

The Weyburn Unit CO₂ Crown Oil Royalty Regulations

being

Chapter C-50.2 Reg 13 (effective July 1, 1998) as amended by
Saskatchewan Regulations 113/2008 and 14/2012.

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 C-50.2 REG 13

The Crown Minerals Act

Title

- 1 These regulations may be cited as *The Weyburn Unit CO₂ Crown Oil Royalty 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*;

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- (f) **“escalation factor”** means:
- (i) the percentage in effect pursuant to subclause 30(2)(i)(i) of *The Crown Oil and Gas Royalty Regulations, 2012*;
 - (ii) where the royalty year is less than 12 months in duration, or where an EOR project ceases to operate for a portion of the royalty year, excluding any temporary cessation of operation for the purpose of performing repairs or maintenance, that proportion of the escalation factor otherwise in effect for the year that the number of days in the portion of the year bears to 365; and
 - (iii) for any royalty 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 royalty payers:
- (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 substance, 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 royalty year means an amount equal to the aggregate of:
- (i) 1% of the gross EOR Crown revenues of the EOR project for the year;
 - (ii) **Repealed.** 21 Nov 2008 SR 113/2008 s2.

(iii) any royalties paid for the year to a person, other than the Crown, who is a beneficial owner of oil and gas rights within the meaning of section 13 of *The Freehold Oil and Gas Production Tax Act, 2010* respecting any EOR oil produced from or allocated to the lands subject 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 cC-50.2 Reg 13 s2; 21 Nov 2008 SR
113/2008 s2; 5 Apr 2012 SR 14/2012 s3.

Royalty

3 The royalty excepted and reserved and the payments to be made respecting EOR oil produced from or allocated to Crown lands within the Weyburn Unit are to be determined by:

(a) calculating a Crown royalty rate that is to be equal to the fraction, expressed as a percentage of the EOR oil produced from or allocated to the Crown lands in any royalty year, the numerator of which is the aggregate of subclauses (i) and (ii), and the denominator of which is the gross EOR Crown revenues of the EOR project for the royalty year:

(i) the product obtained when the pre-payout ratio of the EOR project for the royalty year is multiplied by 1% of the gross EOR Crown revenues of the EOR project for the royalty year; and

(ii) the product obtained when the post-payout ratio of the EOR project for the royalty year is multiplied by 20% of the Crown EOR income subject to royalty of the EOR project for the royalty year;

(b) determining the Crown royalty share of EOR oil by applying the Crown royalty rate as calculated pursuant to clause (a) to the total amount of EOR oil produced from or allocated to the Crown lands within the Weyburn Unit for the royalty year;

(c) determining each royalty payer's share of the Crown royalty share of EOR oil, as determined pursuant to clause (b), by applying the royalty payer's proportionate share of EOR oil to the Crown royalty share of EOR oil; and

(d) calculating the payment required to be made by each royalty payer for the royalty year by applying the royalty payer's well-head price determined in accordance with *The Crown Oil and Gas Royalty Regulations, 2012* to the royalty payer's share as determined pursuant to clause (c).

18 Jun 99 cC-50.2 Reg 13 s3; 5 Apr 2012 SR
14/2012 s4.

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

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

5 Apr 2012 SR 14/2012 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 32 of *The Crown Oil and Gas Royalty Regulations, 2012* for the purposes of Weyburn Unit royalty calculation;

(d) terms used but not defined in these regulations have the meanings set out in *The Crown Oil and Gas Royalty Regulations, 2012*; and

(e) the application of *The Crown Oil and Gas Royalty Regulations, 2012* to EOR oil is subject to the definitions set out in section 2 of these regulations.

18 Jun 99 cC-50.2 Reg 13 s5; 5 Apr 2012 SR
14/2012 s6.