

PROVINCE OF SASKATCHEWAN



10-11

ANNUAL REPORT

MINISTRY OF
ENERGY AND RESOURCES

Table of Contents

Letter of Transmittal from the Minister.....	3
Letter of Transmittal from the Deputy Minister	5
Introduction.....	6
Alignment with Government’s Direction.....	6
Ministry Overview	7
Progress in 2010-11	8
Government Goal – Economic Growth	8
Government Goal – Security	11
Government Goal – Promises	14
Performance Measurement Results.....	17
2010-11 Financial Overview	23
Appendices.....	34
For More Information	37

Letter of Transmittal from the Minister



July 2011

His Honour, the Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of Saskatchewan

May it please Your Honour:

I respectfully submit the Annual Report of the Saskatchewan Ministry of Energy and Resources for the fiscal year ending March 31, 2011.

Our ministry's report is delivered in the context of the government's commitment to increased transparency and accountability and to responsible management of public expenditures. Through our ministry we continue to deliver on the government's vision and goals and build on the promises made to Saskatchewan people.

The 2010-11 fiscal year was one of achievement for the ministry in the development of Saskatchewan's energy, mineral and forestry resources. Work continued on the transformation of the government's oil and gas business systems for industry and on the development of an e-tenure system for mineral dispositions. New incentives were introduced for horizontal gas well drilling and a new royalty system was put in place for future diamond production. Our government signed a "New West" energy agreement with Alberta and British Columbia and we facilitated a new company assuming responsibility for the Prince Albert Forest Management Agreement.

Our oil industry was resurgent during the reporting period, evidenced in part by a new record in 2010 for drilling of horizontal oil wells and the second-best fiscal year for sale of Crown petroleum and natural gas rights. Demand was very strong for our mineral commodities, particularly for potash, which continued to attract significant investment in projects and garnered considerable international attention during the fiscal year.

The report which follows is a summary of the actions of the Ministry of Energy and Resources in pursuit of the government's goals. It outlines progress made by the ministry in its role of achieving sustainable resource development – development that is delivering on the Saskatchewan Advantage for the benefit of businesses, communities and the people of this province.

A handwritten signature in black ink that reads "Bill Boyd." The signature is written in a cursive, flowing style.

Bill Boyd
Minister of Energy and Resources

Letter of Transmittal from the Deputy Minister



June 2011

The Honourable Bill Boyd
Minister of Energy and Resources

Dear Sir:

I have the honour of submitting the Annual Report of the Saskatchewan Ministry of Energy and Resources for the fiscal year ending March 31, 2011.

The management of the ministry assumes responsibility for the accuracy of the information in this report and the completeness and fairness of its presentation, including all disclosures. To the best of our knowledge and belief, the enclosed information is accurate in all respects and is reported in a manner that presents fairly the status of the Ministry of Energy and Resources. As well, I accept responsibility for the financial administration and management control of the ministry.

Respectfully,

A handwritten signature in blue ink, identified as Kent Campbell.

Kent Campbell
Deputy Minister
Energy and Resources

Introduction

This annual report presents the Ministry of Energy and Resources' activities and results for the fiscal year ending March 31, 2011. It reports to the public and elected officials on public commitments made and other key accomplishments of the ministry.

Those public commitments include strategies, actions and performance measures identified in the Ministry Plan for 2010-11, a document released in March 2010. This annual report also demonstrates progress made on government commitments as stated in the *Government Direction for 2010-11*, the Minister's 2007 and 2010 Mandate letters, throne speeches and other government documents.

The 2010-11 Annual Report also sets the stage for future planning and budget processes by providing an opportunity to assess accomplishments, results and lessons learned, and by identifying how to build on past successes for the benefit of Saskatchewan people.

Alignment with Government's Direction

The ministry's activities in 2010-11 align with the government's vision and three goals:

Our Government's Vision

A secure and prosperous Saskatchewan, leading the country in economic and population growth, while providing a high quality of life for all.

Government's Goals

- Sustain economic growth for the benefit of Saskatchewan people, ensuring the economy is ready for growth and positioning Saskatchewan to meet the challenges of economic and population growth and development.
- Secure Saskatchewan as a safe place to live and raise a family where people are confident in their future, ensuring the people of Saskatchewan benefit from the growing economy.
- Keep the government's promises and fulfill the commitments of the election, operating with integrity and transparency, accountable to the people of Saskatchewan.

Together, all ministries and agencies support the achievement of the government's three goals, and work toward a secure and prosperous Saskatchewan.

Ministry Overview

The Ministry of Energy and Resources has been mandated to deliver on a number of government commitments related to Saskatchewan's extensive energy, mineral and forestry resources.

The ministry works to achieve sustainable development of Saskatchewan's diverse energy, mineral and forestry resources, including oil and gas, potash and uranium. It has a regulatory role with industry and develops and administers various tax and royalty structures related to resources. It also has a major development and promotional thrust, with programs and policies that encourage exploration, research and value-added investment in resources and resource projects.

The development of Saskatchewan's resource sectors is the focus of the ministry's efforts. Those efforts were assisted by a ministry re-organization in July 2010 to address changes in policy and program management. Programs and services were delivered through the following major areas within the ministry:

Central Management and Services

- Includes executive management, central accommodation and administration, budget management, public affairs and information technology services.
- Provides for payments to the Ministry of Government Services for office accommodation, mail and photographic services, records management and minor renovation services.

Forestry Development

- Facilitates the growth and development of the provincial forest industry.
- Works in partnership with business, communities, governments and other provincial agencies to develop and deliver policies and programs related to the forest industry and value-added production in the forest sector.

Petroleum and Natural Gas

- Has responsibility for all areas related to provincial jurisdiction over oil and gas resources, including regulation, conservation, licensing, technical and environmental standards, public safety, data collection and distribution, Crown land sales, Crown royalties and freehold production taxes and revenue and economic forecasts.

Minerals, Lands and Policy

- Monitors economic and market trends, policies, legislation and impacts on industry performance, and provides analysis and recommendations on issues such as royalty/tax systems and climate change.
- Supports the exploration of petroleum resources and minerals in Saskatchewan. Exploration includes activity in the mineral or petroleum areas up to the point that production occurs.
- Implements the mineral provisions of Treaty Land Entitlement and other Aboriginal land agreements, and provides land policy support to provincial initiatives affecting mineral lands of the province.

Corporate and Financial Services

- Manages numerous financial and program delivery services, including non-renewable resource revenue audits, resource royalty assessment and collection, mineral rights administration services, and activities related to Crown-owned mineral lands and program efficiency review.
- Works with federal and other governments on policy and program issues.

The ministry utilized 258.6 full-time equivalent employee positions in 2010-11, a variance of 1.9 relative to the annual budget full-time equivalent count of 260.5. Overall, the ministry's full-time equivalent usage variance was less than 1 per cent and was primarily due to staffing turnovers.

The ministry has ten offices, four in Regina, and one each in Estevan, Swift Current, Kindersley, Lloydminster, Prince Albert and La Ronge. Please see the appendix for more information.

Progress in 2010-11

The ministry's annual report for 2010-11 is organized around the strategies and key actions articulated in the ministry's plan for 2010-11 – strategies and actions that are in turn grouped around key government commitments as well as the three broad government goals outlined above and reiterated below.

Government Goal – Economic Growth

The Ministry of Energy and Resources supports the government's goal of sustaining economic growth for the benefit of Saskatchewan people, ensuring the economy is ready for growth and positioning Saskatchewan to meet the challenges of economic and population growth and development.

Strategy: Modernize energy and resource sector business and regulatory systems.

KEY 2010-11 ACTIONS UNDER THIS STRATEGY:

Action: Advance the Process Renewal and Infrastructure Management Enhancements (PRIME) project by:

- **designing and developing new oil and gas systems solutions to meet all legislative, regulatory and stakeholder requirements;**
 - **revising the ministry's oil and gas related business processes and information systems to better meet the needs of the oil and gas industry stakeholders and the ministry; and,**
 - **developing electronic submission capability for licences, permits, approvals and other oil and gas business applications.**
- (Government Direction 2010-11)*

Three business, two technical and two affiliated projects are currently being advanced under the PRIME project. They include the Registry Saskatchewan Inclusion Project, plus projects related to revenue management and billing, monitoring and analytics, application hosting, application development environment, regulatory modernization and industry consultation.

The implementation of the Petroleum Registry of Alberta through the Registry Saskatchewan Inclusion Project (RSIP) is fully underway, with design work completed in the spring of 2010. Development and testing progressed or was completed for various stages of software code development related to building Saskatchewan business requirements in the registry. Ministry staff and consultants also devoted considerable work to accommodate conversion issues, integration and interface of the registry into the existing legacy systems.

Amendments were passed to *The Oil and Gas Conservation Act* and *The Freehold Oil and Gas Production Tax Act* to enable this electronic service delivery. These two pieces of legislation are in the process of being enacted.

Action: Continue to update geological information generated and collected by the ministry and compile in a format that can be readily used by industry.

The ministry added new data to the Geological Atlas of Saskatchewan and new stratigraphic data to its well information system. Additional historic mineral assessment files were scanned and are now available online, as are reports documenting new geosciences research.

Staff continued to compile data and maps for the multi-year Saskatchewan Phanerozoic Fluids and Petroleum Systems project – this information will be made available to industry through the Geological Atlas of Saskatchewan.

The ministry released some of the data and maps in its Summary of Investigations in 2010.

Strategy: Advance innovation and research in the energy and resource sectors.

KEY 2010-11 ACTIONS UNDER THIS STRATEGY:

Action: Research and analyze the geological and market potential of commodities such as rare earth elements, natural gas from coal, platinum group metals and chemical elements from brines. (2007 Mandate Commitment)

New geoscience research undertaken during the reporting period has documented the context and potential for rare earth elements, nickel, uranium, base metals, coal, gold, a brine based industry and potash. Petroleum research was ongoing during the fiscal year.

Action: Support further development in the uranium industry by working with the federal government to secure removal of the non-resident ownership policy. (2010 Mandate Commitment)

In the federal throne speech of February 2010, the Government of Canada announced that foreign ownership restrictions on the uranium industry would be relaxed. The provincial government continued to support the position of the removal of the non-resident ownership policy and continued dialogue with the federal government on this issue.

Action: Continue to administer the Mineral Exploration Tax Credit to encourage investment in exploration and long-term sustainable development of mineral resources.

The Saskatchewan Mineral Exploration Tax Credit was extended for an additional year, to March 31, 2011. The credit encourages long-term, sustainable development of Saskatchewan's mineral resources and enhances the province's competitiveness in

mineral exploration. The credit also offers a non-refundable 10 per cent tax credit to Saskatchewan taxpayers who invest, or have invested, in eligible flow-through shares issued by mining or exploration companies after March 31, 2010.

Action: Extend the Saskatchewan Petroleum Research Incentive (SPRI) program to 2015.

The above mentioned credit was extended to 2015, thus allowing for up to \$30 million in oil and natural gas royalty credits over the five year period covering 2010-15. The extension was expected to result in at least 10 new projects testing new technology and/or piloting enhanced oil recovery techniques. One project has been approved and is in its early stages of implementation.

Action: Continue funding the Petroleum Technology Research Centre (PTRC) and support the International Test Centre CO₂ Capture (ITC) for research and capacity development in next generation oil production technologies to maintain future viability of the Saskatchewan oil industry. (Government Direction 2010-11)

The Petroleum Technology Research Centre (PTRC) has an impressive track record of research excellence. The federal government acknowledged that research excellence in January 2009 when it awarded, through its networks of Centres of Excellence program, \$10.5 million to the PTRC to expand existing enhanced oil recovery research, including creation of the "Sustainable Technologies for Energy Production systems" (STEPS).

Through research, development and demonstration of advanced technologies, the STEPS business-led network of centres of excellence aims to become the national focus for leading-edge scientific and engineering innovations that address energy production sustainability challenges for hydrocarbon resources that are difficult to access and monetize.

The ministry provided \$2.7 million to the PTRC in this fiscal year.

Strategy: Support the restructuring of the province's forest industry.

KEY 2010-11 ACTIONS UNDER THIS STRATEGY:

Action: Lead the assignment of the Prince Albert Forest Management Agreement (PAFMA) to a forest industry/First Nation partnership in order to maximize economic development potential of the PAFMA wood supply and address value-added opportunities and social and economic benefits. (2010 Throne Speech)

The government approved transfer of responsibility for management of the 3.3 million hectare PAFMA previously managed by Domtar in the name of Weyerhaeuser to a new entity, Sâkaw Askiy Forest Management Inc. Allocations of nearly two million cubic metres of wood volume was announced in November 2009 and finalized in a signing ceremony in October 2010.

With secure wood supplies, Sâkaw will now be better positioned to compete in new global markets with more value-added wood products, and First Nations will be more fully engaged in forest businesses and opportunities in the forest industry.

Action: Continue to engage in research and development activities surrounding the value-added opportunities of Saskatchewan's forest industry and identify potential export partners. (Government Direction 2010-11)

During the fiscal year two projects were approved to proceed under the Saskatchewan Research Council's forestry contract: a pellet heating demonstration project by the Meadow Lake Tribal Council and the La Ronge BioEnergy Action Plan.

Under a contract with FPInnovations, research studies have been conducted and findings reported and shared with relevant forestry businesses in the areas of forest management innovation, forest energy, fibre utilization and

manufacturing competitiveness and demand development.

FP Innovations' national Interface BiOS model was tested in Saskatchewan by utilizing Saskatchewan maps and forest resource data with national average cost factors. The model calculates the types, amounts, and delivered cost of non-timber forest biomass that can be expected to be delivered from timber harvest operations that are currently supplying mills in the province.

Action: Continue to investigate co-generation and bio-mass projects related to wood waste utilization through information sharing, networking and meetings with businesses interested in developing forest derived energy projects. (2007 Mandate Commitment)

Discussions continued with Saskatchewan companies and communities interested in examining benefits and preparing feasibility studies for the development of biomass heating and combined heat and power projects. Information sessions related to wood biomass utilization in Saskatchewan were held with other Canadian and foreign companies, as well as with Canadian trade commissioners in the United States and other countries.

The ministry also worked with the Saskatchewan Trade and Export Partnership (STEP) to explore forest biomass product markets in other countries. It continues to work with SaskPower to evaluate the potential role of biomass in power generation.

Action: Continue to address recommendations and actions from the forest sector team to improve industry competitiveness. (2007 Mandate Commitment)

The ministry continued to work with forest businesses and Enterprise Saskatchewan's forest sector team on several issues potentially affecting competitiveness including value-added market analysis, the Softwood Lumber Agreement, stumpage dues and wood supply analysis. These issues are all works in progress and are being addressed on a daily basis.

Government Goal – Security

The Ministry of Energy and Resources supports the government's goal to secure Saskatchewan as a safe place to live and raise a family where people are confident in their future, ensuring the people of Saskatchewan benefit from the growing economy.

Strategy: Ensure the sustainable development of petroleum and mineral resources.

KEY 2010-11 ACTIONS UNDER THIS STRATEGY:

Action: Host the Saskatchewan Geological Survey Open House and establish business relations with representatives from Asia, South America and the United States.

The ministry held a successful 2010 Saskatchewan Geological Survey Open House in December 2010, with hundreds of geologists and exploration company officials gathering for the 41st annual edition of the event.

The ministry also had a strong presence at the Prospectors and Developers Association of Canada (PDAC) Annual Convention and Trade Show, March 6-9, 2011 in Toronto, and the Mineral Exploration Roundup, January 24-27, 2011 in Vancouver. A number of international delegations visited the ministry's booth at the PDAC convention. The ministry also promoted oil and gas exploration and development in Saskatchewan through participation in national and international geological conferences and through regular consultations with industry.

The ministry is a co-host of the annual Williston Basin Petroleum Conference, which was held during the reporting period in Bismarck, North Dakota. Ministry staff made a number of geological presentations at this conference in addition to their organizational responsibilities.

A number of international delegations visited the ministry during the course of the year,

including delegations from Greenland in September 2010, the United States in July and October, 2010 and China in February 2011.

Action: Continue to manage the environmental risk and liability associated with oil and gas wells and related facilities through the Orphan Well Program.

Three orphan wells and sites were decommissioned, abandoned and reclaimed under the Orphan Well Program during the reporting period. Activity under the program included collection of approximately \$27 million in security deposits from companies, whose liabilities are greater than their assets, to cover their existing liabilities.

Action: Participate in investment attraction missions to Asia, the United States and Europe to promote the province's natural resources and value-added opportunities.

The ministry worked with partners in Enterprise Saskatchewan, Executive Council and the Governments of British Columbia and Alberta on two mineral investment attraction missions (November 2010 and January 2011) to China, Japan and Korea.

Action: Participate in the review and development of national standards and guidelines related to oil and gas operations to ensure the protection of the environment and public health and safety.

Staff attended Canadian Standards Association (CSA) technical committee meetings in April and May 2010 related to oil and gas pipeline systems and the storage of hydrocarbons in underground formations.

Action: Promote the responsible development and conservation of oil and gas resources by providing effective regulatory oversight.

Consultation occurred between the ministry's engineers and geologists and industry officials to develop and update regulations to deliver on this action.

Rebounding oil prices that began in the latter part of 2009 led to an increase in industry activity – activity that contributed to a record

1,531 horizontal oil wells drilled in 2010. A backlog in volume of applications led the ministry to complete a Lean event which resulted in increased efficiencies and new online forms and guidelines for industry on the ministry's website. The backlog for approvals was reduced, but additional staff resources were still required.

Action: Implement regulatory system enhancements to ensure they effectively balance the need for regulatory protection with support to industry to develop Saskatchewan's rich natural resources (2010 Mandate Commitment).

In May 2010 the Saskatchewan legislature passed *The Crown Minerals Amendment Act, 2010* that provides for the introduction of modern, web-based mineral disposition systems (e-tenure).

By mid-year the ministry had largely completed draft regulations to implement the first e-tenure system for mineral dispositions currently issued under *The Mineral Disposition Regulations, 1986*. Consultations with industry occurred during the fiscal year and are ongoing.

The review of legislation necessary to support the ministry's transition to the Petroleum Registry of Alberta in October 2010 was completed by mid-year. Amendments to *The Freehold Oil and Gas Production Tax Act* and *The Oil and Gas Conservation Act* were approved by the Legislative Assembly during the reporting period.

Proposed regulatory amendments to *The Petroleum and Natural Gas Regulations, 1969* were reviewed with industry during the first half of 2010-11 and regulatory changes were passed in March 2011.

Regulatory amendments were made in December 2010 to *The Potash Production Tax Regulations* to provide an incentive for new

corporate head office positions and a solution for the taxation of new entrants to the industry.

In June 2010 the government announced a new royalty system for future diamond production in Saskatchewan.

Action: Monitor Leak Detection and Repair (LDAR) technology designed to assist in the efforts to reducing the venting and fugitive emissions from wells and facilities.

The ministry is using four FLIR ThermoCAM cameras (a key component of LDAR technology) in its routine inspections to detect fugitive emissions and venting from oil and gas wells and facilities. This equipment greatly assists in reducing venting and fugitive emissions.

Action: Manage interim changes to mineral regulation to ensure exploration levels are maintained.

The ministry implemented regulations approved in 2009-10 to support mineral exploration levels during the recent economic downturn including:

- A change to company expenditure requirements on mineral dispositions, recognizing twice the value of exploration work conducted between March 2009 and March 2011. This change helped companies hold their dispositions during the downturn while encouraging continued investment in mineral exploration.
- More flexibility under regulations for companies to allocate exploration expenditures among a number of commonly held mineral dispositions.
- Removal of annual rents for coal permits during the second and third years of their terms, from March 2009 to March 2011. This change allowed permit holders time to seek new investors without jeopardizing their current land holdings.

Strategy: Ensure a competitive and effective fiscal regime for resource development.

KEY 2010-11 ACTIONS UNDER THIS STRATEGY:

Action: Support the throne speech commitment by monitoring the province's royalty/tax regime and mineral tenure system to ensure that these remain competitive to stimulate further mineral, oil and gas development.

The ministry monitored royalty/tax and land tenure policies and procedures adopted by surrounding jurisdictions and analyzed Alberta's royalty/tax changes and the expected impact on activity in Saskatchewan. The ministry set up a working group with industry to discuss royalty/tax and incentive issues and concerns around encouraging further oil and gas development in the province and promoting the use of new technology.

Action: Introduce royalty and tax incentives to promote the development and use of new and emerging technology in the oil and gas sector. (2010 Mandate Commitment)

In May 2010, the government announced a new incentive to encourage the application of horizontal well drilling technology to Saskatchewan's natural gas pools. Consultations with industry continue with respect to incentives for shut-in and suspended wells and heavy oil waterfloods.

Action: Continue to allow twice the value of eligible mineral exploration expenses to be applied by companies through the end of the 2010-11 fiscal year in order to maintain exploration levels.

Exploration levels have grown since the introduction of this program and the exploration industry has been highly supportive of this initiative. In 2010, exploration spending rose by about \$80 million compared to spending in 2009.

Action: Continue to work with Enterprise Saskatchewan to ensure barriers to resource development are addressed and development proceeds in a sustainable manner.

Enterprise Saskatchewan sector teams reviewed natural gas drilling and diamond royalty incentives. The ministry participated in the sector team meetings.

Action: Work in collaboration with Enterprise Saskatchewan and the Ministry of Finance to ensure Saskatchewan's resource royalties, incentive programs and tax structures support continued economic growth and investment in the province. (2010 Mandate Commitment)

Industry continues to invest heavily in Saskatchewan's oil and gas resources. A new record was set for horizontal oil well drilling in 2010 and direct and indirect employment levels exceeded 30,000 person-years. A new horizontal gas well drilling incentive was introduced to encourage increased natural gas exploration and production. Oil and gas related revenues were estimated to be over \$1.7 billion in the 2010-11 fiscal year.

The Saskatchewan Petroleum Research Incentive provides the opportunity for oil and gas operators to apply a 30 per cent credit against royalties and taxes for approved field pilot projects.

The government announced a diamond royalty system in June 2010. The system is highly competitive within Canada and was supported by the Saskatchewan Mining Association. Shore Gold, the operator of the province's most advanced diamond project, could make a production decision by late 2011.

Action: Consult with the oil and gas industry regarding the development of new incentives and regulatory measures designed to promote new resource plays and improve recovery from existing fields through the adoption of new technologies.

The royalty and tax credit available through the Saskatchewan Petroleum Research Incentive allows the province to share the technical and economic risk with operators of trying new technologies and implementing new field demonstration projects or enhanced oil recovery pilot projects. Consultations with industry are ongoing.

Government Goal – Promises

The Ministry of Energy and Resources supports the government's goal of keeping its promises and fulfilling the commitments of the election, operating with integrity and transparency, accountable to the people of Saskatchewan.

Strategy: Support government efforts to encourage First Nations and Métis participation in the resource industry.

KEY 2010-11 ACTIONS UNDER THIS STRATEGY:

Action: Increase Aboriginal participation in the forestry sector through consultation on forestry projects and the facilitation of partnerships between the forest industry and First Nations. (2007 Mandate Commitment; 2010 Mandate Commitment)

Cabinet approved transfer of responsibility for management of the 3.3 million hectare Prince Albert Forest Management Agreement (PAFMA) previously managed by Domtar in the name of Weyerhaeuser to a new entity, Sâkaw Askiy Forest Management Inc., comprising six Saskatchewan forest businesses and two First Nations communities. The allocations included a total of 640,000 cubic metres of softwood and hardwood sawlogs from the PAFMA directly to the two First Nations companies.

This historic decision encouraged First Nations communities to become more fully engaged and participate in Saskatchewan's forest industry.

The ministry also finalized the design of wood-based heating systems to be installed in two First Nations communities later this fall with

the assistance of the Saskatchewan Research Council and the Meadow Lake Tribal Council.

Action: Support information-sharing forums and networking opportunities between the non-renewable resource sector and First Nations and Métis businesses.

The ministry sponsored the fourth annual MinExplo Expo in Prince Albert in October 2010. The expo is organized by the Saskatchewan Mining Association and targeted to aboriginal businesses engaged in the mineral exploration industry. Its purpose is to provide networking opportunities for aboriginal businesses, mining companies and community economic development officers.

Action: Promote the adoption of best practices in First Nations and Métis engagement in the oil, gas and mining industries.

The ministry worked with the Ministry of First Nations and Métis Relations, the Ministry of Environment and other provincial agencies on proponent guidelines for the province's resource industry, setting out its role in government consultations tied to the legal duty to consult. These guidelines draw heavily on best practices for successful First Nations and Métis engagement and clarify the link between industry engagement and government consultations.

Strategy: Support effective and efficient public and private infrastructure planning and development.

KEY 2010-11 ACTIONS UNDER THIS STRATEGY:

Action: Continue to work with other provincial agencies and industry stakeholders to ensure the requirements of the resource sectors are factored into infrastructure planning.

The ministry continues to provide updates to other ministries and stakeholders on current and potential resource development and on future infrastructure needs. Staff met with

SaskPower and the Ministry of Highways to review future developments and to ensure that infrastructure requirements are met in a timely manner to allow projects to proceed on schedule.

Strategy: Support New West initiatives positioning Saskatchewan as a leader among western counterparts.

KEY 2010-11 ACTIONS UNDER THIS STRATEGY:

Action: Continue to pursue New West initiatives with Alberta and British Columbia including joining the Petroleum Registry of Alberta.

Under the auspices of the New West Partnership, the Energy Ministers from Saskatchewan, Alberta and British Columbia signed an Energy Memorandum of Understanding (MOU) in December 2010. The ministers gave direction to develop a series of initiatives reflecting priority areas in the MOU, namely: regulatory streamlining opportunities, energy technology development, energy infrastructure, marketing strategies for international market development, and energy efficiency. These joint efforts also provide the potential for British Columbia to mirror Saskatchewan and Alberta in adopting Petroleum Registry of Alberta systems for management of data exchanges with the oil and gas industry.

Action: Participate in promotion of western Canadian resource and economic strengths in joint investment attraction missions.

The ministry worked with other western provinces to jointly participate in investment attraction missions. To that end, joint investment attraction forums were held in Hong Kong and Beijing in early November 2010. A number of small to medium-sized

Saskatchewan businesses attended these events.

Action: Continue to develop carbon capture and storage expertise in the western region of North America. (Government Direction 2010-11)

The ministry attended the PCO₂R (Plains CO₂ Reduction) partnership regulatory meeting in South Dakota in July 2010. The PCO₂R partnership is a multi-year collaboration of over 80 American and Canadian stakeholders that is laying the groundwork for practical and environmentally sound carbon dioxide sequestration projects.

The ministry continued to assess and map CO₂ storage capacity for various formations in the province through the Saskatchewan Phanerozoic Fluids and Petroleum Systems Project.

The ministry finalized parameters outlining the scope of the Basal Cambrian Project, designed to determine the potential and effects of CO₂ storage within the Deadwood aquifer in Saskatchewan.

The ministry continued modelling and hydrogeology research for parts of the IEA Weyburn CCS Project and presented this research at various sponsor meetings and at the Greenhouse Gas Technology Conference in Amsterdam in September.

Strategy: Improve the effectiveness and efficiency of the ministry's programs and services so as to ensure the best use of public funds.

KEY 2010-11 ACTIONS UNDER THIS STRATEGY:

Action: Implement a management practice of assessment and continuous improvement to ensure a robust, objective, and multi-year assessment function.

The ministry has addressed this action in two ways. First, as part of the government's overall commitment to public sector renewal and Lean management, the ministry completed three Lean value stream mapping (VSM) events and one "Kaizen" (rapid improvement) event during the reporting period. The mineral statistical efficiency team continues to find process improvements. Potash companies are now using a new spreadsheet format to report production. A statistical clerk's time on spreadsheet tasks has been trimmed back by 40 per cent. The team reviewing the land rights sale process is defining forms that industry can complete online to enhance the ministry's ability to process bids for Crown petroleum land rights. The oil and gas technical application administration team gained particular attention for its VSM event and for its successful introduction of process changes that increases timeliness and reduces backlogs in single-well approvals.

A second thrust is the systematic evaluation of program functions throughout the ministry, beginning initially with the PRIME project (focussed on the oil and gas sector) where more than 130 different process/programs that exist for the management of oil and gas wells in the province are being analyzed. The ministry has identified a number of processes that can be eliminated, streamlined or consolidated to gain greater efficiencies in the coming years of PRIME implementation. As internal resources become available, functions not related to PRIME will be similarly reviewed.

Action: Convert the mineral dispositions system to the new web-based Mineral Acquisition Registry Saskatchewan (MARS) infrastructure. (Government Direction 2010-11)

Amendments to *The Crown Minerals Act* to enable the implementation of e-Tenure systems such as MARS were approved in May 2010. By mid-year the ministry had largely completed preparation of the draft regulations to allow for the conversion to MARS based on these new legislative provisions.

Consultations with industry began in the second half of 2010-11.

The ministry finalized the design requirements for the new system in September 2010. Information Services Corporation (ISC) has been contracted to build the MARS system -- current delivered project cost is \$1.742 million. Design enhancements contemplated under the contract allow future conversion of other types of mineral dispositions such as coal and potash to MARS.

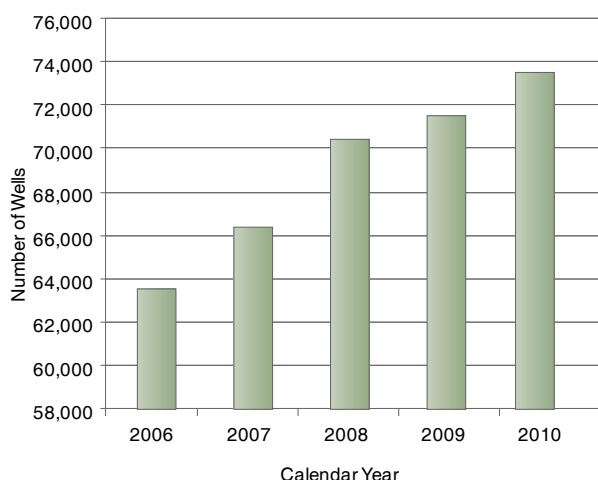
Initial testing on the MARS system began in July 2010.

Action: Review the options concerning the capacity and structure of the ministry's subsurface geological laboratory.

The ministry undertook steps for effective use of existing warehouse space which includes the re-organization of facility contents and the removal of select geological material.

Performance Measurement Results

Total Capable Oil and Gas Wells



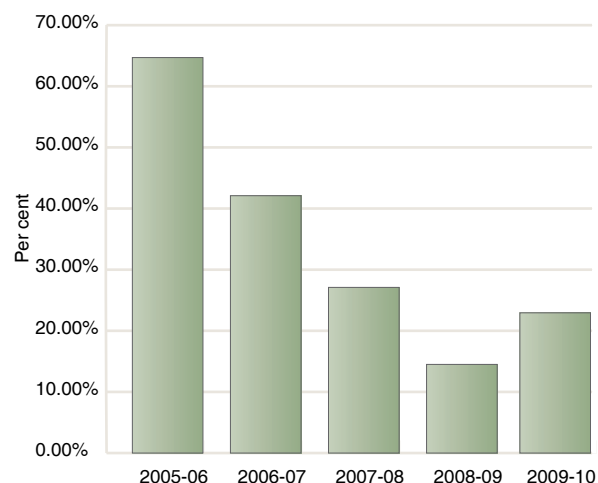
In the ten years from 2001 to 2010, the number of oil and gas wells capable of production in the province has increased by almost 60 per cent to stand at just under 74,000. Ministry officials monitor all oil and gas wells in Saskatchewan because of the impact these wells have on the environment and the provincial economy. Saskatchewan is the second largest oil producer in Canada (after Alberta) and the third largest producer of natural gas (after British Columbia and Alberta).

The ministry closely monitors oil and gas well activity from a regulatory perspective (operational safety and reservoir management) and revenue perspective (royalties and taxation). The number of capable oil and gas wells provides an indication of the total amount of information that must be maintained about each well in the province. The information maintained includes well records, drilling information, well status, ownership, completion information, core analyses, pressure and fluid analyses, drill stem tests, logging surveys, casing details, geologic formation tops, oil, gas and water production levels, etc. for each well drilled under *The Oil and Gas Conservation Regulations, 1985*.

By monitoring the number of capable wells in Saskatchewan, the ministry is able to gauge ongoing activity in the oil and gas sector. This

is used to forecast investment, employment, production, and provincial revenues, and plan the human and financial resources the ministry will need to regulate the industry and collect royalties and production taxes. (Source: Ministry of Energy and Resources)

Per Cent of Annual Allowable Cut Harvested, by Fiscal Year (2007 Mandate Commitment)



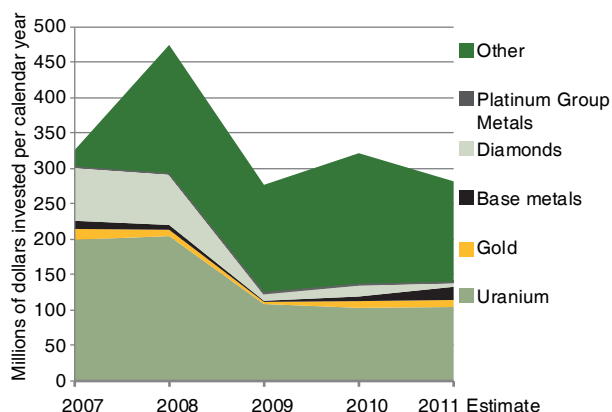
The percentage of annual allowable cut harvested in Crown commercial forests reflects the effectiveness of the balance between environmental protection and economic development. The annual allowable cut is determined using a variety of environmental factors to ensure long-term forest sustainability. The Ministry of Environment determines the annual maximum allowable cut but individual companies determine the percentage of the allowable cut they will actually harvest based on a number of market-based factors that include demand and available prices for forest sector products.

The chart above shows the extent to which Saskatchewan's forest sector has been negatively affected by the external market forces which have caused a massive downsizing of primary forest sector activity and the closure of lumber, oriented strand board (OSB), pulp and paper mills across Canada

in recent years. The upswing in 2009-10 was due to positive expectations from the purchase of two mills by a company based in British Columbia and the increase in fibre need as a result of a recovery in the world economy.

The Ministry of Energy and Resources' efforts in forest development are designed to facilitate the long-term transition of the sector to a highly-competitive, value-added industry. The ministry is engaged in priority forestry activities with stakeholders intended to support research and achievement of this transition. By monitoring the amount of wood cut each year (as expressed in terms of per cent of total wood available to be cut), the ministry is able to gauge how well its efforts and programs function. This evaluation must also be considered in view of economic and market forces prevailing in the North American market. How well these can be mitigated with government responses is often dictated by fiscal capacity, international trade agreements and trade measures such as quotas which limit exports of our production. (Source: Ministry of Environment)

Mineral Exploration in Saskatchewan



Other includes coal, rare earth elements and potash

Saskatchewan's large and diverse mineral sector comprises three inter-related components: mineral exploration, mining, and value-added activities. The mineral sector is one of the most technologically advanced industries in the province. Exploration is crucial to sustaining and growing our sector.

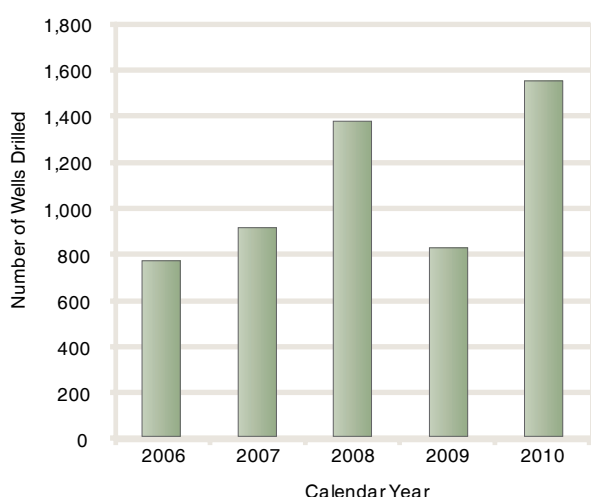
With ongoing natural resource depletion, new mineral deposits must continually be explored for and discovered, not only to sustain existing mining operations but also to enable the expansion and growth of the sector through the development of new mining operations. Exploration also leads to the discovery of new commodities broadening and diversifying our provincial mineral sector. The exploration industry includes a variety of players ranging from prospectors to junior exploration companies to senior, international corporations.

This measure tracks mineral exploration for select commodities with the bulk of this year's expenditures being spent on potash and uranium projects. (The ministry is committed to maintaining confidentiality and does not disclose any data that could potentially reveal company-specific activities). The relatively high levels of mineral exploration present a variety of opportunities for direct employment and business development, particularly for geographic regions close to the major centres of exploration, as well as for more regional centres. The measure indicates demand for Saskatchewan mineral resources and identifies possible future developments, including the attractiveness of Saskatchewan resources, in particular, to Asian investors.

In 2010, exploration spending rose by about \$44 million compared to spending in 2009. This reflected an improvement in commodity prices and the ability of junior companies to raise capital in the equity markets to advance their projects. In 2009, the ministry introduced changes which benefited the industry by sustaining exploration activity during the global economic downturn. These changes included allowing companies to double count the value of exploration expenses incurred between March 2009 and March 2011. This helps companies hold their dispositions while encouraging continued investment in mineral exploration. The ministry also provided more flexibility for companies to allocate exploration expenditures among a number of commonly held dispositions. The Saskatchewan Geological Survey is continuously undertaking new geoscience initiatives to facilitate

exploration in the province and to reduce costs and risks to potential explorers. Survey staff are currently studying rare earth element, base metal and gold potential at various areas in northern Saskatchewan. Survey geologists are also undertaking projects to characterize the context of uranium mineralization in different parts of the Athabasca Basin, the world's premier uranium exploration district. (Source: Ministry of Energy and Resources)

Horizontal Oil Well Drilling



The level of horizontal drilling in the province is an indication of the effectiveness of the province's regulatory and fiscal provisions. It is also an indicator of the application of new and improved technologies in the province as well as an important measure of the level of investment and drilling activity. One horizontal well often requires the same amount of metres drilled as two or three vertical wells. As a result, a decline in the total number of wells

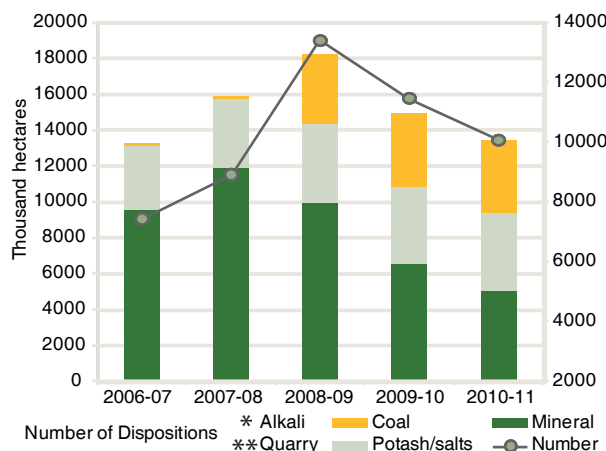
drilled does not necessarily mean a decline in the total number of metres drilled. Horizontal well drilling, as a percentage of total oil and gas wells drilled in the province, continues to increase and has become an accepted or standard practice in many reservoirs in the province.

A rebound in oil prices commencing in the latter part of 2009 contributed to a record 1,531 horizontal oil wells drilled in 2010. This new horizontal oil well drilling record represents an 88 per cent increase over the figure for 2009 and a 13 per cent increase over the previous record set in 2008.

Saskatchewan has vast oil and gas resources and the application of new and improved technologies is crucial to increasing the amount of oil and gas that can be recovered from existing pools and to identifying potential new oil and gas resources. Horizontal drilling is a technology that can increase the amount of reserves that are recoverable in Saskatchewan.

Although horizontal drilling technology has been used for more than 20 years, continuing refinements and improvements in drilling and completion technologies have resulted in more economic, precise and successful horizontal drilling and production operations. The application of the technology, including improved hydraulic fracturing technologies, has enabled the successful development of the geologically complex Bakken Formation in southeast Saskatchewan, and has shown similar promise in the Lower Shaunavon Formation in southwest Saskatchewan and the Viking and Birdbear Formations in west central Saskatchewan. (Source: Ministry of Energy and Resources)

Crown Metallic and Industrial Mineral Dispositions



Note: By area, in thousand hectares, and number by mineral and fiscal year to 2010-11 Q3.

*Alkali: 06-07 = 12, 07-08 = 12, 08-09 = 2, 09-10 = 11, 10-11 = 10

**Quarry: 06-07 = 16, 07-08 = 40, 08-09 = 40, 09-10 = 69, 10-11 = 50

This measure indicates how well the ministry manages rapid changes in dispositions of Saskatchewan's vast mineral resources to minimize delays in approvals of new claims, permits and leases as well as register ownership transfers to provide important service to industry. The chart above displays activity by major mineral category ("mineral" includes uranium, gold, diamonds and platinum group minerals). In 2008 and 2009, discoveries of coal greatly increased the volume of dispositions processed by the ministry. Industry must continue to explore such deposits and determine whether development of mining or other processing options is viable. Increases in the total land area of Crown-owned mineral lands being leased and permitted for mineral exploration are an indication of how growth in mineral

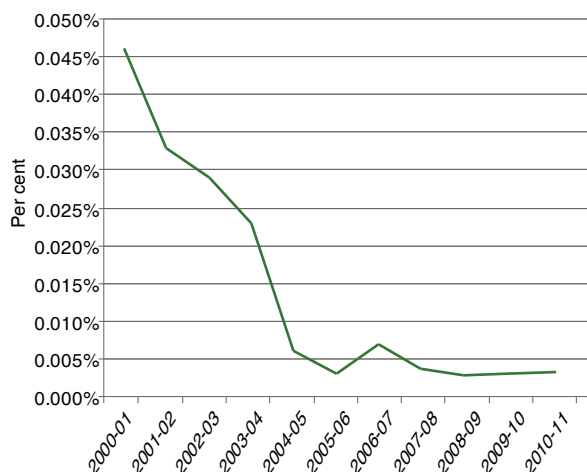
exploration and development activity in Saskatchewan relates to interest in specific commodities. Such activity contributes to increased likelihood of discovery of economically recoverable deposits of minerals.

As shown above, rapid and significant shifts in the area taken up by mineral dispositions for specific commodities are an indication of the attractiveness of Saskatchewan's resources. In 2008, interest grew greatly in coal while potash interest grew modestly and the area for uranium, diamonds and other precious metals or rare earths fell back. This does not mean market interest in these commodities is dwindling but it could mean that companies are completing exploration work in certain areas. In addition, dispositions for these resources generally occur in the northern part of Saskatchewan which is relatively less complicated in terms of land ownership matters affecting disposition of lands.

The mineral sector is vital to Saskatchewan's economy, contributing over \$400 million each year in Crown revenues used to support important social programs. Mining supports 30,000 jobs, including over 2,000 direct jobs in northern Saskatchewan, and contributes over \$1.5 billion annually in wages and \$7.7 billion to GDP.

The ministry will complete improved methods of electronically mapping mineral ownership in the province as part of the new web-based Mineral Administration Registry Saskatchewan (MARS) system it is developing. These improvements, over time, will assist government and industry by providing clarity and certainty over a variety of legal interests affecting Crown mineral lands. (Source: Ministry of Energy and Resources)

Uncollectible Resource Revenues



Inherent in this measure is a reflection of the financial stability of resource companies carrying on business in Saskatchewan. The lower the percentage of uncollectible revenues, the more stable are the private sector companies remitting payments to the province. (Source: Ministry of Energy and Resources)

The term “uncollectible revenues” refers to the amounts of non-renewable resource revenues that are written off as bad debts and are expressed as a percentage of revenues recorded. This measure reflects the ministry’s ability to properly ensure all resource revenues owed to the province are collected.

The ministry takes action to achieve an acceptable level of assurance that all royalties, taxes and fees to which the province is entitled are properly determined and reflected in the ministry’s accounting records, and that the amounts owing are paid. In order to achieve an acceptable level of assurance, the ministry evaluates potential risks, establishes auditing and monitoring processes and procedures, and uses human and technical resources to mitigate those risks. The ministry assesses the adequacy of these processes and resources on an ongoing basis, and enhances them as it deems necessary. The ministry has improved its audit process and staff complement, resulting in “fewer bad debts” and a greater success in collecting revenues owed to the Crown.

2010-11 Financial Overview

2010-11 Financial Overview

Financial Report (Budgetary Expenditure)

Appropriation and Expenditure by Subvote and Subprogram Expenditures

Summary of Expenditures				
The following table outlines information on actual and budgeted expenditures by subvote and subprogram, as per the structure for the Ministry of Energy and Resources.				
Variance explanations are provided for individual variances that are greater than \$100,000.				
<i>in thousands of dollars</i>				
Subvote/Subprogram	Actual Expenditures 2009-10	Original Estimate 2010-11	Actual Expenditures 2010-11	Variance Over/(Under) 2010-11
ER01 Central Management and Services				
Minister's Salary (Statutory)	\$ 44	\$ 45	\$ 45	\$ -
Executive Management	759	742	576	(166) ¹
Central Services	11,759	16,147	16,238	91
Accommodation Services	3,354	3,274	3,396	122 ²
Surface Rights Arbitration Board	133	169	120	(49)
ER01 Central Management and Services Total	\$ 16,049	\$ 20,377	\$ 20,375	\$ (2)
ER18 Forestry Development Total	\$ 3,152	\$ 1,390	\$ 1,595	\$ 205 ³
ER04 Revenue and Program Services Total	\$ 3,143	\$ 3,725	\$ 3,530	\$ (195) ⁴
ER05 Petroleum and Natural Gas Total	\$ 7,237	\$ 7,368	\$ 7,765	\$ 397 ⁵
ER16 Exploration and Geological Services Total	\$ 6,213	\$ 5,751	\$ 1,416	\$ (4,335) ⁶
ER06 Resource and Energy Policy				
Mineral and Energy Policy	\$ 3,672	\$ 2,079	\$ 42,840	\$ 40,761 ⁷
Green Initiatives - Energy	1,450	1,400	1,450	50
Energy Sector Initiatives	267	929	399	(530) ⁸
Petroleum Technology Research Centre	1,500	1,000	1,500	500 ⁹
ER06 Resource and Energy Policy Total	\$ 6,889	\$ 5,408	\$ 46,189	\$ 40,781
Total Appropriation	\$ 42,683	\$ 44,019	\$ 80,870	\$ 38,186
Capital Asset Acquisition	(6,375)	(10,500)	(7,480)	3,020 ¹⁰
Capital Asset Amortization	4,238	4,201	4,231	30
Total Expense	\$ 40,546	\$ 37,720	\$ 77,621	\$ 39,901

Variance Explanations:

1. Vacancy management and operational savings.
2. Additional space acquired in 2010-11 to accommodate licensing staff and PRIME consultants.
3. Mid-year transfer payment re Prince Albert Forestry Management Agreement offset by contractual savings.
4. Salary savings related to mid-year internal reorganization.
5. Salary pressures offset by operating savings resulting from weather related delays.
6. Under-expenditure related to the mid-year internal reorganization.
7. \$37 million increase to the Northern Uranium Mines Environmental Liability; \$350,000 in consulting fees re the proposed PotashCorp takeover; and \$3.4 million related to the mid-year internal reorganization.
8. Spending restraint measures and savings to offset PTRC funding allocation.
9. PTRC funding offset by funds allocated in the Energy Sector Initiatives.
10. Portion of PRIME capital expenditure deferred to 2012-13.

Description of Third Party Funding

Funding Source	Amount (\$000)	Description
Petroleum Technology Research Centre	\$1,500	Provides funding for core operating and research development to this industry-responsive research organization.
Energy Sector Initiatives	\$400	Provides funding to a variety of projects, including climate change initiatives (Energy Climate Change, IEA Greenhouse Gas R&D Program).
Green Initiatives - Energy	\$1,450	Funding to support major technology development activities to reduce the environmental impact of Saskatchewan's fossil fuel industries while contributing to the industry's efficiency and economic competitiveness.

Summary of Revenues

The ministry collects revenues, on behalf of the government, from the production and sale of Saskatchewan's energy and mineral resources, the sale of Crown mineral rights and other associated taxes, services and fees. All revenue collected is deposited in the General Revenue Fund. A summary of the ministry's 2010-11 budgeted revenue

compared to actual revenue is presented below. Variance explanations are provided for all variances that are greater than \$3 million.

The ministry's actual revenue for 2010-11 was \$2.219 billion, an increase of \$496.5 million over the 2010-11 budget estimates. The most significant reasons for this increase are explained below.

Summary of Revenues			
<i>in thousands of dollars</i>			
Revenue Category	2010-11 Budget	2010-11 Actual	Variance Over/(Under)
Non-Renewable Resource Revenue			
Oil	\$ 1,098,300	\$1,274,053	\$ 175,753 ¹
Crown Land Sales	202,800	466,994	264,194 ²
Natural Gas	42,200	29,741	(12,459) ³
Potash	221,000	262,540	41,540 ⁴
Other Minerals	145,000	133,623	(11,377) ⁵
Total Non-Renewable Resource Revenue	\$ 1,709,300	\$2,166,951	\$ 457,651
Other Own-Source Revenue			
Mineral Rights Tax	\$ 8,000	\$ 8,336	\$ 336
Sales, Services and Service Fees	5,203	43,146	37,943 ⁶
Interest and Penalties	0	12	12
Other Miscellaneous Revenue	77	592	515
Total Other Own-Source Revenue	\$ 13,280	\$ 52,086	\$ 38,806
TOTAL REVENUE	\$ 1,722,580	\$2,219,037	\$ 496,457

Explanations of Major Variances:

- Oil revenues increased by \$175.8 million, primarily due to the average provincial wellhead price of oil being \$3.17 Canadian/bbl higher than budgeted and an increase in production.
- Crown land sales revenue increased by \$264.2 million due to continued industry interest in the Bakken and Shaunavon oil prospects in southern Saskatchewan and increased interest in the emerging Viking and Birdbear plays, both in west central Saskatchewan.
- Natural gas revenues decreased by \$12.5 million, primarily due to a \$.95 per gigajoule decrease in natural gas prices and a decrease in production.
- Potash revenues increased by \$41.5 million, primarily in Crown royalty and profit tax due to an increase in production, sales and prices (\$31.52 per tonne increase in 2010 prices).
- Other minerals decreased by \$11.4 million, primarily due to a \$27.67 per kilogram decrease in the average sales price of uranium, offset by an increase in sales volume and a large audit assessment.
- Sales, Services and Service Fees increased by \$37.9 million, primarily due to prior period adjustments by the federal government and an increase in wells and production on federal treaty land entitlement (TLE) lands.

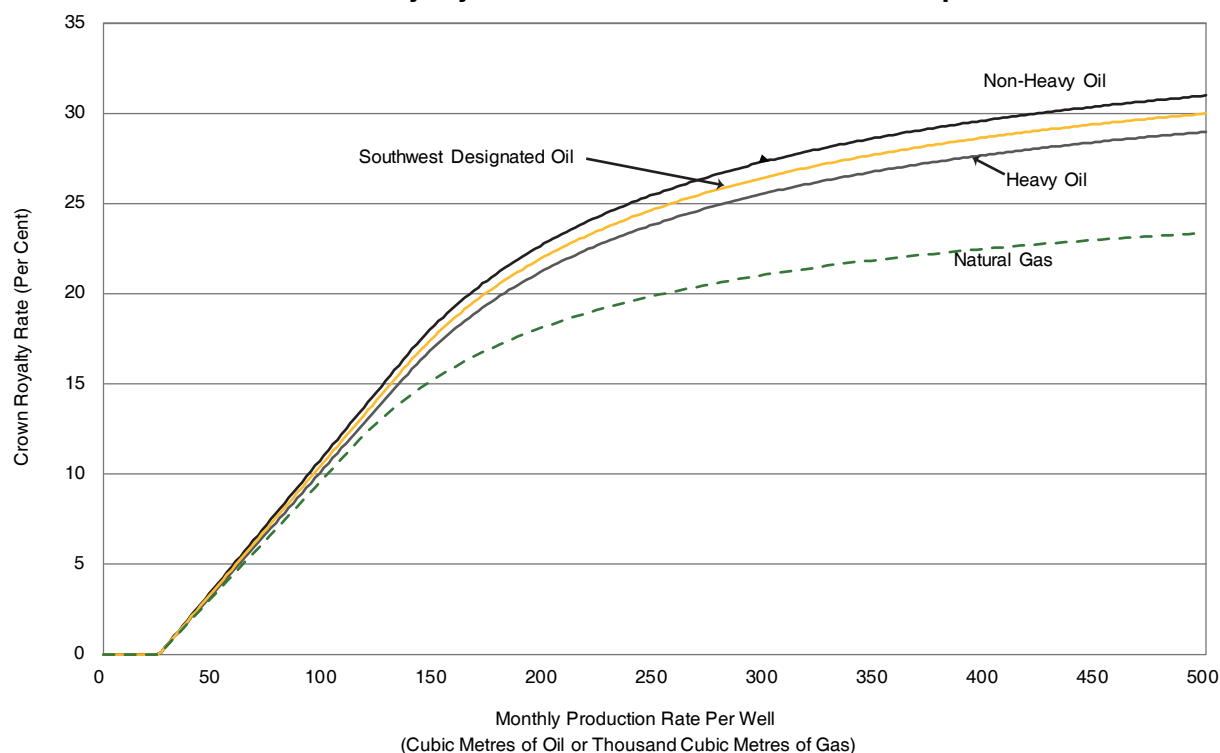
2010-11 Oil and Gas Tables

New Oil and Gas Wells Drilled in 2010

Well Category	Producing	Abandoned	Service	Total
Oil				
Conventional				
Vertical	967	47	164	1178
Horizontal	1483	9	28	1520
Total Conventional	2450	56	192	2698
Enhanced Oil Recovery (EOR*)				
Vertical	21	0	0	21
Horizontal	10	0	1	11
Total EOR	31	0	0	32
Total Oil Wells	2481	56	193	2730
Gas				
Vertical	95	2	0	97
Horizontal	1	0	0	1
Total Gas Wells	96	2	0	98
Total Oil & Gas	2577	58	193	2828

* EOR means enhanced oil recovery projects such as firefloods, steamfloods, and CO₂ floods but excludes waterfloods.

March 2011 Crown Royalty Curves for Wells Drilled After September 2002



CRUDE OIL AND NATURAL GAS STATISTICAL SUMMARY

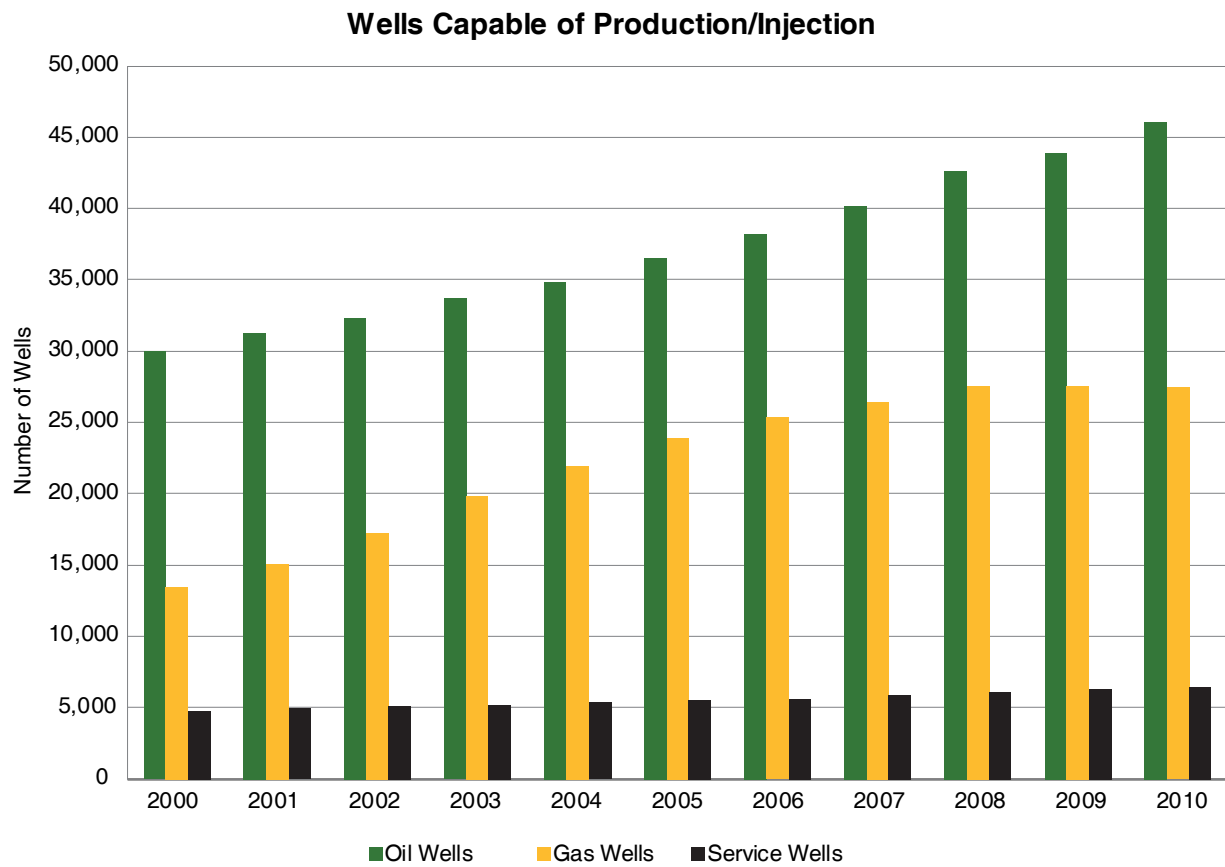
CRUDE OIL	2006	2007	2008	2009	2010 ³
Production (million barrels)	156.4	156.2	161.0	154.8	154.2
Remaining Recoverable Reserves (million barrels at December 31)	1,179.9	1,175.5	1,156.3	N/A	N/A
Value of Sales (\$ millions) ¹	\$7,797	\$8,276	\$13,259	\$8,858	\$10,209
Average Well-Head Price (\$ per barrel)	\$49.91	\$53.02	\$82.49	\$57.29	\$66.34
Average WTI Price (\$US per barrel)	\$66.25	\$72.41	\$99.75	\$62.09	\$79.61
Employment - Direct and Indirect (person-years)	23,925	24,975	27,375	25,125	28,325
Capital Spending (\$ millions)	\$2,551.1	\$2,890.8	\$4,505.7	\$2,686.9	\$3,737.7
Wells Drilled	2,340	2,297	2,824	1,610	2,730
Wells Capable of Producing at December 31	38,276	40,217	42,638	43,891	46,116
Wells Actively Producing at December 31	24,154	25,005	26,149	25,832	26,786
NATURAL GAS	2006	2007	2008	2009	2010 ³
Production (billion cubic feet) ²	340.2	314.8	292.1	271.0	239.6
Remaining Recoverable Reserves (billion cubic feet at December 31)	2,870	2,754	N/A	N/A	N/A
Value of Sales (\$ millions) ¹	\$1,687	\$1,469	\$1,684	\$743	\$626
Average Fieldgate Price (\$ per thousand cubic feet)	\$6.48	\$6.25	\$7.80	\$3.87	\$3.91
Employment - Direct and Indirect (person-years)	3,365	3,100	3,250	2,250	2,025
Capital Spending (\$ millions)	\$300.1	\$236.7	\$259.8	\$69.9	\$30.3
Wells Drilled	1,511	1,156	1,230	233	98
Wells Capable of Producing at December 31	25,346	26,393	27,521	27,530	27,421
Wells Actively Producing at December 31	18,692	19,537	20,328	20,156	19,730

Notes:

1. Crude oil sales are at the well-head and natural gas sales are at the fieldgate and gas plant inlets.
2. Natural gas production includes associated and non-associated gas.
3. The 2010 numbers are based on actuals where available.

Note: Industry continually amends data. Statistics are generally updated to reflect amendments going back as far as three years.

N/A - Not Available



2010-11 Mineral Tables

Crown Metallic and Industrial Mineral Dispositions

	As of March 31, 2009		As of March 31, 2010		As of March 31, 2011	
	Number	Area (hectares)	Number	Area (hectares)	Number	Area (hectares)
Mineral Dispositions	6,748	9,938,497	4,434	6,543,798	3,425	5,259,026
Mineral Permits	12	289,606	0	0	0	0
Mineral Claims	6,657	9,621,086	4,356	6,515,982	3,340	5,230,068
Mineral Leases	79	27,805	78	27,816	85	28,958
Potash Dispositions	191	4,465,266	184	4,331,096	179	4,367,673
Potash Permits	176	4,127,833	167	3,959,749	157	3,879,385
Potash Leases	15	337,433	17	371,347	22	488,288
Coal dispositions	6,169	3,867,496	6,455	4,068,893	6,456	4,067,193
Coal permits	5,391	3,749,807	5,677	3,951,190	5,675	3,949,460
Coal leases	778	117,689	778	117,703	781	117,733
Quarry Dispositions	378	66,505	350	68,671	149	29,789
Alkali Dispositions	35	12,421	34	12,242	30	10,155
TOTAL	13,521	18,350,185	11,457	15,024,700	10,239	13,733,836
Transfers and change of name	756	3,329,191	1,200	1,833,383	233	1,056,074

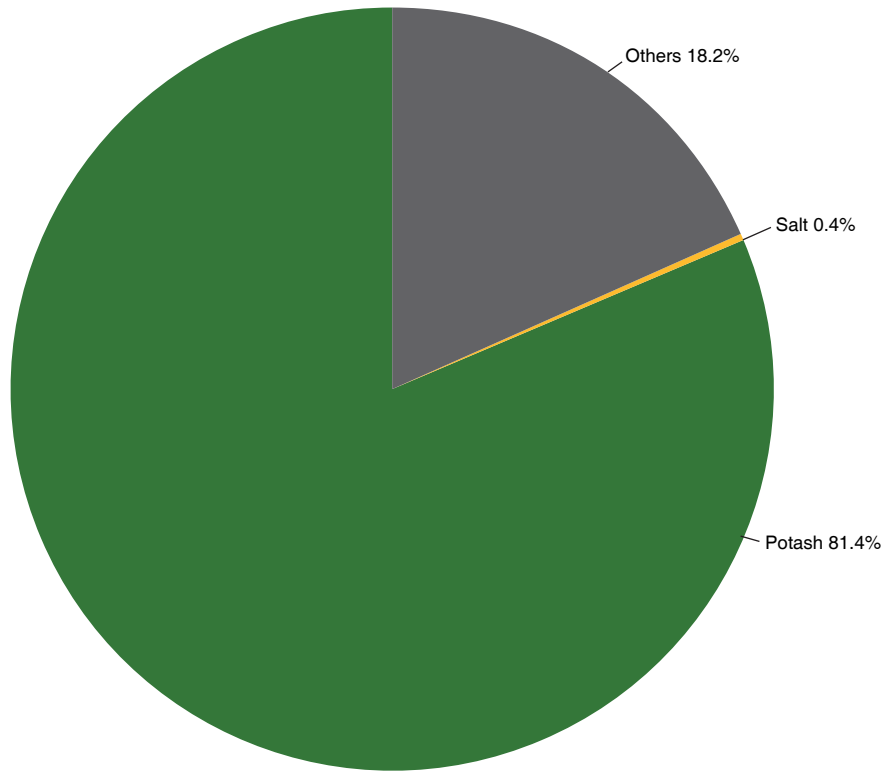
Note: Some figures differ from those published in 2009-10. This table presents fiscal year tabulations.

Saskatchewan Mineral Exploration Expenditures

Commodity	2006 Actual \$Millions	2007 Actual \$Millions	2008 Actual \$Millions	2009 Actual \$Millions	2010 Actual \$Millions
Uranium	\$123.70	\$199.20	\$204.44	\$108.58	\$102.19
Diamonds	98.80	76.58	73.15	10.85	16.99
Gold	13.80	15.30	8.90	2.97	9.54
Base Metals	3.90	11.53	6.76	1.56	6.49
Other	3.40	22.63	180.68	151.21	184.01
TOTAL	\$243.60	\$325.24	\$473.93	\$275.17	\$319.22

Data from survey conducted by Energy and Resources' Saskatchewan Geological Survey.
Other=industrial minerals including potash, clays, coal and rare earth elements.

Value of Mineral Sales 2010



Major Saskatchewan Resource Industries

Statistical Summary - Minerals

(Millions of dollars unless otherwise noted)

POTASH	2006	2007	2008	2009	2010
Production (thousand tonnes of K ₂ O)	7,919	10,342	10,147	4,251	9,109
Value of sales (\$)	2,210	3,056	7,386	3,067	5,583
Royalty/Tax (\$ (See Note 1)	161.7	348.3	1,364.0	-183.9	262.5
Direct employment	3,375	3,033	3,838	3,916	3,992
Capital spending (\$)	473	557	1,025	1,760	2,127
URANIUM	2006	2007	2008	2009	2010
Production (thousand tonnes of U ³ O ⁸)	12.08	11.08	10.5	11.83	See Note 2
Value of sales (\$)	629.4	11,06.47	956.2	1,260.4	
Royalty/Tax (\$ (See Note 1)	30.1	70.2	90.1	104.8	
Direct employment	2,179	2,167	2,532	2,523	
Capital spending (\$)	253	331	310	359.8	
SALT	2006	2007	2008	2009	2010
Production (thousand tonnes)	1,160	1,166	1,311	1,255	1,067
Value of sales (\$)	27.4	26.3	29.5	27.8	28.6
Royalty/Tax (\$ (See Note 1)	1.1	1.1	1.3	1.3	1.0
Direct employment	207	163	142	150est.	150est.
Other (See Note 2)	2006	2007	2008	2009	2010
Production (thousand tonnes)	10.6	10.6	10.0	10.8	10.8
Value of sales (\$)	228.7	189.9	217.0	237.9	1,247
Royalty/Tax (\$ (See Note 1)	17.9	23.2	30.0	25.3	132.6
Direct employment (See Note 3)	890	853	1,074	n/a	3,850est.
Capital spending (\$)	85.2	n/a	n/a	n/a	n/a

Note 1: Royalty/Tax are reported for fiscal year, remaining entries are calendar year.

Note 2: Confidentiality requirements pursuant to *The Crown Minerals Act* do not permit commodity-specific information to be released where there are fewer than three producing companies. This information is aggregated and presented in the "Other" category which includes Bentonite, Quarriable Materials, Coal, Sodium Sulphate, Uranium and Precious and Base Metals.

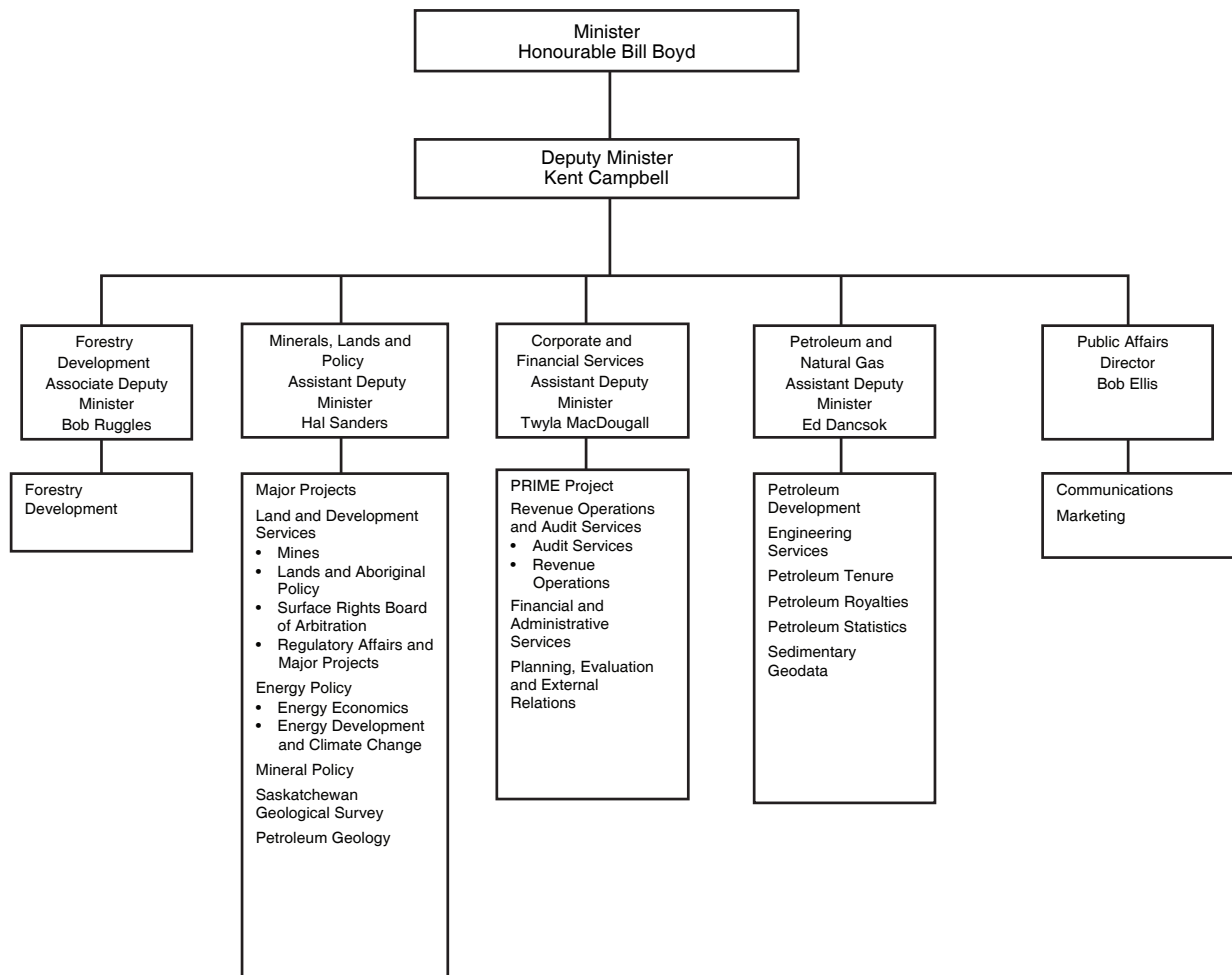
Note 3: Approximately 300 additional Saskatchewan residents are employed at the HudBay operations in Flin Flon, Manitoba.

Non-Ministry Data Sources:

Some capital spending figures were derived from the Natural Resources Canada Expenditure Survey.

Appendices

Internal Organization as of March 31, 2011



Legislative Responsibilities

The legislated mandate of the ministry and responsibilities of the Minister are set out in the following Acts, and regulations made pursuant to those Acts.

The Crown Minerals Act allows for the leasing of Crown mineral rights and provides the authority to collect royalties on Crown dispositions.

The Energy and Mines Act provides the Minister with the responsibility for the exploration for, and the development, management and conservation of, non-renewable resources, and the development, management and conservation of energy.

The Freehold Oil and Gas Production Tax Act provides the authority to tax freehold oil and gas and recovered crude oil in the province.

The Mineral Resources Act, 1985 provides for the orderly exploration for, and the development, conservation and management of, the primary production of mineral resources in Saskatchewan.

The Mineral Taxation Act, 1983 provides authority to tax mineral production and mineral rights.

The Oil and Gas Conservation Act allows for the orderly exploration for, and the development of, oil and gas in the province and optimization of recovery of these resources.

The Pipelines Act, 1998 provides the authority regarding the construction, operation and abandonment of oil, natural gas and other pipelines.

The Reclaimed Industrial Sites Act establishes the legal framework to return Crown land held under surface lease back to the province when mining and reclamation activities have been completed.

The Surface Rights Acquisition and Compensation Act provides the authority regarding comprehensive procedure for acquiring surface rights; for the payment of just and equitable compensation for the acquisition of surface rights; and for the maintenance and reclamation of the surface of land acquired in connection with surface rights acquired under this Act.

The Minister of Energy and Resources also has joint responsibilities for sections of several other Acts which are required for the purpose of administering certain programs and regulations.

Publications

The Ministry of Energy and Resources produced the following publications during the reporting year:

Geological Reports

248A: Compilation Bedrock Geology, Tazin Lake, NTS Area 74N

Geoscience Maps

2010-2: Geology of the Flin Flon Area, Manitoba and Saskatchewan (part of NTS 63K12-13, revised), released in conjunction with Manitoba Innovation, Energy and Mines, Manitoba Geological Survey

Miscellaneous Reports

2010 Weekly Drilling Activity Report <http://www.er.gov.sk.ca/Daily-Well-Bulletin-Weekly-Drilling-Reports>

2010-4.1: Summary of Investigations 2010, Volume 1 web post

2010-4.2: Summary of Investigations 2010, Volume 2 web post and map package

2010-7: Geological Atlas of Saskatchewan, Version 13, CD-ROM

Open Files

2010-1 to 43: Geophysical series, airborne geophysical survey of the eastern Athabasca Basin, Saskatchewan, released in conjunction with the Geological Survey of Canada

2010-44: Report on processing of aeromagnetic data using the VariZ Susceptibility technique from the southeast part of the Athabasca Basin, Saskatchewan

2010-46: Enhanced geophysical images and multi-scale edge (Worm) analysis for the Athabasca region

2010-49: Three-dimensional model of the Athabasca Basin, Saskatchewan

2011-1: Sub-Mesozoic unconformity subcrop map, west-central Saskatchewan

Data File Report

24: Industry drill core data – Regina Subsurface Core Facility – Uravan Minerals Inc. Athabasca Basin (NTS 64L, 74F to 74K, and 74N to 74P)

Other Products

Stratigraphic Correlation Chart

For more information on geological publications, contact:

Ministry of Energy and Resources
Geological Publications
2101 Scarth Street
Regina, SK S4P 2H9

Tel: (306) 787-2528

Fax: (306) 787-2488

E-mail: er.publications@gov.sk.ca

Other

Ministry annual reports

For more information, contact:

Ministry of Energy and Resources
Public Affairs
2103 11th Avenue
2nd Floor
Regina, SK S4P 3Z8
Tel: (306) 787-1691
Fax: (306) 787-2198

Ministry of Energy and Resources Offices

Regina

Head Office
2103 – 11th Avenue
Regina, SK S4P 3Z8

Financial Building
2101 Scarth Street
Regina, SK S4P 2H9

Palliser Building
Main Floor – 2151 Scarth Street
Regina, SK S4P 2H9

Subsurface Geological Laboratory
201 Dewdney Avenue East
Regina, SK S4N 4G3

Lloydminster

Area 1 Field Office
4815 – 50th Street
Lloydminster, SK S9V 0M8

Kindersley

Area 2 Field Office
113 – 2nd Avenue East
Kindersley, SK S0L 0S0

Swift Current

Area 3 Field Office
350 Cheadle Street West
Swift Current, SK S9H 4G3

Estevan

Area 4 Field Office
1302 – 3rd Street
Estevan, SK S4A 0S5

Prince Albert

141 – 1061 Central Avenue
Prince Albert, SK S6V 5G1

La Ronge Office

1310 La Ronge Avenue
La Ronge, SK S0J 1L0

For More Information

This report provides information about our accomplishments. If you have any questions or comments, or would like additional copies of this report, we invite you to call (306) 787-1691.

Or contact:

Ministry of Energy and Resources
Public Affairs
2nd Floor
2103-11th Avenue
Regina, SK S4P 3Z8

Or send us an e-mail through our website: www.er.gov.sk.ca