

*The
Weyburn Unit CO₂
Freehold Oil
Production Tax
Regulations*

being

Chapter F-22.1 Reg 2 (effective July 1, 1998) as amended by
Saskatchewan Regulations [33/2000](#), [114/2008](#) and [15/2012](#).

NOTE:

This consolidation is not official. Amendments have been incorporated for convenience of reference and the original statutes and regulations should be consulted for all purposes of interpretation and application of the law. In order to preserve the integrity of the original statutes and regulations, errors that may have appeared are reproduced in this consolidation.

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CHAPTER F-22.1 REG 2

The Freehold Oil and Gas Production Tax Act

Title

1 These regulations may be cited as *The Weyburn Unit CO₂ Freehold Oil Production Tax Regulations*.

Interpretation

2 In these regulations:

(a) **“active project area”** means:

(i) the area within the Weyburn Unit that encompasses the injection patterns of all wells into which CO₂ is being injected at a rate that, in the opinion of the minister, is capable of significantly influencing the production of oil from the oil wells that are part of the injection patterns and includes the drainage units for those oil wells;

(ii) the area within the Weyburn Unit that encompasses the injection patterns of all wells into which CO₂ was previously being injected and, in the opinion of the minister, the oil wells that are part of those previous injection patterns continue to be significantly influenced by the CO₂ and includes the drainage units for those oil wells; and

(iii) any other approved area within the Weyburn Unit.

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

(c) **“EOR factor”** means the factor of 1.0;

(d) **“EOR oil”** means all oil produced:

(i) from the area equal to the phase-one area during any approved 18 months comprised of intervals that:

(A) are at least six consecutive months in duration; and

(B) begin after June, 1998 and end before the project commencement month; and

(ii) from the active project area during and after the project commencement month;

(e) **“EOR project”** means the CO₂ enhanced oil recovery project approved February 3, 1998 within the Weyburn Unit pursuant to *The Oil and Gas Conservation Act*;

- (f) **“escalation factor”** means:
- (i) the percentage in effect pursuant to subclause 29(2)(h)(i) of *The Freehold Oil and Gas Production Tax Regulations, 2012*;
 - (ii) where the taxation year is less than 12 months in duration, or where an EOR project ceases to operate for a portion of the taxation year, excluding any temporary cessation of operation for the purpose of performing repairs or maintenance, that proportion of the escalation factor otherwise in effect for the year that the number of days in the portion of the year bears to 365; and
 - (iii) for any taxation year, any portion of which is prior to the project commencement month, that portion of the escalation factor otherwise in effect for the year that the number of days in the year during and after the project commencement month bears to 365;
- (g) **“investment”** means the total of the following costs incurred in relation to the EOR project that are shared by all taxpayers:
- (i) approved costs for engineering in the areas of central plant and field modification designs incurred from time to time respecting the EOR project;
 - (ii) approved costs related to transferring the project from a conceptual design stage to a development stage;
 - (iii) approved costs of a capital or developmental nature, other than the costs of the CO₂, incurred from time to time that are related to producing oil from the EOR project;
 - (iv) head office staffing and administrative costs deemed to be equal to 1% of the costs approved in accordance with subclause (iii); and
 - (v) CO₂ costs and the costs of any other substances, other than water, injected into the reservoir for the purposes of enhancing the recovery of oil;
- (h) **“phase-one area”** means the active project area approved at the end of the third month following the project commencement month;
- (i) **“project commencement month”** means the month during which injection of CO₂ commences within the Weyburn Unit;
- (j) **“royalty deduction”** for any taxation year means an amount equal to the aggregate of:
- (i) 1% of the gross EOR Crown revenues of the EOR project for the year, where the gross EOR Crown revenue has the meaning provided in Part VI of *The Crown Oil and Gas Royalty Regulations, 2012*;
 - (ii) **Repealed.** 21 Nov 2008 SR 114/2008 s3.

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(iii) any royalties paid for the year to a person, other than the Crown, who is a beneficial owner of oil and gas rights respecting any EOR oil produced from or allocated to those oil and gas rights, but where royalties are paid pursuant to an agreement or arrangement made before 1986, and the agreement or arrangement has been amended to increase the royalties payable after December 31, 1985, the increase must be approved;

(k) **“Weyburn Unit”** means the unit established by Order in Council 255/65, dated February 12, 1965, the boundaries of which have been and will be altered from time to time by other orders in council.

18 Jun 99 cF-22.1 Reg 2 s2; 21 Nov 2008 SR
114/2008 s3; 5 Apr 2012 SR 15/2012 s3.

Tax

3 The tax imposed by section 4 of the Act and the payments to be made respecting EOR oil produced from or allocated to freehold lands within the Weyburn Unit are to be determined by:

(a) calculating the tax rate that is to be equal to the fraction, expressed as a percentage of the EOR oil produced from or allocated to freehold lands in each taxation year, the numerator of which is the product obtained when the post-payout ratio of the EOR project for the taxation year is multiplied by 11% of the freehold EOR income subject to tax of the EOR project for the taxation year, and the denominator of which is the gross EOR freehold revenues of the EOR project for the taxation year;

(b) determining the tax share of EOR oil produced from the EOR project and allocated to freehold lands by applying the tax rate, as calculated pursuant to clause (a), to the total amount of EOR oil produced from the EOR project and allocated to the freehold lands within the Weyburn Unit for the taxation year;

(c) determining each taxpayer’s share of the tax share of EOR oil, as determined pursuant to clause (b), by applying the taxpayer’s proportionate share of EOR oil to the tax share of EOR oil; and

(d) calculating the payment required to be made by each taxpayer for the taxation year by applying the taxpayer’s well-head price determined in accordance with *The Freehold Oil and Gas Production Tax Regulations, 2012* to the taxpayer’s share as determined pursuant to clause (c).

18 Jun 99 cF-22.1 Reg 2 s3; 9 Jun 2000 SR 33/
2000 s2; 21 Nov 2008 SR 114/2008 s4; 5 Apr
2012 SR 15/2012 s4.

Application

4(1) Subject to these regulations, *The Freehold Oil and Gas Production Tax Regulations, 2012* apply to EOR oil.

(2) If there is a conflict between these regulations and *The Freehold Oil and Gas Production Tax Regulations, 2012*, these regulations prevail.

5 Apr 2012 SR 15/2012 s5.

Clarification**5** For greater certainty:

- (a) these regulations will continue to apply until the injection of CO₂ ceases within the Weyburn Unit and, in the opinion of the minister, the effect of CO₂ previously injected is not significantly affecting the production of oil from any of the oil wells that were considered part of the EOR project;
- (b) if CO₂ injection is temporarily terminated and is subsequently recommenced, these regulations continue to apply;
- (c) section 3 of these regulations replaces section 31 of *The Freehold Oil and Gas Production Tax Regulations, 2012* for the purposes of Weyburn Unit tax calculation;
- (d) terms used but not defined in these regulations have the meanings set out in *The Freehold Oil and Gas Production Tax Regulations, 2012*; and
- (e) the application of *The Freehold Oil and Gas Production Tax Regulations, 2012* to EOR oil is subject to the definitions set out in section 2 of these regulations.

18 Jun 99 cF-22.1 Reg 2 s5; 5 Apr 2012 SR 15/
2012 s6.