

**PART II****REVISED REGULATIONS OF SASKATCHEWAN****CHAPTER F-13.4 REG 20***The Financial Administration Act, 1993*

## Section 24

Order in Council 667/1999, dated November 17, 1999

(Filed November 18, 1999)

**Title**

- 1 These regulations may be cited as *The Petroleum Research Incentive Regulations*.

**Interpretation**

- 2 In these regulations:

- (a) **“agreement”** means an agreement entered into pursuant to section 5, and includes an agreement amended pursuant to that section;
- (b) **“credits”** means credits earned by an operator pursuant to section 6;
- (c) **“department”** means the Department of Energy and Mines;
- (d) **“eligible research costs”** means those costs that are described as eligible research costs in an agreement and that are incurred on or after April 1, 1998 and before the earlier of April 1, 2005 and the date specified in the agreement for the completion of the project and the submission of the final technical report;
- (e) **“field pilot”** means an activity that:
- (i) is conducted in Saskatchewan in an existing or potential oil field, gas field, waste disposal site or related facility;
  - (ii) is undertaken primarily to test full-scale application of oil and gas technology or expertise that is, in the minister’s opinion, sufficiently novel and is related to:
    - (A) oil and gas exploration, production, treatment, transportation, upgrading, processing or refining; or
    - (B) the environmental impact of the activities mentioned in paragraph (A); and
  - (iii) will, in the minister’s opinion, benefit the oil and gas industry generally and can be cost-effective when applied full-scale;
- (f) **“gas”** means gas as defined in *The Crown Oil and Gas Royalty Regulations*;
- (g) **“laboratory research”** means an activity that:
- (i) is carried out by a research facility located in Saskatchewan or by a research facility affiliated with a research facility located in Saskatchewan;
  - (ii) is undertaken primarily in a research facility to develop or test oil or gas technology or expertise on a reduced scale by means of simulation or controlled experiments;
  - (iii) is relevant to an oil or gas reservoir in Saskatchewan, the oil or gas produced from a reservoir in Saskatchewan or circumstances existing in an oil field, gas field or waste disposal site in Saskatchewan;

(iv) involves technology or expertise that is, in the minister's opinion, sufficiently novel and is related to:

(A) oil and gas exploration, production, treatment, transportation, upgrading, processing or refining; or

(B) the environmental impact of the activities mentioned in paragraph (A); and

(v) will, in the minister's opinion, benefit the oil and gas industry generally and can be cost-effective when applied full-scale;

(h) "**minister**" means the minister to whom, for the time being, the administration of these regulations is assigned;

(i) "**oil**" means oil as defined in *The Crown Oil and Gas Royalty Regulations*;

(j) "**operator**" means an operator as defined in *The Crown Oil and Gas Royalty Regulations* and includes a special operator designated pursuant to section 9 of those regulations or section 7 of *The Freehold Oil and Gas Production Tax Regulations, 1995*;

(k) "**project**" means a project mentioned in section 3;

(l) "**research chair**" means a university position that:

(i) is established for a person at The University of Regina or the University of Saskatchewan;

(ii) is supported by a long-term endowment;

(iii) undertakes laboratory research that is relevant to an oil or gas reservoir in Saskatchewan, the oil or gas produced from a reservoir in Saskatchewan or circumstances existing in an oil field, gas field or waste disposal site in Saskatchewan; and

(iv) involves technology or expertise that is, in the minister's opinion, sufficiently novel and is related to:

(A) oil and gas exploration, production, treatment, transportation, upgrading, processing or refining; or

(B) the environmental impact of the activities mentioned in paragraph (A);

(m) "**royalties**" means royalties payable on Crown minerals pursuant to *The Crown Oil and Gas Royalty Regulations*;

(n) "**royalty payer**" means a royalty payer as defined in *The Crown Oil and Gas Royalty Regulations*;

(o) "**taxes**" means taxes imposed by section 3 of *The Freehold Oil and Gas Production Tax Act*;

(p) "**taxpayer**" means a taxpayer as defined in *The Freehold Oil and Gas Production Tax Act*.

**Projects eligible for approval**

**3** Subject to these regulations, the following projects are eligible for approval pursuant to these regulations:

- (a) field pilots;
- (b) laboratory research;
- (c) research chairs.

**Application for project approval**

**4** An operator may apply to have a project approved by submitting an application to the department in a form acceptable to the minister that contains any information that the minister may require.

**Minister may approve by entering into agreement**

**5(1)** Subject to subsection (2), if the minister is satisfied that a project meets the requirements of these regulations and that it is in the public interest to do so, the minister may approve the project by entering into an agreement with the operator that contains terms respecting the following matters:

- (a) a description of the project and the eligible research costs that may be incurred in carrying out the project;
  - (b) the maximum amount of credits towards the remission of royalties and taxes that may be earned in relation to the project;
  - (c) an indemnification by the operator respecting possible claims against the Government of Saskatchewan in relation to the project by royalty payers, taxpayers or other persons;
  - (d) the obligations of the operator in the event the operator fails to complete the project or submit a final technical report within the prescribed time;
  - (e) the confidentiality of information provided to the department by the operator;
  - (f) the date by which the project must be completed and the final technical report submitted;
  - (g) the preparation and submission to the department of periodic reports;
  - (h) any other matters that the minister considers appropriate.
- (2) The minister shall not approve a project if, in the minister's opinion, the amount of credits that may be earned in relation to the project, when added to the amount of credits that may be earned in relation to all projects that have been previously approved pursuant to these regulations, will exceed \$17.5 million.
- (3) The operator and the minister may, from time to time, agree to amend the agreement.

**Credits towards remission of royalties and taxes**

**6(1)** Where an agreement is entered into, the operator will earn credits towards the remission of royalties and taxes equivalent to the following amounts:

- (a) for field pilots, 30% of eligible research costs approved by the minister;
- (b) for laboratory research, 15% of eligible research costs approved by the minister;

- (c) for research chairs, 15% of eligible research costs approved by the minister.
- (2) Credits may be earned for eligible research costs respecting a project that were incurred on and from April 1, 1998.
- (3) Credits earned pursuant to this section are to be applied in accordance with sections 6.1 and 6.2 of *The Freehold Oil and Gas Production Tax Regulations, 1995* and sections 7.1 and 7.2 of *The Crown Oil and Gas Royalty Regulations*.
- (4) Subject to section 6.2 of *The Freehold Oil and Gas Production Tax Regulations, 1995* and section 7.2 of *The Crown Oil and Gas Royalty Regulations*, the operator may accumulate the credits earned pursuant to this section and may apply them towards the remission of royalties or taxes at a later date.
- (5) Where an operator elects to apply an amount of credits towards the remission of royalties or taxes, the accumulated total of credits earned by the operator is reduced by the amount applied.
- (6) An operator who receives credits may not transfer those credits or the right to apply those credits.
- (7) In this section, “**approved by the minister**” means approved by the minister after the eligible research costs have been incurred and does not mean approved in the agreement.

**Other royalty payers or taxpayers**

- 7(1) Eligible research costs approved by the minister may include costs for the project that are borne, directly or indirectly, by royalty payers or taxpayers other than the operator, based on contracts or arrangements between the operator and those royalty payers or taxpayers.
- (2) Neither these regulations nor any agreement create any right on the part of any person other than an operator whose project has been approved.
- (3) The application of credits towards the remission of royalties or taxes pursuant to these regulations is at the election of the operator and any right that another person may have pursuant to a contract or arrangement with the operator is a private right that can only be exercised against the operator.

**Minister to maintain record of credits**

- 8 The minister shall ensure that a record of the following matters is maintained for each project the minister approves:
  - (a) the eligible research costs approved by the minister in relation to the project;
  - (b) the credits earned by the operator based on those eligible research costs;
  - (c) the amounts from those credits that the operator elects to apply from time to time towards the remission of royalties or taxes;
  - (d) the balance of credits that the operator has remaining at any given time.

**Minister to receive information and access to records**

**9** Every operator who has entered into an agreement with the minister shall, for the purpose of providing information to the minister necessary to audit the calculation of credits and eligible research costs:

- (a) provide to the minister any information that the minister may request; and
- (b) permit representatives of the minister to have access to any records or documents in the possession or control of the operator.

**Determination by minister**

**10(1)** Notwithstanding that the minister has approved eligible research costs pursuant to section 6, if, after conducting an audit pursuant to section 9, the minister is not satisfied that the operator has earned all of the credits mentioned in the record maintained pursuant to section 8, the minister shall determine the correct amount of credits that have been earned by the operator and shall notify the operator of the determination.

- (2) An operator may, within 30 days after receiving notice of a determination, request in writing that the minister review the determination.
- (3) After reviewing the determination, the minister may vary or confirm it, and shall notify the operator of the decision.

**Operator to reimburse department**

**11(1)** If a determination by the minister indicates that an operator has elected to apply more credits towards the remission of royalties or taxes than the operator has earned, the operator shall pay to the department an amount of money equal to the difference between the amount of credits applied and the amount of credits earned.

- (2) The amount to be paid by the operator pursuant to subsection (1) is:
  - (a) a debt due to and recoverable by the minister; and
  - (b) is subject to "The Delayed Payment Charge Regulations, 1970", being Saskatchewan Regulations 263/70, and, for the purposes of those regulations, the date on which it should have been paid is 30 days after the date on which the operator is notified of the determination pursuant to subsection 10(1).

**Final technical report**

**12(1)** As soon as is reasonably practicable, and in no case more than three months after the project is completed, the operator shall submit to the department seven copies of a draft of a final technical report describing the project and its results in detail.

- (2) The minister shall cause the draft report to be reviewed and may direct the operator to make revisions to the report.
- (3) The operator shall make the revisions, if any, directed by the minister as soon as is reasonably practicable, and in no case more than three months after the minister directs that the revisions are to be made, and shall submit to the department one original final technical report, in a reproducible form acceptable to the minister, plus seven copies.

**Coming into force**

**13** These regulations come into force on the day on which they are filed with the Registrar of Regulations.

**Expiry**

**14** These regulations expire and are repealed on April 1, 2008.

**SASKATCHEWAN REGULATIONS 85/1999***The Crown Minerals Act*

## Section 22

Order in Council 668/1999, dated November 17, 1999

(Filed November 18, 1999)

**Title**

**1** These regulations may be cited as *The Crown Oil and Gas Royalty Amendment Regulations, 1999 (No. 2)*.

**R.R.S. c.C-50.2 Reg 9 amended**

**2** *The Crown Oil and Gas Royalty Regulations* are amended in the manner set forth in these regulations.

**New sections 7.1 and 7.2**

**3 The following sections are added after section 7:**

**“Election to apply credits**

**7.1(1)** An operator, or a special operator designated pursuant to subsection 9(1), who has entered into an agreement with the minister pursuant to *The Petroleum Research Incentive Regulations* may, in lieu of remitting any portion of any royalties that are to be remitted pursuant to section 7 or 9, elect to apply credits in an amount equal to that portion by completing a form approved by the minister for that purpose.

(2) Notwithstanding that an operator or special operator does not remit any portion of any royalties pursuant to an election, the operator or special operator shall:

- (a) calculate the amount of royalty; and
- (b) deliver to the department a return, in the form approved for the purposes of subsection 7(3), within one month after the end of the month in which that oil or gas was produced from or allocated to the Crown lands.

(3) In this section and in section 7.2, ‘**credits**’ means credits earned by the operator or special operator pursuant to section 6 of *The Petroleum Research Incentive Regulations*.

**“Application of section 7.1**

**7.2(1)** Section 7.1 applies only to royalties based on oil or gas produced between the end of the month in which this section comes into force and March 31, 2005.

(2) Where an operator or special operator remits royalties, the operator or special operator is not subsequently entitled to apply credits in lieu of remitting those royalties or to a refund of any amount remitted.

(3) Nothing in section 7.1 relieves an operator or special operator of the obligation to make reports and provide information to the department in accordance with these regulations”.

**Section 26 amended**

**4 Clause 26(s) is amended by adding** “, other than credits applied towards the remission of royalties and taxes pursuant to *The Petroleum Research Incentive Regulations* that relate to the EOR project” **after** “the Government of Saskatchewan”.

**Section 42 amended**

**5 Subclause 42(f)(ii) is repealed and the following substituted:**

“(ii) \$35 per thousand cubic metres for old gas and new gas and \$50 per thousand cubic metres for third tier gas”.

**New section 53**

**6 Section 53 is repealed and the following substituted:**

**“Previously estimated and set SOP**

**53** For the purposes of section 13, the SOP for each month from February 1998 to December 1998 inclusive is estimated and set at the following level:

	<u>SOP</u>
February 1998 .....	69
March 1998 .....	62
April 1998 .....	68
May 1998 .....	67
June 1998 .....	67
July 1998 .....	85
August 1998 .....	88
September 1998 .....	105
October 1998 .....	100
November 1998 .....	85
December 1998 .....	69”.

**Coming into force**

**7(1)** Subject to subsections (2) and (3), these regulations come into force on the day on which *The Petroleum Research Incentive Regulations* are filed with the Registrar of Regulations.

(2) Subject to subsection (3), if these regulations are filed with the Registrar of Regulations after the day on which *The Petroleum Research Incentive Regulations* are filed with the Registrar of Regulations, these regulations come into force on the day on which they are filed with the Registrar of Regulations.

(3) Sections 5 and 6 come into force on the day on which these regulations are filed with the Registrar of Regulations but are retroactive and are deemed to have been in force on and from December 1, 1998.

**SASKATCHEWAN REGULATIONS 86/1999***The Freehold Oil and Gas Production Tax Act*

## Section 32

Order in Council 669/1999, dated November 17, 1999

(Filed November 18, 1999)

**Title**

**1** These regulations may be cited as *The Freehold Oil and Gas Production Tax Amendment Regulations, 1999 (No. 2)*.

**R.R.S. c.F-22.1 Reg 1 amended**

**2** *The Freehold Oil and Gas Production Tax Regulations, 1995* are amended in the manner set forth in these regulations.

**New sections 6.1 and 6.2**

**3 The following sections are added after section 6:**

**“Election to apply credits**

**6.1(1)** An operator, or a special operator designated pursuant to subsection 7(1), who has entered into an agreement with the minister pursuant to *The Petroleum Research Incentive Regulations* may, in lieu of remitting any portion of any taxes that are to be remitted pursuant to section 7 of the Act or section 7 of these regulations, elect to apply credits in an amount equal to that portion by completing a form approved by the minister for that purpose.

(2) Notwithstanding that an operator or special operator does not remit any portion of any taxes pursuant to an election, the operator or special operator shall:

- (a) calculate the amount of taxes; and
- (b) deliver to the department a return, in the form approved for the purposes of subsection 13(1) of the Act, within one month after the end of the month in which that freehold oil or freehold gas is produced.

(3) In this section and in section 6.2, ‘**credits**’ means credits earned by the operator or special operator pursuant to section 6 of *The Petroleum Research Incentive Regulations*.

**“Application of section 6.1**

**6.2(1)** Section 6.1 applies only to taxes based on oil or gas produced between the end of the month in which this section comes into force and March 31, 2005.

(2) Where an operator or special operator remits taxes, the operator or special operator is not subsequently entitled to apply credits in lieu of remitting those taxes or to a refund of any amount remitted.

(3) Nothing in section 6.1 relieves an operator or special operator of the obligation to make reports and provide information to the department in accordance with these regulations”.



**Section 23 amended**

**4 Clause 23(t) is amended by adding** “, other than credits applied towards the remission of royalties and taxes pursuant to *The Petroleum Research Incentive Regulations* that relate to the EOR project” **after** “the Government of Saskatchewan”.

**Section 41 amended**

**5 Subclause 41(f)(ii) is repealed and the following substituted:**

“(ii) \$35 per thousand cubic metres for old gas and new gas and \$50 per thousand cubic metres for third tier gas”.

**New section 65**

**6 Section 65 of *The Freehold Oil and Gas Production Tax Regulations, 1995* is repealed and the following substituted:**

**“Previously estimated and set SOP**

**65** For the purposes of section 10, the SOP for each month from February 1998 to December 1998 inclusive is estimated and set at the following level:

	<u>SOP</u>
February 1998 .....	69
March 1998 .....	62
April 1998 .....	68
May 1998.....	67
June 1998.....	67
July 1998.....	85
August 1998.....	88
September 1998.....	105
October 1998.....	100
November 1998.....	85
December 1998.....	69”.

**Coming into force**

**7(1)** Subject to subsections (2) and (3), these regulations come into force on the day on which *The Petroleum Research Incentive Regulations* are filed with the Registrar of Regulations.

(2) Subject to subsection (3), if these regulations are filed with the Registrar of Regulations after the day on which *The Petroleum Research Incentive Regulations* are filed with the Registrar of Regulations, these regulations come into force on the day on which they are filed with the Registrar of Regulations.

(3) Sections 5 and 6 come into force on the day on which these regulations are filed with the Registrar of Regulations but are retroactive and are deemed to have been in force on and from December 1, 1998.





