 - (f) **“primary term”** means the term of a Crown lease set out in subsection 43(4).
- (2) Crown-acquired lands within the meaning of Part IV of *The Crown Oil and Gas Royalty Regulations* are deemed to be Crown lands for the purposes of this section and sections 56.2 to 56.9.
- (3) Where the minister has determined that two or more EOR projects are to be treated as one EOR project for the purposes of *The Crown Oil and Gas Royalty Regulations*, each EOR project is to be considered a separate project for the purposes of this section and sections 56.2 to 56.9.

28 Mar 91 SR 25/91 s32; 2 Dec 94 SR 80/94 s12;
11 May 2007 SR 33/2007 s34.

Designation of heavy oil area

56.2(1) For the purposes of sections 56.1 to 56.9, the minister may, on application by the lessee, designate an area:

- (a) that is located in the Lloydminster or the Kindersley-Kerrobert heavy crude area, the oil sands area north of Township 73, or the oil shale area in east-central Saskatchewan;
- (b) that contains one or more oil, oil sands or oil shale deposits that:
 - (i) in the opinion of the minister, are not economically recoverable through primary recovery methods;
 - (ii) are defined:
 - (A) by wells spaced at a frequency of not less than one well per section; or
 - (B) by other means that, in the opinion of the minister, are adequate;

- (c) that is, in the opinion of the minister, suited to the application of enhanced recovery methods;
 - (d) that contains not less than one quarter section and not more than 36 sections of Crown lands, unless the minister approves otherwise;
 - (e) that is wholly contained within a square measuring 16.1 kilometres by 16.1 kilometres unless the minister approves otherwise; and
 - (f) in which each of the Crown leases has the same lessee or lessees;
- as a heavy oil area.

(2) The minister may, from time to time, amend the boundaries of a designated heavy oil area.

(3) An area designated or purported to be designated by the minister as a heavy oil area prior to the coming into force of sections 56.1 to 56.9 is deemed to have been designated pursuant to subsection (1).

28 Mar 91 SR 25/91 s32; 11 May 2007 SR 33/
2007 s35.

Power to grant or refuse continuances

56.3(1) Notwithstanding any other provision of these regulations, the minister may, on the application of a lessee, grant a continuance of a Crown lease in accordance with sections 56.1 to 56.9.

(2) Applications to the minister pursuant to sections 56.1 to 56.9 are to be submitted to the administrator.

(3) A lessee who applies for a continuance of a Crown lease pursuant to sections 56.1 to 56.9 shall submit with the application a workplan that sets out in detail the lessee's plans to undertake one or more of the activities mentioned in subsection 56.5(2).

(4) The minister may refuse to grant a continuance of a Crown lease for any reason that the minister considers sufficient, including, without limiting the generality of the foregoing, any failure of the lessee to comply with the Act, these regulations or the terms and the conditions of the Crown lease.

(5) Where a term or condition of a Crown lease continued pursuant to sections 56.1 to 56.9 is inconsistent with a provision of those sections, that provision supersedes the term or condition of the Crown lease.

28 Mar 91 SR 25/91 s32.

Continuance before designation

56.4(1) Where a lessee who needs additional time to define an area and apply for designation of the area pursuant to subsection 56.2(1) submits an application not less than 30 days before the end of the primary term of the Crown lease, the minister may grant a continuance of the Crown lease for a period of one year, commencing on the day immediately following the last day of the primary term, at a rent of \$7 per hectare.

(2) Where a lessee who is granted a continuance pursuant to subsection (1) submits an application not less than 30 days before the end of the year of continuance, the minister may grant a continuance of the Crown lease for a period of one additional year, commencing on the day immediately following the last day of the year of continuance, at a rent of \$10.50 per hectare.

28 Mar 91 SR 25/91 s32.

Continuance after designation

56.5(1) Where:

- (a) a heavy oil area has been designated on leased Crown lands; and
- (b) the lessee submits an application not less than 30 days before the expiration of the Crown lease;

the minister may grant a continuance of the Crown lease with respect only to the leased Crown lands included in the designated heavy oil area for a period of five years, commencing on the day immediately following the last day of the previous term of the Crown lease, at a rent of \$5 per hectare per year.

(2) A lessee who is granted a continuance pursuant to subsection (1) shall expend not less than \$25 per hectare of the lands to which the continuance applies per year during the period of the continuance on:

- (a) reservoir studies;
- (b) combustion tube studies;
- (c) injectivity tests;
- (d) a pilot EOR project related to a specific oil, oil sands or oil shale deposit;
- (e) any other activity approved by the minister for the purposes of this section; or
- (f) any combination of the matters and activities described in clauses (a) to (e).

(3) An expenditure for drilling to further define an oil, oil sands or oil shale deposit does not qualify as an expenditure pursuant to subsection (2).

(4) A lessee who is granted a continuance pursuant to subsection (1) shall, not later than 60 days after each anniversary date of the Crown lease, file with the administrator expenditure statements containing any information that the minister may require.

(5) Where, in any year of a continuance granted pursuant to subsection (1), the lessee has expended more than the amount described in subsection (2), the minister may permit the lessee to carry forward any expenditures in excess of that amount to be applied against the expenditure requirements for subsequent years of the period of the continuance.

(6) Where, in any year of a continuance granted pursuant to subsection (1):

- (a) the lessee has expended less than the amount described in subsection (2); and
- (b) there are not sufficient expenditures carried forward from previous years pursuant to subsection (4) to satisfy the expenditure requirement for that year;

the minister may, on the application of the lessee made within the period mentioned in subsection (4), permit the lessee to make a cash payment, within the time specified by the minister, to maintain the Crown lease in good standing.

(7) The amount of a cash payment required pursuant to subsection (6) is equal to the difference between:

- (a) the amount described in subsection (2) for the year in question; and
- (b) the sum of:
 - (i) the amount of actual expenditures made pursuant to subsection (2) for the year in question; and
 - (ii) the amount of expenditures carried forward from previous years pursuant to subsection (5) that have not been applied against the expenditure requirements of other years.

(8) On proof by the lessee of the amount of expenditures pursuant to subsection (2) made by the lessee in the year following the year in which the deficiency of expenditures occurred, the minister shall refund to the lessee:

- (a) the entire amount of a cash payment made by the lessee pursuant to subsection (6) if the amount of expenditures proved is equal to or greater than the sum of:
 - (i) the amount required pursuant to subsection (2) for the year next following the year in which the deficiency occurred; and
 - (ii) the amount of the cash payment; and
- (b) the portion of a cash payment made by the lessee pursuant to subsection (6) equal to the difference between:
 - (i) the amount of expenditures proved; and
 - (ii) the amount required pursuant to subsection (2) for the year next following the year in which the deficiency occurred;

if the amount of expenditures proved is less than the sum described in clause (a).

(9) Where a portion of a cash payment is refunded pursuant to subsection (8), the balance of the cash payment is forfeited to the Crown.

(10) Where no expenditures have been made by the lessee pursuant to subsection (2) in the year following the year in which the deficiency of expenditures occurred, the entire cash payment is forfeited to the Crown.

(11) Where, in any year of a continuance granted pursuant to subsection (1):

- (a) the lessee has expended less than the amount described in subsection (2);
- (b) expenditures carried forward from previous years pursuant to subsection (4) are not sufficient to satisfy the expenditure requirement for that year; and
- (c) the lessee has not made a cash payment pursuant to subsection (6);

the Crown lease terminates at the end of that year of continuance with respect to that portion of the designated heavy oil area, in hectares rounded off to the nearest quarter section, that bears the same proportional relationship to the total of the leased Crown lands as the deficiency in expenditures for the year bears to the expenditure requirement for that year.

(12) Where a Crown lease terminates pursuant to subsection (11):

- (a) the lessee may, within 60 days after the expiry of the time for filing expenditure statements, designate the portion of the designated heavy oil area with respect to which the Crown lease terminates; and
- (b) if the lessee fails to designate a portion of the leased Crown lands within the period set out in clause (a), the minister shall designate the portion of the designated heavy oil area with respect to which the Crown lease terminates.

28 Mar 91 SR 25/91 s32; 11 May 2007 SR 33/
2007 s36.

Continuance – no EOR project

56.6(1) Where:

- (a) a continuance is granted pursuant to subsection 56.5(1);
- (b) no EOR project is in operation in the designated heavy oil area at the end of the period of the continuance; and
- (c) the lessee submits an application not less than 30 days before the end of the period of the continuance;

the minister may grant a continuance of the Crown lease with respect only to the leased Crown lands included in the designated heavy oil area for a further period of five years, commencing on the day immediately following the last day of the previous continuance, at a rent of \$7 per hectare per year.

(2) A lessee who is granted a continuance pursuant to subsection (1) shall expend not less than \$50 per hectare of the lands to which the continuance applies per year during the period of the continuance on any of the matters and activities mentioned in clauses 56.5(2)(a) to (f).

(3) No expenditures claimed pursuant to section 56.5 may be claimed as expenditures pursuant to this section.

(4) Subsections 56.5(3) to (11) apply, with any necessary modification, to lessees, Crown lease continuances and expenditures mentioned in subsections (1) and (2).

(5) At the expiry of a continuance granted pursuant to subsection (1), no further continuance shall be granted except in accordance with section 56.7 or 56.8.

28 Mar 91 SR 25/91 s32.

Continuance – EOR project in operation

56.7(1) Where, on the expiry of the primary term of a Crown lease or of the period of any continuance of a Crown lease granted or deemed to be granted pursuant to sections 56.1 to 56.9:

(a) an EOR project on leased Crown lands included in a designated heavy oil area has been approved by the minister; and

(b) operations are being carried out on those lands pursuant to that project:

the Crown lease is continued with respect only to the leased Crown lands included in the designated heavy oil area at the rent provided for in section 44 for a period of two years, commencing on the day immediately following the last day of the primary term or previous continuance, as the case may be, and, after the expiry of that period, for as long as EOR oil is produced from the EOR project.

(2) Where, on the coming into force of sections 56.1 to 56.9, operations are being carried out pursuant to an EOR project previously approved by the minister on leased Crown lands within a designated heavy oil area, the Crown lease is continued with respect only to the leased Crown lands included in that area at the rent provided for in section 44 for as long as EOR oil is produced from the EOR project.

(3) Subject to subsections (4) and (5), where a Crown lease is continued pursuant to subsection (1) or (2), the minister may, with respect to leased Crown lands included in designated heavy oil areas other than the one in which the EOR project is located, grant a continuance of a Crown lease in which an owner of a working interest in the EOR project holds an interest recorded on the Crown lease kept by the department that, in the opinion of the minister, is a sufficient interest if those designated heavy oil areas:

(a) contain oil, oil sands or oil shale deposits with characteristics similar to those of the deposits in the designated heavy oil area in which the EOR project is located; and

(b) are wholly contained within a square measuring 16.1 kilometres by 16.1 kilometres unless the minister approves otherwise.

(4) No continuance shall be granted pursuant to subsection (3) with respect to any part of the designated heavy oil area in excess of the number of hectares equal to the product of:

- (a) the lessee's percentage interest in the EOR project; and
- (b) either:
 - (i) 9 324; or
 - (ii) if the rights are for oil sands or oil shale, 18 648.

(5) No continuance shall be granted by the minister pursuant to this section with respect to any area of leased Crown lands in excess of the number of sections equal to:

- (a) the greater of:
 - (i) the number of wells on Crown lands in the EOR project; and
 - (ii) the number obtained by dividing the investment on Crown lands in the EOR project by \$250,000, rounded to the nearest quarter section; or
- (b) an area otherwise determined by the minister.

28 Mar 91 SR 25/91 s32; 11 May 2007 SR 33/2007 s37.

Continuance – EOR project suspended

56.8(1) Where, after the expiry of the primary term of a Crown lease or of the period of any continuance of a Crown lease granted or deemed to be granted pursuant to sections 56.1 to 56.9, operations pursuant to an EOR project located in a designated heavy oil area are suspended for reasons that, in the opinion of the minister, are:

- (a) beyond the control of the lessee; and
- (b) sufficient to justify the suspension of the project;

the minister may grant a continuance of the Crown lease with respect only to the leased Crown lands included in the designated heavy oil area at a rent of \$5 per hectare for a period specified by the minister that does not exceed five years from the day on which EOR oil was last produced from the project or from any other day specified by the minister.

(2) A lessee who is granted a continuance of a Crown lease pursuant to subsection (1) shall maintain the equipment of the EOR project in an operable state to the satisfaction of the minister.

(3) Where a lessee fails to maintain the equipment of an EOR project in accordance with subsection (2), the minister may rescind the designation of the designated heavy oil area in which the EOR project is located.

28 Mar 91 SR 25/91 s32.

Continuances prior to coming into force

56.9(1) A continuance of a Crown lease granted or purported to be granted by the minister or the department prior to the coming into force of sections 56.1 to 56.9 is deemed to be granted pursuant to sections 56.1 to 56.9 for the period specified in the continuance.

(2) The minister may grant a further continuance of a Crown lease mentioned in subsection (1) pursuant to any provision of sections 56.1 to 56.9 that the minister considers appropriate.

(3) A Crown lease mentioned in subsection (1) shall not be continued after the expiry of the deemed continuance except in accordance with subsection (2).

28 Mar 91 SR 25/91 s32.

57 to 63D Repealed. 2 Dec 94 SR 80/94 s13.

PART VI General

Failure to remit royalties

64(1) No person who owes to the Crown any royalty in respect of a lease of petroleum, natural gas, petroleum and natural gas, oil sands or oil shale rights shall be entitled to acquire any further lease from the Crown or acquire any further Crown lease by assignment unless settlement of such royalty is made in full.

(2) No person who owes to the Crown any royalty in respect of a lease of petroleum, natural gas, petroleum and natural gas, oil sands or oil shale rights shall assign such lease unless settlement of such royalty is made in full.

(3) **Repealed.** 2 Dec 94 SR 80/94 s15.

28 Jan 83 SR 10/83 s3; 2 Dec 94 SR 80/94 s14
and 15; 11 May 2007 SR 33/2007 s38.

Disposition of undisposed rights by permit, drilling reservation or lease

65 Notwithstanding anything contained in these regulations, undisposed Crown oil or gas rights may be disposed of by permit, drilling reservation or lease whether the Crown oil or gas rights in the lands above or below the lands containing the said undisposed Crown oil or gas rights are under disposition or not.

8 Feb 1980 SR 30/80, s65.

66 Repealed. 1 Mar 91 SR 11/91 s14.

66A Repealed. 1 Mar 91 SR 11/91 s14.

67 Repealed. 2 Dec 94, 80/94 s16.

Manner of applying

68 An application for a permit, drilling reservation, lease or other disposition may be filed by the applicant in person or by his agent or may be sent by mail to the department.

10 Jan 69 SR 8/69 s68; 2 Aug 91 SR 58/91 s4; 2 Dec 94 SR 80/94 s17.

Not binding until documents executed

69 No application for disposition of Crown lands shall be binding on the Crown until the document of disposition in respect of the rights applied for has been executed by the minister or any person authorized by the minister.

10 Jan 69 SR 8/69 s69; 2 Aug 91 SR 58/91 s5.

Application in unsurveyed territory

70 An application for disposition in respect of Crown lands situated in an unsurveyed territory shall contain a plan and land description satisfactory to the minister.

10 Jan 69 SR 8/69 s70.

Comply with Acts and regulations

71 The holder shall at all times fulfil, perform, observe and comply with *The Crown Minerals Act* and The Oil and Gas Conservation Act and the regulations under the Acts, and every other statute or regulation that is or may, by future enactment or amendment in any manner whatsoever, be applicable to his operation, plant, works, business or undertaking.

10 Jan 69 SR 8/69 s71; 22 Apr 88 SR 16/88 s6; 2 Aug 91 SR 58/91 s6.

Good practices

72 The holder shall carry out all his operations in accordance with the best accepted geological, geophysical and engineering practices applicable to such operations.

10 Jan 69 SR 8/69 s72; 2 Aug 91 SR 58/91 s7.

Accurate records

73 The holder shall at all times keep accurate and detailed records, books and accounts of his operations hereunder and of the expenditures made in connection with such operations and shall, whenever requested by the minister to do so, submit to the administrator true copies of such records verified by affidavit.

10 Jan 69 SR 8/69 s73; 2 Aug 91 SR 58/91 s8.

Examine records

74(1) The minister or any person authorized by him may at any time and from time to time enter upon the lands of the holder and into the office or other place where the holder's books and records are kept and inspect and examine the operations of the holder and the plant, works, books and records used or kept in connection with or having any reference to the operations, examine samples of mineral and other substances encountered during the operations and make copies of such books and records or of any part thereof.

(2) The holder shall give or cause to be given all such assistance as the minister or the person authorized by him may reasonably require for the purpose of effecting subsection (1).

10 Jan 69 SR 8/69 s74; 2 Aug 91 SR 58/91 s9.

75 Repealed. 2 Aug 91 SR 58/91 s10.

76 Repealed. 2 Aug 91 SR 58/91 s10.

Minister's discretion

77 The minister may refuse to:

- (a) grant; or
- (b) consent to or register the assignment or transfer of;

a permit, drilling reservation, lease or other Crown disposition to a corporation or partnership unless the laws of Saskatchewan respecting the registration of corporations or partnerships have been complied with.

2 Aug 91 SR 58/91 s11.

78 to 81 Repealed. 2 Aug 91 SR 58/91 s12.

Address for service

82 Every holder shall file with the department an address for service in Saskatchewan unless otherwise approved.

10 Jan 69 SR 8/69 s82; 2 Aug 91 SR 58/91 s13.

Change of name

82.1(1) A holder whose name is changed shall:

- (a) give written notice of the change of name to the administrator; and
- (b) provide the administrator with evidence of the change of name in a form satisfactory to the administrator;
- (c) **Repealed.** 3 Jly 98 SR 49/98 s7.

(2) Where a holder that is a corporation amalgamates with another corporation, the holder shall:

- (a) give written notice of the amalgamation to the administrator; and
- (b) provide the administrator with a certified copy of the certificate of amendment or certificate of amalgamation that:
 - (i) is issued to the holder pursuant to the statute that governs the corporation; and
 - (ii) is in a form satisfactory to the administrator;
- (c) **Repealed.** 3 Jly 98 SR 49/98 s7.

2 Aug 91 SR 58/91 s14; 3 Jly 98 SR 49/98 s7.

Service of documents

83(1) Any notice or other document required by these regulations or by section 9 of the Act to be given or served is to be served, unless otherwise provided, by personal service or registered mail.

(2) Any notice or other document served on a holder by registered mail is to be addressed:

- (a) in the case of a holder, to the address for service filed pursuant to section 82; and
- (b) in the case of a secured party, to the address for service set out in the security notice.

(3) A notice or other document served by registered mail is conclusively deemed to have been received on the seventh day following the day of its mailing.

2 Aug 91 SR 58/91 s15.

Copies, searches, etc.

84(1) Subject to subsection (2), on request and on payment of the appropriate fee prescribed in Schedule A, any person may:

- (a) inspect or obtain a copy of any document registered pursuant to Part VIII or any security notice, notice of amendment, notice of assignment, notice of discharge or notice of partial discharge registered pursuant to Part IX;
- (b) obtain a copy, certified by the administrator as a true copy, of any:
 - (i) Crown disposition;
 - (ii) document registered pursuant to Part VIII; or
 - (iii) security notice, notice of amendment, notice of assignment, notice of discharge or notice of partial discharge registered pursuant to Part IX;

- (c) subject to the conditions prescribed in this section, require a search of all documents registered pursuant to Part VIII or security notices, notices of amendment, notices of assignment, notices of discharge and notices of partial discharge registered pursuant to Part IX to be made with respect to a Crown disposition and a search report to be provided; or
 - (d) do all or any combination of the things described in clauses (a) to (c).
- (2) The administrator may refuse to allow the inspection or copying of a document submitted prior to the coming into force of Part VIII or Part IX if, in the administrator's opinion, the circumstances warrant that refusal.
- (3) Search reports are provided solely as a convenience to the persons who request them, and the minister, the department and employees, officers and agents of the department are not liable for any:
- (a) error, omission or inaccuracy in; or
 - (b) loss, damages or other consequence arising from the reliance of any person on;
- a search report provided pursuant to clause (1)(c), including any matter described in clause (a) or (b) that results, directly or indirectly, from the negligence or other act or omission of the minister, the department or any employee, officer or agent of the department.
- (4) Every person who requests a search or search report pursuant to clause (1)(c) is deemed to have agreed to the following conditions respecting the search or search report:
- (a) that the Crown, the minister, the department and any officer, employee or agent of the department are not responsible for any loss or damage resulting from any error or omission in the search or search report;
 - (b) that any person requesting, making use of or relying on a search or search report releases the Crown, the minister, the department and any officer, employee or agent of the department from any liability for loss or damage described in clause (a).

2 Aug 91 SR 58/91 s15.

Lost Crown dispositions

- 84.1(1)** A holder who is unable to locate his or her copy of a Crown disposition may apply for a duplicate copy of the Crown disposition by filing with the administrator an affidavit of lost Crown disposition in a form satisfactory to the administrator, together with the fee prescribed in Schedule A.
- (2) The administrator may issue a duplicate copy of a Crown disposition to a holder who complies with subsection (1).

2 Aug 91 SR 58/91 s15.

Land description under *The Land Surveys Act*

85 Where reference is made to a section, quarter section or other subdivision, such section, quarter section or other subdivision shall be construed in accordance with The Land Surveys Act.

10 Jan 69 SR 8/69 s85.

Orders

86 The minister or any person authorized by the minister may from time to time issue such orders as he may deem necessary for the interpretation and effective administration of these regulations.

10 Jan 69 SR 8/69 s86; 2 Aug 91 SR 58/91 s16.

Fees

87 The fees payable to the department in respect of work or service pursuant to these regulations shall be payable in advance and in accordance with Schedule "A" to these regulations.

10 Jan 69 SR 8/69 s87.

Right of entry not authorized

88 A permit, drilling reservation, lease or other disposition to which these regulations apply shall not authorize the holder to enter upon or use the surface of the lands described therein.

10 Jan 69 SR 8/69 s88; 2 Aug 91 SR 58/91 s17.

PART VII

Registry

Interpretation of Part

89 In this Part and in section 84, "**document**" means:

- (a) a document within the meaning of Part VIII; or
- (b) a security notice, notice of amendment, notice of assignment, notice of discharge or notice of partial discharge within the meaning of Part IX.

2 Aug 91 SR 58/91 s18.

Document number

90(1) The administrator shall:

- (a) receive all documents submitted for registration pursuant to Parts VIII and IX; and
 - (b) immediately on receipt of a document for registration, assign to it a document number.
- (2) Document numbers are to be assigned consecutively in the order in which documents are received.

2 Aug 91 SR 58/91 s18.

Order of registration

91(1) Subject to subsection (2), the order of registration is determined by the document number.

- (2) Document numbers assigned to documents that are received and subsequently refused registration are deemed to be cancelled.
- (3) For purposes of priority among and between transfers and security notices, the document number may be referred to.

2 Aug 91 SR 58/91 s18.

Document register

92(1) The administrator shall keep a book called the document register in which the administrator shall enter a record of each document that:

- (a) is received by the administrator pursuant to clause 90(1)(a); and
 - (b) in the administrator's opinion, is registrable.
- (2) A record of a document entered in the document register is to contain:
- (a) a short description of the document; and
 - (b) the date of receipt of the document.
- (3) The entering of a record of a document in the document register constitutes registration of the document.

2 Aug 91 SR 58/91 s18.

Correction or cancellation of registration

93(1) The administrator may correct or cancel the registration of any document:

- (a) that was registered in error;
 - (b) that was registered on the basis of incorrect information supplied to the administrator;
 - (c) if the provisions of the Act and these regulations respecting registration have not been complied with respecting that document; or
 - (d) on the request of the person who submitted the document for registration.
- (2) Before cancelling the registration of any document pursuant to subsection (1), the administrator shall provide at least 3 days' notice to the person who registered the document and to any person who registered a document subsequent to that document.

2 Aug 91 SR 58/91 s18.

Other records

94 The administrator may make any other entries and keep any other records that the administrator considers necessary with respect to documents registered pursuant to these regulations.

2 Aug 91 SR 58/91 s18.

No action from reliance on registry

95(1) The registry system provided pursuant to these regulations on registry is provided solely as a convenience to persons who use the system, and the minister, the department and employees, officers and agents of the department are not liable for any:

- (a) error, omission or inaccuracy of or in; or
- (b) loss, damages or other consequences arising from the reliance of any person on;

the registry system, including any matter described in clause (a) or (b) that results directly or indirectly from the negligence or other act or omission of the minister, department or any employee, officer or agent of the department.

(2) Every person who registers a document is responsible for insuring, by obtaining a search report, that the registration has been done in accordance with that person's instructions.

2 Aug 91 SR 58/91 s18.

PART VIII
Registration of Documents

Interpretation of Part**96** In this Part:

- (a) **“registered”** means, subject to section 97, registered pursuant to this Part;
- (b) **“document”** means:
 - (i) a document that evidences:
 - (A) a transfer;
 - (B) a change of name;
 - (C) a power of attorney;
 - (D) a revocation of a power of attorney;
 - (E) an indemnification agreement mentioned in clause 101(2)(b); or
 - (F) a court order;
 - (ii) a certificate of:
 - (A) amalgamation;
 - (B) amendment; or
 - (C) dissolution;issued pursuant to *The Business Corporations Act* or the *Canada Business Corporations Act*, as amended from time to time; or
- (iii) a notice of sub-lease;
- (c) **“notice of sub-lease”** means a Notice in Form F of Schedule D to these regulations;
- (d) **“transfer”** means an instrument by which a holder conveys a specific interest in a Crown disposition to another person and includes:
 - (i) an unconditional assignment; and
 - (ii) a surrender that is carried out or approved pursuant to these regulations of all or part of a Crown disposition;

but does not include farm-out agreements, sub-leases and security notices.

Prior registrations continued

97 Subject to subsection 105(2), documents that, on the day before the coming into force of this Part, were registered pursuant to section 80, as that section existed on the day before the coming into force of this Part, are deemed to be registered pursuant to this Part.

2 Aug 91 SR 58/91 s18.

Registrable document

98(1) A document that conveys:

- (a) the entire interest of the holder in a Crown disposition;
- (b) subject to subsection (2), a specified percentage of the interest of the holder in the Crown disposition;
- (c) all or part of the interest of the holder in a formation, stratum or zone of the Crown lands contained in the Crown disposition; or
- (d) a part of the area included in a Crown disposition;

may be registered.

(2) A document that conveys an interest that is less than 1% of an interest in a Crown disposition is not registrable.

2 Aug 91 SR 58/91 s18.

Submission for registration

99(1) A holder shall submit to the administrator every document that affects a Crown disposition of the holder:

- (a) on execution of the document; and
- (b) in the case of a document executed prior to the coming into force of clause (a), on the request of the administrator.

(2) Nothing in subsection (1) prevents any other person from submitting a document for registration.

(3) A person who submits a document for registration shall provide to the administrator:

- (a) one original and one copy of the document to be registered;
- (b) the holder's copy of the Crown disposition; and
- (c) the appropriate fee set out in Schedule A.

(4) Where a document is executed on behalf of a person by an attorney or agent, the person who wishes to register the document shall submit to the administrator, in addition to the items mentioned in subsection (1), written proof of the authority of the attorney or agent that is satisfactory to the administrator.

(5) In the case of a transfer of a net royalty lease, the person who wishes to register the transfer shall submit to the administrator, in addition to the items mentioned in subsection (1), the prior consent of the minister on an approved form.

(6) Notwithstanding clause (3)(b), the administrator may accept a document for registration where the holder's copy of the Crown disposition has not been submitted if:

(a) arrangements, satisfactory to the administrator, have been made for the holder's copy of the Crown disposition to be submitted within a time considered by the administrator to be reasonable; and

(b) the person submitting the document pays the appropriate fee set out in Schedule A to these regulations.

(7) Notwithstanding clause (3)(a), the administrator may accept a copy of a document for registration if the administrator is provided with an affidavit which satisfies the administrator that:

(a) all reasonable efforts to locate the original of the document have been made and have not been successful; and

(b) the copy submitted to the administrator is a true copy of the original document, insofar as that can be determined in the circumstances.

2 Aug 91 SR 58/91 s18.

Registration procedure

100 Where the administrator accepts a document for registration, the administrator shall register the document by:

(a) recording on both copies of the document and the Crown disposition to which the document relates the date on which the document was received by the administrator;

(b) endorsing both copies of the Crown disposition with a memorandum of the registration and return one copy to the person who submitted it; and

(c) recording the registration of the document in the document register pursuant to section 92.

2 Aug 91 SR 58/91 s18.

Refusal of registration

101(l) The administrator may refuse to register a document if:

(a) the document is not unconditional;

(b) the document is not:

(i) executed in a manner; and

(ii) accompanied by proof of execution;

that is satisfactory to the administrator;

- (c) the document is made with respect to:
 - (i) an interest that is greater than the interest that the holder possesses;
 - (ii) an interest that is not a registered or recorded interest as indicated by the records of the department; or
 - (iii) a person who, according to the records of the department, has no registered interest in the interest with respect to which the document is made;
 - (d) the document conveys an interest that is less than 1% of an interest in a Crown disposition;
 - (e) the holder, or person who would become the holder on registration of the document, has not paid all outstanding arrears against any Crown disposition, including any rents and royalties;
 - (f) the person who becomes the holder as a result of registration does not submit an address for service in Saskatchewan;
 - (g) the appropriate fee prescribed in Schedule A is not paid;
 - (h) the Crown disposition of the holder is not submitted;
 - (i) the person who submitted the document for registration has not otherwise complied with the Act, these regulations or the terms of any Crown disposition affected by the document; or
 - (j) in the opinion of the minister, it is not in the interest of the Crown or in the public interest to register the document.
- (2) Where a document is submitted for registration or executed by or on behalf of a trustee, receiver, receiver-manager, liquidator, executor, administrator, property guardian appointed pursuant to *The Dependent Adults Act* or other person acting in a similar capacity, the administrator may refuse to register the document unless it is accompanied by:
- (a) one or more orders of the court that:
 - (i) appoint or confirm the appointment in Saskatchewan of the trustee, receiver, receiver-manager, liquidator, executor, administrator, property guardian or other person acting in a similar capacity; and
 - (ii) authorize the transaction evidenced by the document;
 - (b) an indemnification agreement in favour of the minister, the department and the employees, officers and agents of the department that is:
 - (i) in a form; and
 - (ii) provided by a person;that is satisfactory to the administrator; or
 - (c) in the case of a transfer, an order of the court vesting in the transferee the interest evidenced by the document.

(3) Notwithstanding any order of the court mentioned in subsection (2), in any case to which subsection (2) applies, the administrator may refuse to register the document if:

- (a) the minister has made a determination pursuant to clause (1)(j); or
 - (b) for any other reason, the administrator is not satisfied that there has been compliance with the Act, these regulations and the terms of any Crown disposition affected by the document by any person with respect to the Crown disposition affected by the document.
- (4) An applicant for an order mentioned in clause (2)(a) or (2)(c) shall serve notice of the application on the administrator not less than three days before the day fixed for the hearing of the application.

2 Aug 91 SR 58/91 s18.

Effect of registration

102(1) A document that is not registered pursuant to this Part is not valid as against the Crown and is not recognized by the Crown for any purpose.

(2) A document that is registered pursuant to this Part is valid as against the Crown only from the day of registration.

2 Aug 91 SR 58/91 s18.

Effect of transfer on Crown dispositions

103 If the administrator registers a transfer of:

- (a) a specified percentage of an interest in a Crown disposition; (b) part of the area of a Crown disposition;
- (c) a specified strata of a Crown disposition; or
- (d) any other divided interest in a Crown disposition;

the minister may amend the original Crown disposition and issue a new Crown disposition to the transferee in accordance with the terms and conditions of the original Crown disposition and subject, where applicable, to any registrations against the original Crown disposition.

2 Aug 91 SR 58/91 s18.

PART IX
Security Notices

Interpretation of Part

104 In this Part:

- (a) **“collateral”** means:
 - (i) the interest of a holder in a Crown disposition that is subject to a security interest; or
 - (ii) an interest in a Crown disposition that is:
 - (A) derived directly or indirectly from a holder or former holder of the Crown disposition; and
 - (B) subject to a security interest;and includes any interest that the administrator approves as an interest in a Crown disposition;
- (b) **“notice of amendment”** means a notice in Form B of Schedule D to these regulations;
- (c) **“notice of assignment”** means a notice in Form C of Schedule D to these regulations;
- (d) **“notice of discharge”** means a notice in Form D of Schedule D to these regulations;
- (e) **“notice of partial discharge”** means a notice in Form E of Schedule D to these regulations;
- (f) **“registered”** means, except where a contrary intention is expressed, registered pursuant to this Part;
- (g) **“secured party”** means a person who has a security interest;
- (h) **“security instrument”** means a contract or other agreement that creates or provides for a security interest, and includes a short description of a security interest in writing and a document evidencing a security interest;
- (i) **“security interest”** means an interest in or charge on collateral that secures payment or the performance of an obligation and includes an assignment pursuant to section 177 of the Bank Act (Canada), as amended from time to time.
- (j) **“security notice”** means a notice in Form A of Schedule D to these regulations.

Prior submission or registration

105(1) A document evidencing a security interest or notice of a security interest that was:

- (a) submitted to the administrator; and
- (b) accepted by the administrator;

prior to the coming into force of this Part is deemed to be registered as a security notice pursuant to this Part with the document number previously assigned to it.

(2) An assignment pursuant to section 177 of the *Bank Act* (Canada), as amended from time to time, that, on the day before the coming into force of this Part, was registered pursuant to section 78, as that section existed on the day before the coming into force of this Part, is deemed to be registered as a security notice pursuant to this Part.

2 Aug 91 SR 58/91 s18.

Registration of security notice

106(1) A security notice may be registered pursuant to this Part with respect to a security interest.

(2) A person who wishes to register a security notice shall submit to the administrator:

- (a) one original security notice;
- (b) one copy of the original security notice mentioned in clause (a); and
- (c) the appropriate fee prescribed in Schedule A to these regulations.

2 Aug 91 SR 58/91 s18.

Refusal of registration

107 The administrator may refuse to register a security notice if:

- (a) the appropriate fee prescribed in Schedule A to these regulations is not paid;
- (b) the notice is not in Form A of Schedule D to these regulations;
- (c) in the opinion of the administrator, the instructions in Form A of Schedule D to these regulations have not been fully complied with; or
- (d) the person who submitted the security notice has not otherwise complied with the provisions of this Part.

2 Aug 91 SR 58/91 s18.

Registration procedure

108 On acceptance of a security notice for registration, the administrator shall:

- (a) record on both copies of the security notice the day on which the security notice was received by the administrator;
- (b) assign to the security notice the next sequential document number and record the registration of the security notice in the document register pursuant to section 92; and
- (c) record on the Crown disposition:
 - (i) the date of the security notice;
 - (ii) the name of the secured party;
 - (iii) the name of the debtor;
 - (iv) the document number assigned to the security notice pursuant to clause (b); and
 - (v) the day on which the security notice was received by the administrator.

2 Aug 91 SR 58/91 s18.

Amended Crown dispositions

109(1) Where the minister or a person authorized by the minister, on the motion of the minister or that person, subdivides a Crown disposition and, as a result of that subdivision:

- (a) amends the Crown disposition; or
- (b) issues one or more new Crown dispositions for all or part of the Crown lands affected by the subdivision;

the registration of the security notice against the Crown disposition is continued in accordance with subsection (2).

(2) The registration of a security notice mentioned in subsection (1) is continued:

- (a) as against the original Crown disposition where the collateral to which the security notice relates remains in the original Crown disposition; and
- (b) as against the amended or new Crown disposition where the collateral to which the security notice relates is in the amended or new Crown disposition.

(3) The administrator shall:

- (a) endorse an amended or new Crown disposition mentioned in subsection (1) with a registration that is continued pursuant to clause (2)(b); and
- (b) subject to subsection (4), cancel the registration of the security notice against all or any part of the Crown disposition against which it:
 - (i) was originally registered; and
 - (ii) no longer relates.

(4) Before cancelling the registration of the security notice pursuant to subsection (3), the administrator shall provide at least three days written notice of the intention to cancel to the person who registered the security notice.

2 Aug 91 SR 58/91 s18.

Grouped Crown dispositions

110 A security notice registered against a Crown disposition that is grouped pursuant to section 14 continues to be registered against that Crown disposition and only that Crown disposition, notwithstanding the issuance of a grouping certificate.

2 Aug 91 SR 58/91 s18.

Amended security interest

111(1) A notice of amendment to a registered security notice may be registered with respect to a registrable amendment described in clause (3)(a).

(2) A notice of amendment to a registered security notice shall be registered with respect to a registrable amendment described in clauses (3)(b) to (d).

(3) For the purposes of subsection (1), the following are registrable amendments:

(a) a change in the Crown disposition number assigned by the department to a Crown disposition against which a security notice is registered;

(b) a change in the secured party's address for service as set out in a registered security notice;

(c) a change in the secured party's name as set out in a registered security notice, if the identity of the secured party has not changed despite the name change;

(d) a change in the debtor's name as set out in a registered security notice, if the identity of the debtor has not changed despite the name change.

2 Aug 91 SR 58/91 s18.

Assignment of security interest

112(1) A notice of assignment may be registered with respect to an assignment of a security interest for which a security notice has been registered.

(2) Section 108 applies, with any necessary modification, to a notice of assignment.

2 Aug 91 SR 58/91 s18.

Discharge of security interest

113(1) A notice of discharge may be registered with respect to a discharge of a security interest for which a security notice has been registered.

(2) A notice of partial discharge may be registered with respect to a partial discharge of a security interest for which a security notice has been registered.

2 Aug 91 SR 58/91 s18.

Registration procedure for discharge

114 On acceptance of a notice of discharge or notice of partial discharge for registration, the administrator shall:

- (a) record the discharge or partial discharge on:
 - (i) the Crown disposition; and
 - (ii) the security notice;
- (b) record on both copies of the notice of discharge or notice of partial discharge the day on which the notice was received by the administrator;
- (c) assign to the notice of discharge or notice of partial discharge the next sequential document number and record the registration of the notice of discharge or notice of partial discharge in the document register pursuant to section 91; and
- (d) record on the Crown disposition:
 - (i) the day on which the notice of discharge or notice of partial discharge was received by the administrator; and
 - (ii) the document number assigned to the notice of discharge or notice of partial discharge.

2 Aug 91 SR 58/91 s18.

Notice to lapse

115(1) Any person who claims an interest in:

- (a) a Crown disposition affected by a registered security notice; or
- (b) the collateral mentioned in a registered security notice;

or the administrator, on his or her own motion, may serve the secured party at the address set out in the security notice with a notice to lapse in accordance with subsection (2).

(2) The notice to lapse shall set out:

- (a) whether the security notice is to be lapsed:
 - (i) in its entirety; or
 - (ii) only with respect to a portion of the Crown disposition or collateral to which the security notice relates, and the notice to lapse shall contain a clear description of the portion;
- (b) that at the expiration of 30 days after the date of receipt of the notice to lapse, the registration of the security notice is cancelled in whole or in part, as the case may be, unless the secured party files with the administrator before the expiration of that 30-day period an order of the court that provides for the continuation of the registration beyond that period.

(3) The person mentioned in subsection (1) shall, at the same time he or she serves the secured party pursuant to that section, serve the administrator with a copy of the notice to lapse.

(4) Where an order of the court mentioned in subsection (2) has not been filed with the administrator, the administrator shall:

- (a) on proof satisfactory to the administrator that:
 - (i) the secured party has been served with a notice to lapse; and
 - (ii) 30 days have expired since that notice to lapse was received by the secured party; and
- (b) on request of the person who has served the notice to lapse;

cancel the registration of the security notice in accordance with the notice to lapse.

(5) Where:

- (a) an order of the court mentioned in subsection (2) has not been filed with the administrator; and
- (b) the administrator has served the notice to lapse:

the administrator may cancel the registration of the security notice on the expiration of 30 days from the date of receipt of the notice to lapse by the secured party.

(6) The judge of the court to whom the application for an order mentioned in subsection (2) is made:

- (a) after any notice and hearing that the judge considers proper; and
- (b) on any terms and conditions that the judge may make;

may continue, cancel or substitute, in whole or in part, the registration of the security notice.

SCHEDULE "A"
Fees

<i>ITEM</i>	<i>AMOUNT</i>
1 Application for lease	\$28.00
2 Registration of a document covering rights, lands or interests where change of holder occurs, per Crown disposition	55.00
3 Registration of partial assignment of interest, including issuing new Crown disposition covering assigned part and amending original Crown disposition	55.00
4 Division of a Crown disposition by issue of new Crown disposition and amending original Crown disposition	28.00
5 Amending Crown disposition on withdrawal of part of land or surrender of rights covered by the Crown disposition	11.00
6 Registration of a security notice or other agreement where no change in registered holder results, per Crown disposition	22.00
amendment, per Crown disposition	11.00
discharge	No charge
7 Grouping Crown dispositions, per Crown disposition that is grouped	17.00
8 Preparing certified copy of Crown disposition	11.00
9 Preparing duplicate copy of original Crown disposition	28.00
10 Preparing photocopy of any document except Crown dispositions, per page (unless otherwise authorized by the minister)	1.00
<i>ITEM</i>	<i>AMOUNT</i>
11 Preparing Schedules, plans, maps, etc	11.00
12 Search of a Crown disposition	11.00
In person	2.00
With land description, per schedule	12.00
13 Historical abstract of Crown disposition	11.00
14 Special case requiring Order-in-Council	55.00
15 Registering each interest in units	11.00
16 Registration of power of attorney or revocation	39.00
17 Filing of unit agreement	55.00
18 Renewal or extension of any Crown disposition	28.00
19 Disclaimer or discharge of assignment pursuant to section 177 of the <i>Bank Act</i> (Canada), per Crown disposition	55.00
20 Registration of a court order pursuant to section 96 – per Crown disposition	55.00

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21	Additional fee for a registration of a document where holder's copy of Crown disposition is not submitted pursuant to subsection 99(6)	28.00
22	Registration of Notice of Sub-lease	11.00
23	Any other service for which a fee is not specifically provided in this Schedule	11.00

31 Jly 92 SR 68/92, s4; 3 Jly 98 SR 49/98 s8.

SCHEDULE "B" **Repealed.** 2 Aug 91 SR 58/91 s20.

SCHEDULE "C" **Repealed.** 2 Aug 91 SR 58/91 s20.

SCHEDULE "D"
Forms

FORM A
[subsection 106(1)]
SECURITY NOTICE

Take notice that _____
(name of secured party)

has a security interest in the following described collateral:

(description of collateral)

by virtue of the following described security instrument:

(description of security instrument)

The debtor's name is: _____

The secured party's address for service is:

Dated at _____ this _____ day of _____, 19 _____

(secured party or agent)

INSTRUCTIONS:

1 Description of collateral:

- (1) Only the general nature of the collateral is to be described (e.g., all of the holder's interest; the _____ % undivided interest held by the holder, one of the holders, etc.).
- (2) The Crown disposition concerned must be described by reference to its type (e.g., petroleum and natural gas lease), its number and its date of issue.
- (3) If the collateral relates only to a part of the location of the Crown disposition, describe the part.
- (4) If the collateral relates only to one or more zones, describe the zone or zones.
- (5) If it is convenient to do so by reason of the number of Crown dispositions affected, the Crown dispositions may be listed in an appendix and the form varied accordingly.

- 1 The security notice must be described so as to indicate at least the number and date of its registration.
- 2 If it is convenient to do so by reasons of the number of security notices affected by the assignment, the security notices may be listed in an appendix and the form varied accordingly.
- 3 A person who signs on behalf of the secured party must indicate the capacity in which he or she signs.

FORM C
[subsection 112(1)]

NOTICE OF ASSIGNMENT

Take notice that the security interest that is the subject of the following described registered security notice, namely _____ ,
(describe registered security notice)

has been assigned by _____
(name of assignor)

to _____
(name of assignee)

The assignee's address for service is _____

Dated at _____ this _____ day of _____ , 19 _____

(assignee or agent)

INSTRUCTIONS:

- 1** The security notice must be described so as to indicate at least the number and date of its registration.
- 2** If it is convenient to do so by reason of the number of registered security notices affected by the discharge, the security notices may be listed in an appendix and the form varied accordingly.
- 3** A person who signs on behalf of the secured party must indicate the capacity in which he or she signs.

FORM D
[subsection 113(1)]
NOTICE OF DISCHARGE

(name of secured party)

hereby gives notice that the security interest created under a security instrument that is the subject of the following described registered security notice, namely _____,

(describe registered security notice)

is wholly discharged.

Dated at _____ this _____ day of _____, 19 _____

(secured party or agent)

INSTRUCTIONS:

- 1 The security notice must be described so as to indicate at least the number and date of its registration.
- 2 If it is convenient to do so by reason of the number of registered security notices affected by the discharge, the security notices may be listed in an appendix and the form varied accordingly.
- 3 The person signing the notice of discharge must be:
 - (a) the secured party or the agent of the secured party named in the original registered security notice; or
 - (b) if the security interest has been assigned, the assignee or the agent of the assignee named in the most recently registered notice of assignment.
- 4 A person who signs on behalf of the secured party must indicate the capacity in which he or she signs.

FORM E
[subsection 113(2)]
NOTICE OF PARTIAL DISCHARGE

(name of secured party)

hereby gives notice that the security interest that is the subject of the following registered security notice, namely _____,

(described registered security notice)

is partially discharged as to the following:

(describe the portion of the collateral released from the security interest)

Dated at _____ this _____ day of _____, 19 _____

(secured party or agent)

INSTRUCTIONS:

- 1** The security notice must be described so as to indicate at least the number and date of its registration.
- 2** If it is convenient to do so by reason of the number of security notices affected by the partial discharge, the security notices may be listed in an appendix and the form varied accordingly.
- 3** Description of partial discharge:
 - (1) If the security interest is discharged as to one or more but not all of the Crown dispositions named in the registered security notice, describe each Crown disposition by its type (e.g. natural gas lease), number and date of issue.
 - (2) If the security interest is discharged as to one or more but not all zones in a location of a Crown disposition, describe the zone or zones.
 - (3) If the security interest is discharged as to part of the location of a Crown disposition, describe the part.
- 4** The person signing the notice of partial discharge must be:
 - (a) the secured party or the agent of the secured party named in the original registered security notice; or
 - (b) if the security interest has been assigned, the assignee or the agent of the assignee named in the most recently registered notice of assignment.
- 5** A person who signs on behalf of the secured party must indicate the capacity to which he or she signs.

FORM F
[subclause 96(h)(iii)]

NOTICE OF SUB-LEASE

Take notice that a SUB-LEASE Dated _____
(date of sub-lease)

BETWEEN _____,
(name of Crown disposition holder) (address)

and _____ comprises of the following:
(name of sub-lessee)

(land, rights, formations, zones, percentage, etc., as particularly described in the Crown disposition)
described in the Crown disposition designated as _____
(designated number)

The sub-lessee's address for service is _____

Dated at _____ this _____ day of _____, 19 ____.

Crown disposition holder

Sub-lessee

SCHEDULE "E"

Repealed. 10 Nov 88 SR 99/88, s7.

SCHEDULE "F" to SCHEDULE "T"

Repealed. 2 Dec 94 SR 80/94 s19.

Editorial Appendix

Due to the large quantity of amendments to *The Petroleum and Natural Gas Regulations, 1969*, being *Saskatchewan Regulations* 8/69, those amendments are not listed in this consolidation, but may be found in the Tables of Regulations of Saskatchewan for reference purposes.

