

UNEDITED

# *The Oil and Gas Conservation Act*

*being*

Chapter O-2 of *The Revised Statutes of Saskatchewan, 1978*  
(effective February 26, 1979).

**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.

# Table of Contents

	SHORT TITLE		POOLING
1	Short title		30 Pooling of interests in drainage unit
	INTERPRETATION		31 Contents of pooling order
2	Interpretation		32 Recovery of costs from owner who refuses to pool
	PURPOSE AND APPLICATION OF ACT		33 Effect of pooling order
3	Purposes of Act		
4	Application		PART V
	PART I		<b>Unit Operation</b>
	<b>Administration</b>		34 Hearing by board and recommendation to minister
5	Administration by department		35 Order of Lieutenant Governor in Council for unit operation
6	Jurisdiction and authority of minister		36 Payment of expenses of unit operation
7	Oil and Gas Conservation Board		37 Property held by operator as trustee
	PART II		38 Powers and duties of operator
	<b>Licences</b>		39 Operations not in accordance with unit operation order prohibited
8	Prohibition against drilling without licence		40 Rehearing by board
9	Company must be licensed or registered		41 Unit area may include previously established unit area
10	Notice to department if drilling through bed or seam of coal, etc.		42 Effect of unit operation order
11	Issue of licence		43 Further powers of minister
12	Assignment of licence		44 Agreement for unit operation
13	Cancellation or suspension of licence		
14	Hearing before board where licence cancelled or suspended		PART VI
15	Cancellation or suspension upon request		<b>Practice and Procedure Relating to Hearings</b>
16	Record of well names		45 Power to make rules and regulations
	PART III		46 Conduct of hearings
	<b>Regulations and Orders</b>		47 Authority of one member to act and report
17	Power of minister		48 Notice of hearing
18	Power of Lieutenant Governor in Council		49 Hearing upon request of minister or interested person
19	Publication and effective date of orders and regulations		50 Hearing of complaint against order of minister
20	Orders and regulations open to inspection		51 Powers of board respecting investigations and inquiries
	PART IV		
	<b>Oil and Gas Production</b>		PART VII
	LIMITATION AND ALLOCATION OF PRODUCTION		<b>Miscellaneous</b>
21	Limitation of production		52 Approval by minister of plans for certain operations
22	Allocation of production among pools		53 Address for service
23	Allocation of production among wells or developed units		
24	Determination of market demand		PART VIII
	DRAINAGE UNITS		<b>Prohibitions, Offences and Penalties</b>
25	Establishment of drainage units		54 Waste prohibited
26	Limitation on size and shape of drainage units		55 Permit required to use gas for certain purposes
27	Minister's order altering location for drilling		56 Export of gas without permit prohibited
28	Area covered by order establishing drainage units		57 Sale, etc., of illegal oil or gas prohibited
29	Construction of order of minister		58 Forfeiture of illegal oil and gas
			59 Penalties for contravention of Act or regulations, etc.
			60 False statements, omissions, etc.
			61 Obstruction of minister, etc., in exercise of power
			62 Prosecution does not bar action for damages
			63 Action for injunction
			64 Effect of payment of penalty and of forfeiture
			65 Remedies for enforcement of regulation or order

## CHAPTER O-2

### An Act to provide for the Conservation of Oil and Gas Resources

#### SHORT TITLE

##### Short title

- 1 This Act may be cited as *The Oil and Gas Conservation Act*.

#### INTERPRETATION

##### Interpretation

- 2(1) In this Act:

“allocated production” or “allowable production” or “allowable”

- (a) “**allocated production**” or “**allowable production**” or “**allowable**” means oil or gas authorized by the minister to be produced;

“department”

- (b) “**department**” means the Department of Mineral Resources;

“developed unit”

- (c) “**developed unit**” means a drainage unit that has a well completed therein that is capable of producing oil or gas in paying quantities;

“drainage unit”

- (d) “**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 the surface boundaries lie;

“field”

- (e) “**field**” means the general area underlaid by one or more pools;

“illegal gas”

- (f) “**illegal gas**” means gas produced from any well in the province in violation of this Act or any regulation or order made under the authority thereof;

“illegal oil”

- (g) “**illegal oil**” means oil produced from any well in the province in violation of this Act or any regulation or order made under the authority thereof;

“illegal product”

- (h) “**illegal product**” means a product derived in whole or in part from illegal oil or illegal gas;

“just and equitable share”

- (i) “**just and equitable share**” of a producer or a developed unit, unless otherwise agreed upon by the interested persons, means that part of the allowable production for the pool that is substantially in the same proportion that the quantity of recoverable oil and gas in each developed unit of the tract or tracts concerned in the pool bears to the recoverable oil or gas in the total developed area of the pool, subject to reasonable measures for the prevention of waste and to reasonable adjustment by reason of structural position, and that, if produced, will minimize reasonably avoidable drainage from each developed unit and will enable the producer to utilize his fair share of the reservoir energy;

“minister”

- (j) “**minister**” means the Minister of Mineral Resources;

## c. O-2

## OIL AND GAS CONSERVATION

## “owner”

(k) “**owner**” means a person who has the right to drill into a pool and produce therefrom oil or gas and to appropriate the oil or gas he produces either to himself or others or to him self and others;

## “pool”

(l) “**pool**” means an underground reservoir containing or appearing to contain an accumulation of oil or gas separated or appearing to be separated from any other such reservoir or accumulation in the general structure;

## “producer”

(m) “**producer**” means the owner of a well that is capable of producing oil or gas;

## “product”

(n) “**product**” means a commodity made from oil or gas and includes refined crude oil, crude tops, topped crude, processed crude, processed crude oil, residue from crude oil, cracking stock, uncracked fuel oil, fuel oil, treated crude oil, residuum, gas oil, casinghead gasoline, natural-gas gasoline, lubricating oil, blends or mixtures of oil with one or more liquid products or by-products derived from oil or gas and blends or mixtures of two or more liquid products or by-products derived from oil or gas, whether or not mentioned herein;

## “reasonable market demand”

(o) “**reasonable market demand**” means the demand for oil or gas for reasonable current requirements and current consumption or use within and outside the province, together with such amounts as are reasonably necessary for building up or maintaining reasonable storage reserves and working stocks of oil and gas and the products thereof;

## “waste”

(p) “**waste**” means:

(i) physical waste as that term is ordinarily understood in the oil and gas industry;

(ii) the inefficient, excessive or improper use of, or the dissipation of, reservoir energy;

(iii) the locating, spacing, drilling, equipping or operating of or producing from a well in a manner that causes, or is likely to cause, reduction in the quantity of oil or gas ultimately recoverable from a pool under prudent and proper operations and practices, or unnecessary or excessive surface loss of oil or gas;

(iv) the ineffecient storage of oil or gas; or

(v) the production of oil or gas in excess of transportation or marketing facilities or reasonably market demand.

(2) For the purposes of this Act, in the expressions “oil and gas” and “oil or gas” the word “and” includes “or” and the word “or” includes “and”.

## PURPOSE AND APPLICATION OF ACT

**Purposes of Act**

**3** The purposes of this Act are:

- (a) to prevent waste;
- (b) to regulate all operations for the production of oil and gas in such manner that the greatest possible ultimate recovery thereof by prudent and proper operations and practices may be realized;
- (c) to protect the correlative rights of each owner;
- (d) to enable each owner to obtain his just and equitable share of the allowable production of any pool; and
- (e) to develop, process, utilize, protect and conserve the oil and gas resources of Saskatchewan for use in the province by the people of Saskatchewan.

1973-74, c.72, s.38; R.S.S. 1978, c.O-2, s.3.

**Application**

**4(1)** This Act applies to every well and structure test hole situated in the province.

**(2)** This Act applies to the Crown and Her Majesty is bound thereby and has the benefit thereof.

R.S.S. 1965, c.360, s.4; R.S.S. 1978, c.O-2, s.4.

---

**PART I****Administration****Administration by department**

**5** This Act shall be administered by the department.

R.S.S. 1965, c.360, s.5; R.S.S. 1978, c.O-2, s.5.

**Jurisdiction and authority of minister**

**6** For the purpose of effectuating the purposes of this Act, the minister has jurisdiction and authority over all persons and property, public and private, and may make or cause to be made inquiries and investigations into any matter or thing in relation to the drilling for, and the resources, occurrence, production, transportation, distribution, disposition and processing of, oil or gas or products derived therefrom in the province at such places and at such times and in such manner as he may deem advisable, and may make or issue orders and take any other action he deems necessary or expedient for or incidental to the performance, execution and carrying out of any duty, function or power imposed or conferred upon him by this Act.

R.S.S. 1965, c.360, s.6; R.S.S. 1978, c.O-2, s.6.

**Oil and Gas Conservation Board**

- 7(1) The Lieutenant Governor in Council may establish a board, to be called The Oil and Gas Conservation Board, and herein referred to as the board, consisting of such number of members as the Lieutenant Governor in Council may deem advisable.
- (2) The Lieutenant Governor in Council shall appoint the members of the board and shall designate one member as chairman.
- (3) The members of the board shall hold office for such term as may be determined by the Lieutenant Governor in Council.
- (4) The Lieutenant Governor in Council shall determine the number of members of the board that shall constitute a quorum for the transaction of business.
- (5) The members of the board shall receive such remuneration as may be fixed by the Lieutenant Governor in Council.
- (6) A member of the board who has a monetary interest of any description, directly or indirectly, in any property or in any business or undertaking carried on for the purpose of searching for, winning or getting, or for the purpose of gathering, collecting, processing, handling or distributing, any oil or gas in the province shall not act or vote as a member of the board when a question affecting that interest or in which he is interested by reason of that interest is before the board.
- (7) The minister shall appoint a secretary to the board.
- (8) The board may exercise the powers and shall perform the duties hereinafter conferred and imposed, and shall inquire into any matter referred to it by the minister and make a report to the minister thereon.

R.S.S. 1965, c.360, s.7; R.S.S. 1978, c.O-2, s.7.

---

## PART II

**Licences****Prohibition against drilling without licence**

- 8(1) No person shall spud in or drill a well unless he is the holder of a subsisting licence to do so issued by the minister.
- (2) An application for a licence under this Part shall be submitted to the department in the form prescribed by the department.

R.S.S. 1965, c.360, s.8; R.S.S. 1978, c.O-2, s.8.

**Company must be licensed or registered**

- 9 No licence shall be issued to a company unless it is a company licensed or registered under *The Companies Act*.

R.S.S. 1965, c.360, s.9; R.S.S. 1978, c.O-2, s.9.

**Notice to department if drilling through bed or seam of coal, etc.**

**10** The applicant for a licence shall notify the department if he intends to drill through a bed or seam of coal or other valuable mineral in respect of which operations have been undertaken for the working of the coal or other valuable material, and shall satisfy the minister that it is practicable to drill through the bed or seam without danger to the persons engaged in mining operations therein and in such a way as to permit the safe and economical mining of the coal or other valuable mineral.

R.S.S. 1965, c.360, s.10; R.S.S. 1978, c.O-2, s.10.

**Issue of licence**

**11** If the applicant for a licence has complied with this Act and the regulations and orders thereunder, the minister shall grant the application and issue the licence.

R.S.S. 1965, c.360, s.11; R.S.S. 1978, c.O-2, s.11.

**Assignment of licence**

**12** A licence issued pursuant to this Part shall not be assigned without the written consent of the minister.

R.S.S. 1965, c.360, s.12; R.S.S. 1978, c.O-2, s.12.

**Cancellation or suspension of licence**

**13** If it is made to appear that a contravention of this Act, or of any regulation or order thereunder, has occurred concerning the well in respect of which the licence was issued, the minister may, after ten days' written notice to the licensee, cancel the licence or suspend it either for a definite time or indefinitely.

R.S.S. 1965, c.360, s.13; R.S.S. 1978, c.O-2, s.13.

**Hearing before board where licence cancelled or suspended**

**14** A licensee whose licence has been cancelled or suspended pursuant to section 13 may apply to the minister for a hearing before the board in accordance with section 50.

R.S.S. 1965, c.360, s.14; R.S.S. 1978, c.O-2, s.14.

**Cancellation or suspension upon request**

**15** The minister may cancel or suspend a licence upon the written request of the licensee.

R.S.S. 1965, c.360, s.15; R.S.S. 1978, c.O-2, s.15.

**Record of well names**

**16** The department shall maintain a record of official well names.

R.S.S. 1965, c.360, s.16; R.S.S. 1978, c.O-2, s.16.

## PART III

**Regulations and Orders****Power of minister**

17 Without restricting the generality of section 6, the minister may by order:

- (a) regulate and make provision for, in respect of any field, pool or zone:
  - (i) the spacing of wells, the formation of drainage units and the location of target areas;
  - (ii) the maximum rate at which a well or wells may be permitted to produce;
  - (iii) the drilling, plugging and bringing into production of wells and all other operations for the production of oil or gas;
  - (iv) operations to increase ultimate recovery, including the cycling of gas, the maintenance of pressure and the introduction of gas, water or other substances into producing formations;
  - (v) the shooting, chemical treatment and fracturing of wells;
  - (vi) the taking of cores and the making of special logs and the submission of core analyses to the department;
  - (vii) the disposal of water, brine, sediment and other oil field wastes;
- (b) regulate, limit and allocate the production of oil and gas and the decision of the minister to so regulate, limit and allocate production shall be in his absolute discretion and he may in arriving at his decision consider any or all of the following:
  - (i) the public interest;
  - (ii) whether there are sufficient proven reserves of oil or gas, as the case may be, to provide for the needs of the people of Saskatchewan for such number of years as he may consider advisable from time to time;
  - (iii) any geological engineering, technological or economic factors;
  - (iv) any other matter that the minister may deem relevant;
- (c) classify wells as oil or gas wells if considered necessary for the application or enforcement of this Act;
- (d) prescribe the conditions under which drilling operations may be carried out in water-covered areas, and any special measures to be taken in such operations;
- (e) limit the amount of gas or water that may be produced with oil from any well or wells and limit the production of oil from any well or wells that produce gas or water in excess of the amount of gas or water so limited;
- (f) designate and identify any specified area as a pool or field.



**Power of Lieutenant Governor in Council**

18 The Lieutenant Governor in Council may make regulations and orders deemed necessary to carry out the provisions of this Act according to their true intent and, without restricting the generality of the foregoing, the Lieutenant Governor in Council may make regulations and orders:

- (a) authorizing or requiring:
  - (i) the spacing of wells and the formation of drainage units generally;
  - (ii) the identification of ownership of oil or gas wells, producing leases, tanks, plants, structures, facilities and means for the transportation or relining of oil or gas;
  - (iii) the making and filing with the department of well logs, directional surveys and reports on well location, drilling, drilling tests and production;
  - (iv) the filing of oil or gas analyses or other information pertaining to oil or gas;
  - (v) the drilling, casing, cementing, operating and plugging of wells in accordance with good practices and in such manner as to prevent the escape of oil or gas from one stratum into another, the harmful intrusion of water into an oil or gas stratum and the pollution of fresh water supplies by oil, gas or salt water, and in such manner as to prevent blowouts, cavings, seepages and fires;
  - (vi) that the production from wells be separated into gaseous and liquid hydrocarbons, and that each of these be accurately measured by such means and according to such standards as may be prescribed by the minister;
  - (vii) certificates of clearance showing quantity and disposition with respect to the transportation or delivery of oil, gas or any product;
  - (viii) metering or other measuring of oil, gas or any product in pipe lines, gathering systems, barge terminals, loading racks, refineries or other places;
  - (ix) every person who produces, sells, purchases, acquires, stores, transports, refines or processes oil or gas to keep and maintain in the province complete and accurate records of the quantities thereof, which records shall be available for examination by the minister or any person authorized by him at all reasonable times, and requiring every such person to file with the department such reports as may be prescribed with respect to such oil or gas or any product thereof;
- (b) governing the suspension of operations and the abandonment and reconditioning of wells;
- (c) requiring and prescribing the taking and method of taking of cores and samples of any kind and their submission to the department;
- (d) prescribing the methods of operation to be observed during drilling and in the subsequent management and conduct of any well:
  - (i) for the protection of life and property;
  - (ii) for the prevention and extinguishment of fires;

- (iii) for the prevention of the blowing out of control of wells; and
- (iv) for the prevention of pollution of fresh water supplies;
- (e) governing the taking from time to time of the closed in pressure and capacity of gas wells;
- (f) providing for the inspection of wells, both during and after drilling, with respect to:
  - (i) matters pertaining to safe operations; and
  - (ii) matters pertaining to the general public interest, having regard to the protection of public or private property;
- (g) providing for the taking over of any well that is a menace to oil, gas or water-bearing formations or to life or property if remedial measures are considered necessary and the owner of the well fails to use such measures, and for the execution of such measures at the expense of the owner of the well;
- (h) governing the issue of licences authorizing the drilling of structure test holes and providing for the inspection and control of structure test holes and the making and submission to the department of logs, core analyses and reports;
- (i) generally governing operations to increase ultimate recovery, including the cycling of gas, the maintenance of pressure and the introduction of gas, water or other substances into producing formations;
- (j) authorizing and governing the shutting in and sealing of wells and the shutting down of the operation of equipment and facilities, for infraction of this Act or any regulation or order;
- (k) requiring the obtaining of licences and the furnishing of bonds deemed necessary in connection with the administration of this Act, and prescribing fees for licences;
- (l) governing the procedure with respect to inquiries and investigations.
- (m) governing the procedure with respect to filing of agreements for unit operation.

R.S.S. 1965, c.360, s.18; 1966, c.66, s.2; R.S.S. 1978, c.O-2, s.18.

**Publication and effective date of orders and regulations**

**19** Every order and regulation made under this Act shall be published in *The Saskatchewan Gazette* and shall have force and effect on and after the date of such publication or on and after a date specified in the order or regulation.

R.S.S. 1965, c.360, s.19; R.S.S. 1978, c.O-2, s.19.

**Orders and regulations open to inspection**

**20** Every order and regulation made under this Act shall be entered in full in the records of the department and shall be open to inspection by the public at all times during office hours.

R.S.S. 1965, c.360, s.20; R.S.S. 1978, c.O-2, s.20.

## PART IV

## Oil and Gas Production

## LIMITATION AND ALLOCATION OF PRODUCTION

**Limitation of production**

**21** The minister shall limit the production of oil and gas to an amount that can be produced without waste.

R.S.S. 1965, c.360, s.21; R.S.S. 1978, c.O-2, s.21.

**Allocation of production among pools**

**22** Where the minister limits the total amount of oil or gas that may be produced in the province he shall allocate the allowable production among the pools therein, and, where reasonable under the circumstances, shall allocate to each pool with small wells of settled production an allowable production that will prevent the general premature abandonment of the wells in the pool.

R.S.S. 1965, c.360, s.22; R.S.S. 1978, c.O-2, s.22.

**Allocation of production among wells or developed units**

**23** Where the minister limits the total amount of oil or gas that may be produced from any pool to an amount less than the amount that the pool could produce if no restriction were imposed, he shall allocate the allowable production among the several wells or developed units in the pool for the purpose of giving each producer the opportunity of producing or receiving his just and equitable share of the pool allowable, unless the producers have agreed upon a method for such allocation that is satisfactory to the minister.

R.S.S. 1965, c.360, s.23; R.S.S. 1978, c.O-2, s.23.

**Determination of market demand**

**24(1)** In determining reasonable market demand for the province, the minister shall not be required to determine the reasonable market demand applicable to any single pool or field, except in relation to all other pools and fields and in relation to the demand applicable to the province.

**(2)** For the purpose of subsection (1), in allocating allowables to pools and fields, the minister may consider, but shall not be bound by, nominations of purchasers to purchase from particular fields, pools or areas.

R.S.S. 1965, c.360, s.24; R.S.S. 1978, c.O-2, s.24.

## DRAINAGE UNITS

**Establishment of drainage units**

**25** The minister shall by order establish drainage units of uniform size and shape for a field or pool, provided that, where he deems it to be necessary by reason of differences in the character of the formation, the minister may divide a pool into zones and establish drainage units for each zone, and the drainage units in a zone may differ in size and shape from those in another zone.

R.S.S. 1965, c.360, s.25; R.S.S. 1978, c.O-2, s.25.

**Limitation on size and shape of drainage units**

**26** The size and shape of drainage units shall be such as will result in the efficient and economical development of the field or pool as a whole, and the size shall not be smaller than the maximum area that can be efficiently drained by one well.

R.S.S. 1965, c.360, s.26; R.S.S. 1978, c.O-2, s.26.

**Minister's order altering location for drilling**

**27(1)** The minister may make an order permitting a well to be drilled at a location in a drainage unit other than the target area prescribed for the drainage unit.

(2) An order under subsection (1) shall include suitable provisions to ensure that the operator or owner of the well will be prevented from obtaining any advantage such as the opportunity to produce from the drainage unit more than his just and equitable share of the allowable production for the pool.

R.S.S. 1965, c.360, s.27; R.S.S. 1978, c.O-2, s.27.

**Area covered by order establishing drainage units**

**28** An order establishing drainage units for a pool shall cover all lands determined or believed to be underlaid by the pool, and such order may be modified from time to time by the minister to include additional areas determined or believed to be underlaid by the pool, or to increase the size of drainage units in the pool or in any zone thereof, or to permit the drilling of additional wells on a reasonably uniform plan in the pool or zone.

R.S.S. 1965, c.360, s.28; R.S.S. 1978, c.O-2, s.28.

**Construction of order of minister**

**29** No order of the minister shall be construed so as to require the drilling or operation of a well in a drainage unit in addition to a well that can produce the unit's just and equitable share without waste.

R.S.S. 1965, c.360, s.29; R.S.S. 1978, c.O-2, s.29.

## POOLING

**Pooling of interests in drainage unit**

**30(1)** Where two or more separately owned tracts are embraced within a drainage unit, or where there are separately owned interests in all or part of a drainage unit, the owners of those tracts or interests may pool their interests for the development and operation of the unit.

(2) In the absence of voluntary pooling the minister may, upon the application of any interested person, make an order that a hearing be held by the board.

(3) An application under subsection (2) shall be in writing and shall be accompanied by:

- (a) a proposed pooling plan containing the terms and provisions that the applicant desires to have included in a pooling order;
- (b) such number of copies of the plan as the minister may require; and
- (c) a statement setting forth the reasons why voluntary pooling cannot be effected.

- (4) The applicant shall also furnish the minister with such further information and material as he may require.
- (5) Upon the recommendation of the board, the minister may make an order pooling all interests within the drainage unit for the development and operation of the unit.

R.S.S. 1965, c.360, s.30; R.S.S. 1978, c.O-2, s.30.

**Contents of pooling order**

**31** Every pooling order under section 30 shall provide for:

- (a) the drilling and operation of a well in the drainage unit or, where a well has been drilled in the drainage unit before the making of the order, the operation of that well;
- (b) the payment by the owners of the actual cost of the drilling and operation of the well and the manner in which the payment shall be made, provided that where the well has been drilled before the making of the order the board shall determine the cost or value to be attributed to the well for the purpose of the pooling order;
- (c) the payment, by an owner who fails within the time specified in the order to pay the portion of the cost of drilling the well payable by him pursuant to the order, of such surcharge as may be determined by the board but not exceeding one-half of that amount; and
- (d) the allocation to each owner of his just and equitable share of the allowable production from the drainage unit.

R.S.S. 1965, c.360, s.31; R.S.S. 1978, c.O-2, s.31.

**Recovery of costs from owner who refuses to pool**

**32** Where an owner refuses to pool his interest, his portion of the costs of drilling and operation including any surcharge, as provided for in the pooling order, shall be recoverable only out of his share of production .

R.S.S. 1965, c.360, s.32; R.S.S. 1978, c.O-2, s.32.

**Effect of pooling order**

**33** Where a drainage unit is covered by a pooling order:

- (a) operations incidental to the drilling of a well in any portion of the unit shall for all purposes be deemed to be operations carried on or conducted by the several owners respectively upon their separately owned tracts in the unit;
- (b) that portion of the allowable production allocated to each tract shall be deemed to have been produced from the tract by a well drilled thereon.

R.S.S. 1965, c.360, s.33; R.S.S. 1978, c.O-2, s.33.

## PART V

**Unit Operation****Hearing by board and recommendation to minister**

**34(1)** The minister upon his own motion may, and upon the application of any interested person shall, order that a hearing be held by the board to consider the need for the operation as a unit of an entire field or pool.

(2) An application under subsection (1) shall be in writing and shall be accompanied by:

(a) a proposed plan of unit operation containing the terms and provisions that the applicant desires to have included in a unit operation order; and

(b) such number of copies of the plan as the minister may require.

(3) The applicant shall also furnish the minister with such further information and material as he may require.

(4) If the board finds that:

(a) the operation of a field or pool or a portion thereof as a unit is reasonably necessary to prevent waste, to increase substantially the recovery of oil or gas and to protect correlative rights; or

(b) the value of the estimated additional recovery of oil or gas resulting from the operation of a field or pool or a portion thereof as a unit will exceed the estimated additional cost, if any, incidental to the conduct of the operation; or

(c) the operation of a field or pool or a portion thereof as a unit will result in general advantage to the owners of the oil and gas rights within the field or pool or portion thereof;

it may recommend to the minister that the field or pool or portion thereof be operated as a unit.

R.S.S. 1965, c.360, s.34; R.S.S. 1978, c.O-2, s.34.

**Order of Lieutenant Governor in Council for unit operation**

**35(1)** Upon the recommendation of the minister after the hearing, the Lieutenant Governor in Council may order that the field or pool or portion thereof be operated as a unit.

(2) An order under subsection (1) shall specify the date on which it shall come into force and shall include:

(a) a description of the area embraced by the order, herein referred to as the unit area;

(b) a statement of the nature of the operation contemplated;

(c) an allocation among the separately owned tracts in the unit area of all the oil and gas produced and not required in the conduct of such operation or unavoidably lost, such allocation to be based proportionately on the contributions, other than physical equipment, made by the owners of the separately owned tracts to the unit operation;

## OIL AND GAS CONSERVATION

## c. O-2

- (d) a provision for the credits and charges to be given or made in the adjustment among the owners of the separately owned tracts in the unit area for their respective investments in wells, tanks, pumps, machinery, materials and equipment contributed to the unit operation by those owners;
  - (e) a provision for the net amount to be charged against the owner of each separately owned tract, which amount shall be considered to be the portion of the expenses of unit operation chargeable against the tract;
  - (f) unless otherwise provided, a provision that the expenses of unit operation, including capital investments, shall be charged to the separately owned tracts in the same proportions that those tracts share in the unit production;
  - (g) a provision appointing an operating committee composed of the persons primarily liable for the payment of the expenses of unit operation, or their representatives, which committee shall, within the time specified in the order, appoint a person to be known as the operator who shall under the direction and supervision of the committee be responsible for the management and conduct of the unit operation;
  - (h) a provision specifying the method of voting upon a motion before the operating committee and the majority in number of votes necessary to carry a motion;
  - (i) a provision specifying the manner in which and the circumstances under which the unit operation shall terminate;
  - (j) such further provisions, terms and conditions as may be considered necessary to provide for the proper operation of the unit area so as to prevent waste, obtain the greatest possible recovery of oil and gas under prudent and proper operations and practices and protect the interests of the respective owners of the oil and gas rights within the unit area.
- (3) In a vote upon a motion before the operating committee appointed pursuant to an order under this section each vote shall have a value corresponding to the percentage of the expense of unit operation borne by the person voting or his principal.
- (4) If the operating committee fails to appoint the operator within the time specified in an order under this section the minister shall appoint the operator.

R.S.S. 1965, c.360, s.35; R.S.S. 1978, c.O-2, s.35.

**Payment of expenses of unit operation**

- 36(1)** The expenses chargeable to a tract under a unit operation order shall be paid by the person who in the absence of unit operation would be responsible for the expenses of developing and operating the tract.
- (2) If the person so charged fails to pay the expenses, resort may be had to interest, herein called additional royalty interests and which are exclusive of a one-eighth (1/8) royalty interest and that would not be otherwise chargeable with such expenses, such as oil payments, overriding royalties or other royalties and payments to be paid out of or calculated on the amount of production.
- (3) The owner of any such additional royalty interests who pays any part of the expenses required by subsection (1) to be paid by the person who in the absence of unit operation would be responsible for the payment of the expense of developing and operating the tract may recover the amount paid as a debt due to him by that person.

R.S.S. 1965, c.360, s.36; 1966, c.66, s.3; R.S.S. 1978, c.O-2, s.36.



**Property held by operator as trustee**

**37** All property acquired by the operator for the purpose of conducting the unit operation under a unit operation order shall be held by him as trustee and agent for and on behalf of the owners of the working interests as those interests may appear under the unit operation plan, and the order providing for unit operation shall be construed as an operating arrangement and shall not be construed as affecting or transferring title to the property or entitling an owner of a separately owned tract to an undivided interest in all tracts included in the unit area.

R.S.S. 1965, c.360, s.37; 1966, c.66, s.4; R.S.S. 1978, c.O-2, s.37.

**Powers and duties of operator**

**38(1)** The operator under a unit operation order shall exercise generally all the powers incidental to the proper conduct and management of the unit operation.

(2) The operator under a unit operation order may contract and may sue and be sued in his own name with respect to the duties, functions and powers imposed or conferred upon him by or pursuant to this Act.

R.S.S. 1965, c.360, s.38; 1966, c.66, s.38; R.S.S. 1978, c.O-2, s.38.

**Operations not in accordance with unit operation order prohibited**

**39** From and after the date on which a unit operation order comes into force, and while the order remains in force, no person shall carry on any operations within the unit area therein described for the purpose of drilling for or producing oil or gas except in accordance with the order.

R.S.S. 1965, c.360, s.39; R.S.S. 1978, c.O-2, s.39.

**Rehearing by board**

**40(1)** An order under section 35 may provide for a rehearing by the board upon the application of any interested party on or after a future date specified in the order.

(2) Upon the recommendation of the minister following such rehearing, the Lieutenant Governor in Council may amend or revise a unit operation order in order to supply any deficiency therein or to meet changing conditions, and may alter or revoke any provision therein that is deemed to be unfair or inequitable and may add to the unit area therein described any area that the minister believes to be underlaid by the pool or one of the pools underlying the unit area.

R.S.S. 1965, c.360, s.40; R.S.S. 1978, c.O-2, s.40.

**Unit area may include previously established unit area**

**41(1)** An order under section 35 may provide that the unit area established thereby shall include a unit area established by a previous order or agreement for unit operation.

(2) The order, in providing for allocation of unit production from the unit area, shall first treat the previously established unit area as a single tract, and the portion of unit production allocated to the previously established unit area shall then be allocated among the separately owned tracts included in the previously established unit area in the same proportions as those specified in the previous order or agreement for unit operation.

R.S.S. 1965, c.360, s.41; 1966, c.66, s.6; R.S.S. 1978, c.O-2, s.41.



**Effect of unit operation order**

42 The portion of unit production allocated to a separately owned tract under a unit operation order shall for all purposes be deemed to have been actually produced from that tract, and operations conducted pursuant to a unit operation order shall for all purposes be deemed to be operations carried on or conducted for the production of oil and gas from each separately owned tract in the unit area in the fulfilment of all the express or implied obligations of the owner of the tract or of a producer under each lease and any contract applicable thereto insofar as the same relates to the field, pool or portion thereof covered by the order.

R.S.S. 1965, c.360, s.42; 1966, c.66, s.7; R.S.S. 1978, c.O-2, s.42.

**Further powers of minister**

43 The Lieutenant Governor in Council may confer upon and vest in the minister any power deemed necessary or advisable to enable him to carry out the provisions of any unit operation order.

R.S.S. 1965, c.360, s.43; R.S.S. 1978, c.O-2, s.43.

**Agreement for unit operation**

44(1) Notwithstanding anything in this Part, the owners and any other person having a proprietary interest in the oil or gas in a field or pool or any portion of such field or pool may enter into an agreement for the operation of such field or pool or portion thereof as a unit.

(2) A unit operation agreement entered into under subsection (1) shall set forth a scheme or plan for combining the interests of the owners and other persons having a proprietary interest in the common source of supply of oil or gas in the field or pool or portion thereof.

(3) An executed copy of an agreement for unit operation entered into under subsection (1) shall be filed with the minister prior to the effective date of the unit operation. All amendments to such an agreement shall also be filed with the minister.

1966, c.66, s.8; R.S.S. 1978, c.O-2, s.44.

---

**PART VI**
**Practice and Procedure Relating to Hearings****Power to make rules and regulations**

45 The Lieutenant Governor in Council may prescribe rules and regulations governing the practice and procedure with respect to hearings.

R.S.S. 1965, c.360, s.44; R.S.S. 1978, c.O-2, s.45.

**Conduct of hearings**

46(1) All hearings held under the authority of this Act shall be conducted by the board upon the request of the minister.

**c. O-2****OIL AND GAS CONSERVATION**

(2) Hearings shall be open to the public and all persons interested may be heard.

(3) The board may, if it deems it necessary to do so, adjourn a hearing from time to time.

R.S.S. 1965, c.360, s.45; R.S.S. 1978, c.O-2, s.46.

**Authority of one member to act and report**

**47** The board or the chairman may authorize any one of the members to report to the board upon any question or matter referred to it by the minister, and that member shall, when so authorized, have all the powers of the board for the purpose of taking evidence or acquiring the necessary information for the purpose of the report, and, upon the report being made to the board, it may be adopted as the report of the board.

R.S.S. 1965, c.360, s.46; R.S.S. 1978, c.O-2, s.47.

**Notice of hearing**

**48** Notice of a hearing shall be given to the applicant, if any, by registered mail and published in one issue of the *Gazette* and in one issue of a newspaper having a general circulation in the district in which the field or pool to which the hearing relates is situated at least ten days prior to the date set for the hearing.

R.S.S. 1965, c.360, s.47; R.S.S. 1978, c.O-2, s.48.

**Hearing upon request of minister or interested person**

**49(1)** The minister may of his own motion request a hearing and, upon the application in writing of any interested person, he shall, unless he considers the application to be frivolous or vexatious, order the board to hold a hearing with respect to any matter.

(2) An applicant under subsection (1) shall furnish the minister with such data, information and material as he may require.

R.S.S. 1965, c.360, s.48; R.S.S. 1978, c.O-2, s.49.

**Hearing of complaint against order of minister**

**50(1)** A person affected by an order made by the minister without a recommendation by the board pursuant to a hearing or without a hearing by the board in respect of the matter to which the order relates may apply to the minister for a hearing.

(2) An application under subsection (1) shall set forth the matters complained against and the reasons for the complaint.

(3) If the minister does not amend or rescind the order complained against, he shall refer the application to the board for a hearing, and the board shall after the hearing make such recommendations to the minister as it deems fit.

(4) Notwithstanding anything in this section, where the minister is of the opinion that the application is frivolous or vexatious, he may dismiss the application.

R.S.S. 1965, c.360, s.49; R.S.S. 1978, c.O-2, s.50.

**Powers of board respecting investigations and inquiries**

**51(1)** The board or any person authorized by it may collect data, make inspections, studies and investigations, examine properties, titles, leases, papers, books and records and examine, check, test and gauge wells.

(2) The board or any person authorized by it to make an inquiry or investigation pursuant to any provision of this Act shall, for the purpose of the inquiry or investigation, have all the powers conferred or that may be conferred upon commissioners under *The Public Inquiries Act*.

R.S.S. 1965, c.360, s.50; R.S.S. 1978, c.O-2, s.51.

---

## PART VII

### Miscellaneous

#### Approval by minister of plans for certain operations

**52(1)** Any plan for:

- (a) repressuring, cycling or pressure maintenance in any field or pool;
- (b) the processing, storage or disposal of gas; or
- (c) the disposal of water in any field or pool;

shall be submitted to the department before it is proceeded with.

(2) No such plan shall be proceeded with without the approval of the minister.

R.S.S. 1965, c.360, s.51; R.S.S. 1978, c.O-2, s.52.

#### Address for service

**53(1)** Every person who is the owner of a well or who is a licensee or a permittee under this Act shall register with the department an address in the province for service upon him of any notice or order given or made pursuant to this Act.

(2) Every owner of a well, licensee or permittee who is not a resident of the province shall have an agent in the province and shall register with the department the agent's name and address in the province.

R.S.S. 1965, c.360, s.52; R.S.S. 1978, c.O-2, s.53.

---

## PART VIII

### Prohibitions, Offences and Penalties

#### Waste prohibited

**54** Waste is prohibited and every person who commits waste contravenes this section.

R.S.S. 1965, c.360, s.53; R.S.S. 1978, c.O-2, s.54.

#### Permit required to use gas for certain purposes

**55(1)** No gas produced shall be used, consumed or otherwise disposed of in the province until a permit authorizing the use, consumption or disposition is granted by the minister.

**c. O-2****OIL AND GAS CONSERVATION**

(2) An application for a permit authorizing the use, consumption or disposition of gas shall be accompanied by evidence that the use, consumption or disposition is for a beneficial purpose and in the public interest.

(3) A permit granted under this section shall:

- (a) authorize the use, consumption or disposition of the gas for the purpose or purposes specified in the permit; and
- (b) designate the period for which the permit is granted;

and may be made subject to such other terms and conditions as the minister may specify therein.

(4) The holder of a permit shall not assign, transfer or otherwise dispose of any right, title or interest, or portion thereof, granted by the permit without the consent in writing of the minister.

R.S.S. 1965, c.360, s.54; R.S.S. 1978, c.O-2, s.55.

**Export of gas without permit prohibited**

**56** The export from the province of gas is prohibited unless a permit authorizing the export is granted by the minister.

R.S.S. 1965, c.360, s.55; R.S.S. 1978, c.O-2, s.56.

**Sale, etc., of illegal oil or gas prohibited**

**57** The sale, purchase, acquisition, transportation, processing or handling of illegal oil or illegal gas produced from any well or of any product derived from such oil or gas is prohibited .

R.S.S. 1965, c.360, s.56; R.S.S. 1978, c.O-2, s.57.

**Forfeiture of illegal oil and gas**

**58** All illegal oil, illegal gas and illegal products shall be forfeited to the Crown in right of Saskatchewan.

R.S.S. 1965, c.360, s.57; R.S.S. 1978, c.O-2, s.58.

**Penalties for contravention of Act or regulations, etc.**

**59** Every person who:

- (a) contravenes, directly or indirectly, any provision of this Act or of any regulation or order made thereunder; or
- (b) either alone or in conjunction with others, causes any person to contravene, directly or indirectly, any provision of this Act or of any regulation or order made thereunder; or
- (c) instructs, orders or directs any person to contravene, directly or indirectly, any provision of this Act or of any regulation or order made thereunder;

is guilty of an offence and liable on summary conviction to a fine not exceeding \$10,000 and in the case of a continuing offence to a further fine not exceeding \$10,000 for each day during which the offence continues.

R.S.S. 1965, c.360, s.58; R.S.S. 1978, c.O-2, s.59.

**False statements, omissions, etc.**

60 Every person who:

- (a) wilfully makes or causes to be made any false entry or statement in any report, record, account or memorandum required by this Act or any regulation or order made thereunder; or
- (b) wilfully omits or causes to be omitted full, true and correct entries from any report, record, account or memorandum required by this Act or any regulation or order made thereunder; or
- (c) wilfully destroys, mutilates, alters, falsifies or removes from the province any report, record, account or memorandum required by this Act or any regulation or order made thereunder, or wilfully causes any such report, record, account or memorandum to be so destroyed, mutilated, altered, falsified or removed from the province;

is guilty of an offence and liable on summary conviction to a fine not exceeding \$5,000 or to imprisonment for a term not exceeding six months, or to both such fine and imprisonment, and in the case of a corporation to a fine not exceeding \$10,000.

R.S.S. 1965, c.360, s.59; R.S.S. 1978, c.O-2, s.60.

**Obstruction of minister, etc., in exercise of power**

61 Every person who:

- (a) obstructs, hinders or interferes with the minister or any person authorized by him in the exercise of any of the powers conferred by or pursuant to this Act; or
- (b) without reasonable excuse fails to assist the minister or any such person when called upon by him to assist in the exercise of any of such powers;

is guilty of an offence and liable on summary conviction to a fine of not less than \$10 nor more than \$200.

R.S.S. 1965, c.360, s.60; R.S.S. 1978, c.O-2, s.61.

**Prosecution does not bar action for damages**

62 A prosecution under this Act shall not deprive any person suffering damage or injury of any cause of action he may have.

R.S.S. 1965, c.360, s.61; R.S.S. 1978, c.O-2, s.62.

**Action for injunction**

63 Notwithstanding any prosecution under this Act, the minister may commence and maintain an action to enjoin the committing of waste or the violating of any order or regulation made under this Act.

R.S.S. 1965, c.360, s.62; R.S.S. 1978, c.O-2, s.63.

**Effect of payment of penalty and of forfeiture**

64 The payment of a penalty shall not operate to legalize any oil, gas or product involved in the violation in respect of which the penalty is imposed; and the payment of a penalty or the forfeiture of any oil, gas or product shall not relieve a person from liability to any other person for damages arising out of the violation in respect of which the penalty is imposed or the forfeiture is incurred.

R.S.S. 1965, c.360, s.63; R.S.S. 1978, c.O-2, s.64.

**Remedies for enforcement of regulation or order**

**65** Where the minister has more than one remedy for the enforcement of any regulation or order or for the payment of any money payable pursuant to any regulation or order made under this Act, the minister may resort to any or all such remedies from time to time as he may deem proper, either concurrently or successively, until such time as the regulation or order has been complied with or the money payable thereunder together with all costs and expenses has been fully paid and satisfied.

R.S.S. 1965, c.360, s.64; R.S.S. 1978, c.O-2, s.65.