

NEW OIL AND GAS WELL LEVY

Ministry of the Economy

The Ministry of Economy has introduced a new oil and gas well levy in the 2014-15 budget.

As part of ongoing work to streamline the licensing, regulation and monitoring processes in the oil and gas sector, the new levy will eliminate 10 different licensing fees which account for more than 20,000 annual transactions.

The new levy will require industry to pay 90 per cent of regulatory oversight costs, raising an additional \$13.3 million in fiscal year 2014-15. This brings Saskatchewan in line with Alberta and British Columbia where similar levies require industry to cover 100 per cent of regulatory costs. Industry's overall funding obligation remains at or below the levels in comparable jurisdictions and an investment-friendly royalty regime ensures the Saskatchewan Advantage remains intact.

New funding will enable government to deliver on the common goal of a safe and effective oil and gas sector. In addition to adopting a single fee, the levy will support:

- The move to a single-window application process with the immediate launch of a working group between the Ministries of the Economy, Agriculture and Environment, with a target for implementation by the end of fiscal year;
- Same day approval for routine horizontal well applications;
- Establishment of a working group to pursue service improvements with Saskatchewan Rural Municipalities;
- Enhanced air pollutant monitoring and enforcement;
- Increased oversight of contaminated sites;
- Enhanced well and facility operations monitoring and enforcement;
- Enhanced reservoir reporting and monitoring;
- Enhanced spill contingency and response; and
- Published service standards and oversight activity (Table 1 and Table 2).

Table 1: Regulatory Service Standards and Targets

Service	Target	Current
<i>Licence Applications Approvals</i>		
Routine Vertical Well Licence Approval	Same day	1-3 days
Routine Horizontal Well Licence Approval	Same day	8-33 days
Non-routine Well Licence Approval (without public notice)	1-4 days	5-8 days
Non-routine Well Licence Approval (with public notice)	30 days	30 days
Routine Licence Transfer	1 day	10-14 days
<i>Post Licence Application Approvals</i>		
Rig Release	Same day	1-5 days
Completion Application	Same day	1-5 days
Abandonment and Plug Back Approvals (for wells, facilities and pipelines)	Same day	1-14 days
Licence Condition Amendment (for wells, facilities and pipelines)	Same day	1-14 days
Note: targets reflect enhancements planned for the current fiscal year.		

Table 2: Current Annual Field Inspection Metrics, January-December 2012

Field Inspection Category	Inspections	Non-Compliances	Suspensions
Drilling Operations	172	26	4
Well Sites	11283	313	13
Well Servicing	165	1	0
Oil Facilities	491	33	12
Gas Facilities	62	0	0
Pipelines/Flowlines	100	0	0
Flowlines	8	0	0
Drilling Waste	41	7	0
Waste Facilities	2	0	0
Annulus Test	278	42	0
Segregation Test	5	0	0
Abandonment	45	0	0
Gas Migration/Surface Casing Vent Flow	64	16	3
Total	12716	438	32

Licence holders will be billed June 1st each year. All operating wells are placed in one of eight fee classes as set forth in table 3 below. Classification is based on annual production data as reported on December 31st of the preceding year. Each class is charged a base fee multiplied by an adjustment factor. The adjustment factor is set annually, by Order in Council, to ensure total fees collected satisfy the revenue requirements for regulation of the sector.

Table 3: Levy Classes and Base Fees

Class	Minimum Production	Maximum Production	Base Fee	Adjustment Factor	Per Well Levy Fee
	<i>cubic metres per year</i>				
1	Service wells		\$100	1.139464	\$114
2	0.1	300.0	\$100	1.139464	\$114
3	300.1	600.0	\$125	1.139464	\$142
4	600.1	1,200.0	\$312	1.139464	\$356
5	1,200.1	2,000.0	\$750	1.139464	\$855
6	2,000.1	4,000.0	\$1,250	1.139464	\$1,424
7	4,000.1	6,000.0	\$1,625	1.139464	\$1,852
8	6,000.1	>	\$1,875	1.139464	\$2,136

Adjustment factor = (Industry share of total regulatory budget) / (Total base fees)

Note: Alberta's 2013-2014 adjustment factor was 2.279718 excluding research charges and incremental charges for restructuring.