

SASKATCHEWAN
RESOURCES



**Nineteenth Williston Basin Petroleum Conference
Regina, Saskatchewan
May 2, 2011**

Crown Minerals Acquisition Process

***Paul Mahnic, Director
Petroleum Tenure***



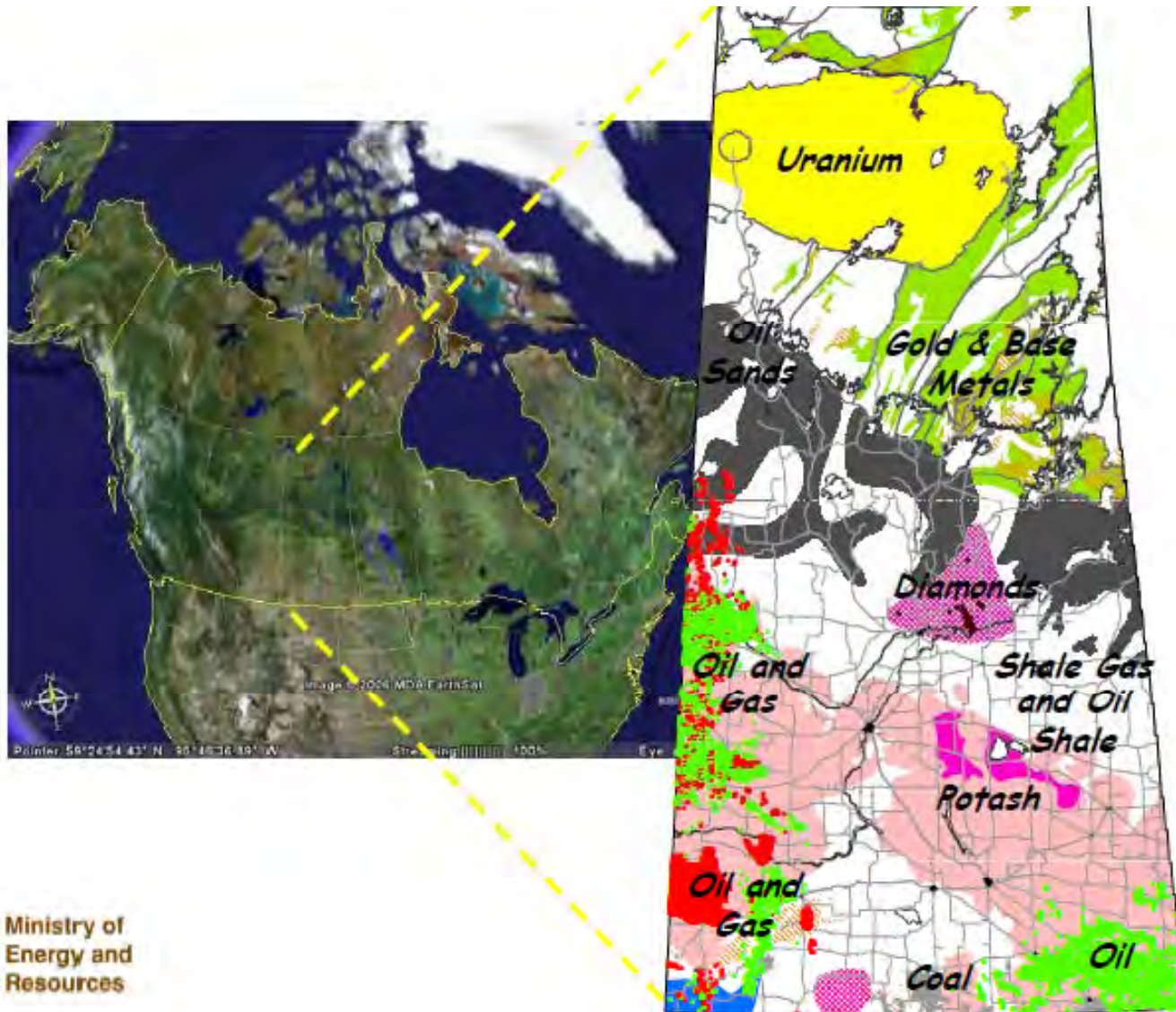
Ministry of
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Resources

Outline

- **Mineral Ownership**
- **Crown Dispositions**
- **Land Sales**

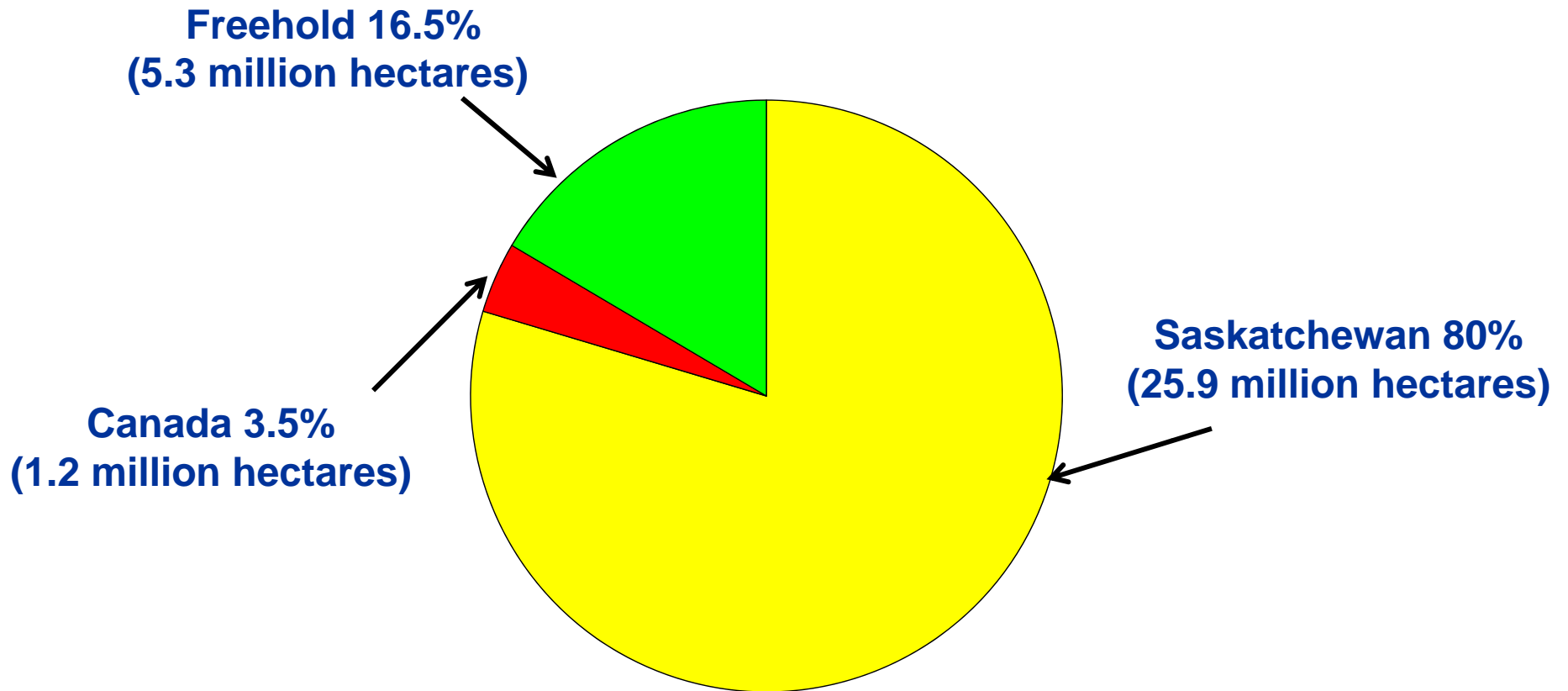


Non-renewable Resources in Saskatchewan



Ministry of
Energy and
Resources

Mineral Ownership (Surveyed Area)



Typical mineral rights distribution in SE Sask

Mineral Ownership - Wapella Area

Yellow - Freehold

White - Undisposed Crown

Red - Disposed Crown

Licensed to : Saskatchewan Industry and Resources

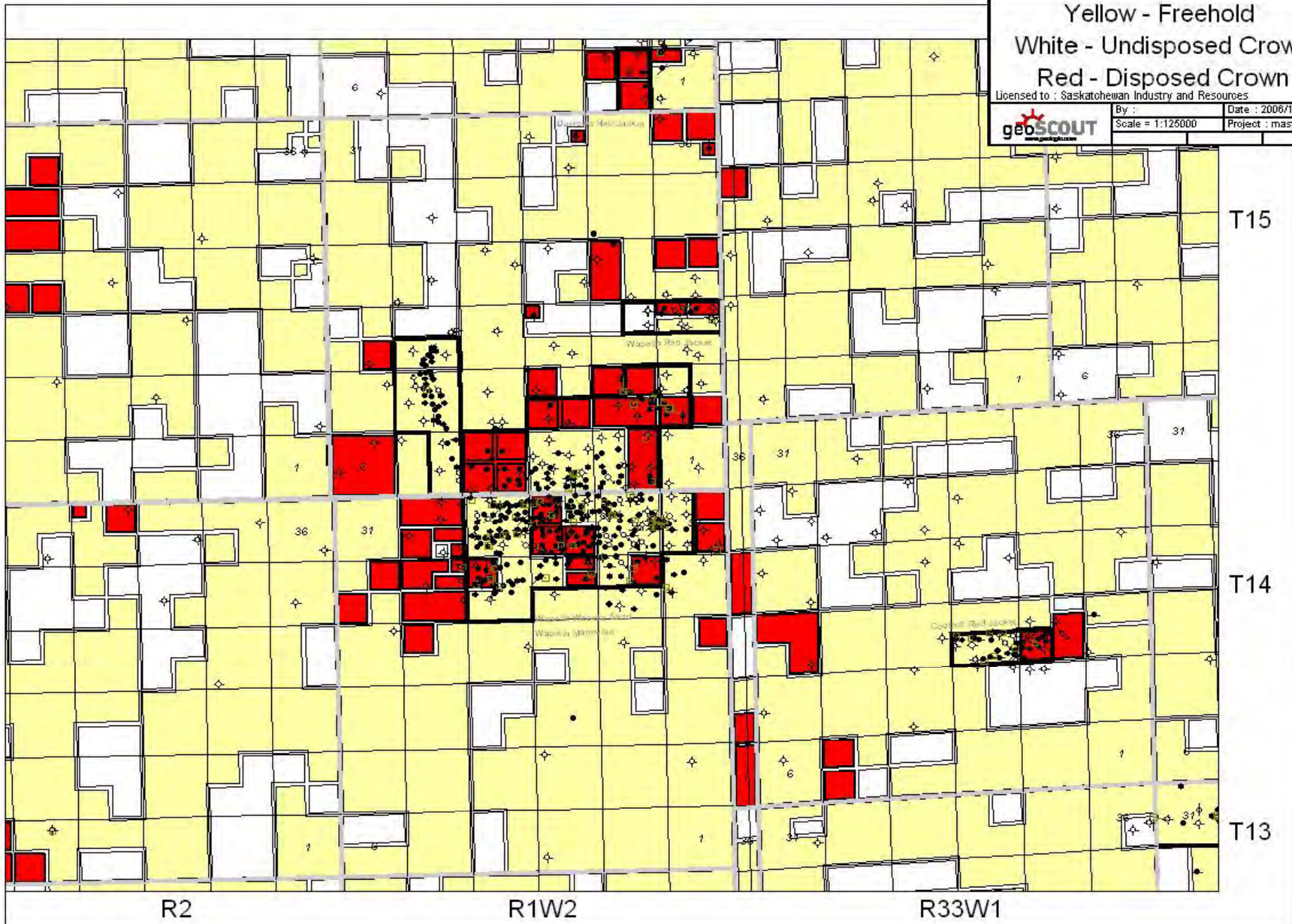


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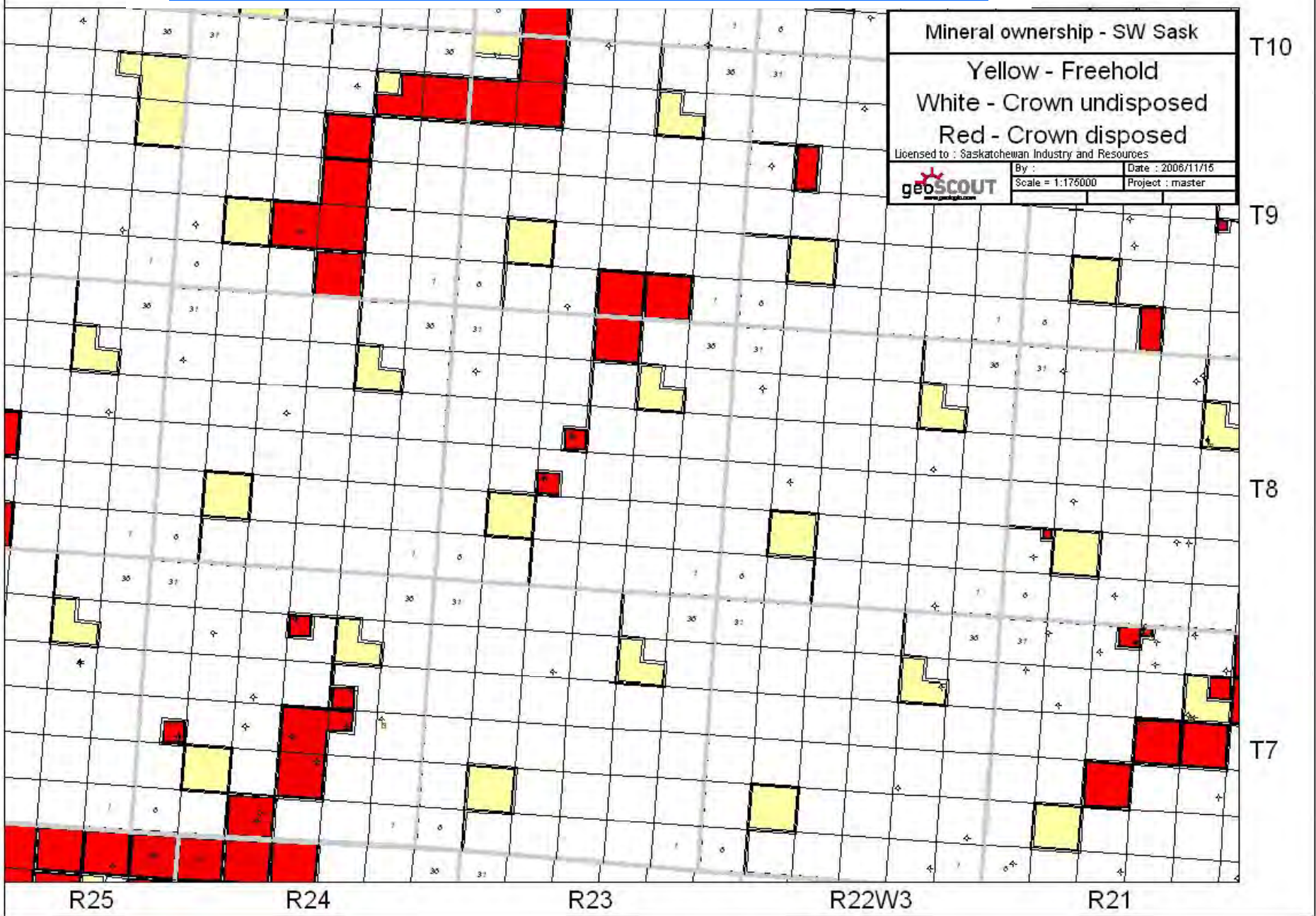
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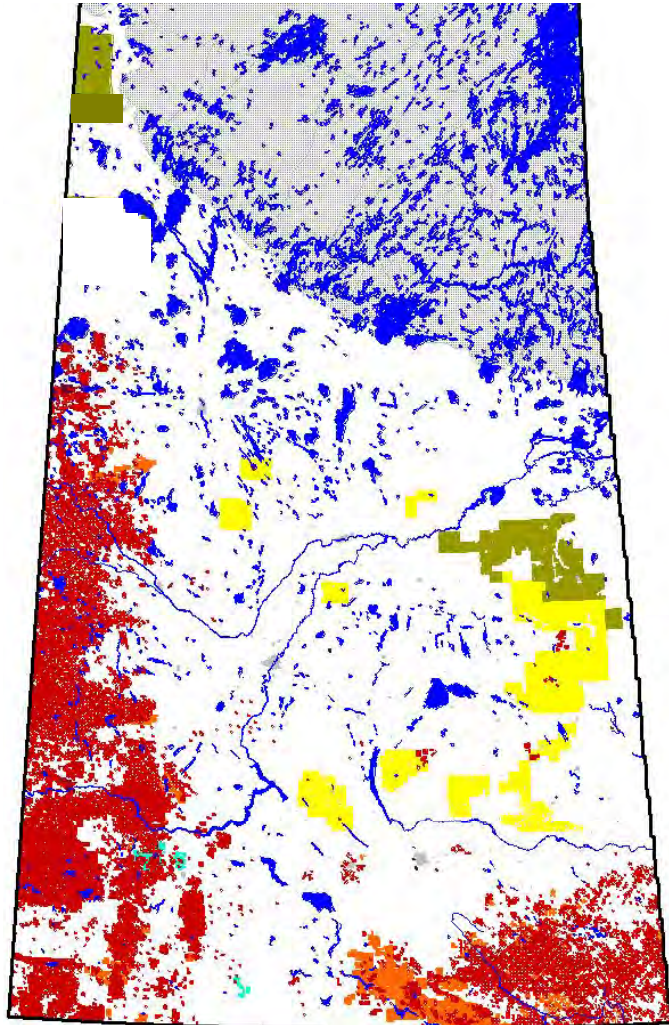
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





Typical mineral rights distribution in SW Sask



Crown Dispositions



-  PNG Special Exploratory Permits
-  Oil Shale/Oil Sands Permits and Leases
-  PNG Exploration Licences
-  PNG Leases
-  Precambrian Shield

Note: PNG = Petroleum and Natural Gas



Crown Petroleum and Natural Gas Rights Dispositions

	March 31, 2010		March 31, 2011	
	Number	Hectares	Number	Hectares
Leases	22,125	4,927,917	22,621	5,145,320
Exploration Licences	208	515,421	165	438,135
Special Exploratory Permits	9	584,756	8	577,076
Lease of Space Agreements	58	25,632	59	25,664

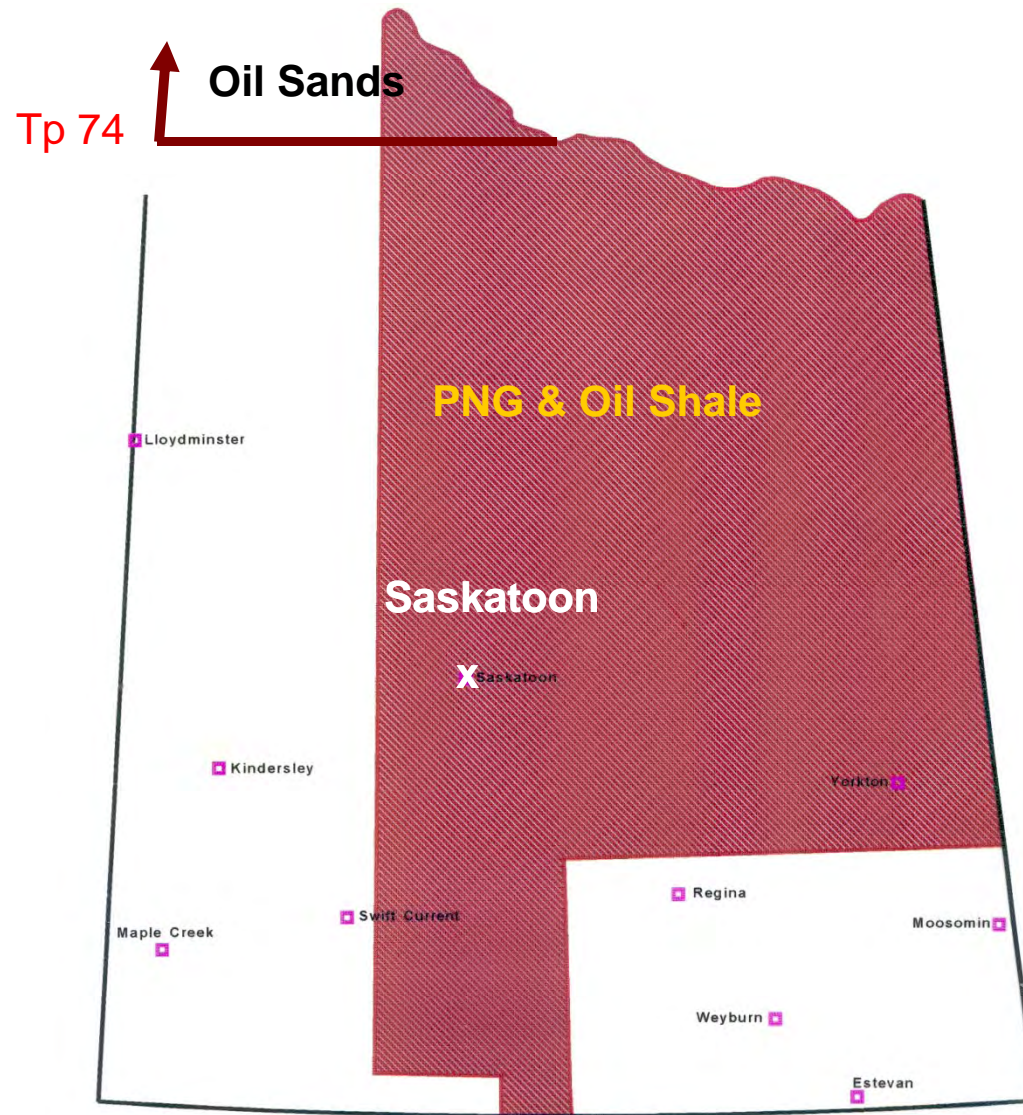


Crown Oil Sands, Oil Shale, and Helium and Associated Gases Dispositions

	March 31, 2011	
	Number	Hectares
Oil Sands Exploration Licences	6	53,807
Oil Shale Permits*	22	424,562
Oil Shale Special Exploratory Permits	1	33,900
Oil Shale Leases	3	2,040
Oil Shale Lease Agreements	4	27,686
Helium Permits	6	74,673
Helium Leases	32	61,725

* Includes permits in the oil sands area of NW Sask.

Special Exploratory Permit Area



Special Exploratory Permits

- **Maximum size:**
 - **200,000 ha (over 770 sections) for PNG**
 - **100,000 ha for oil sands and oil shale**
- **Not posted within 40km of a cased/producing well or 10 km of an active oil shale or oil sands EOR project.**
- **Used for Frontier exploration.**
- Term:**
 - **5 year primary term**
 - **Maximum of 3 one-year extensions.**



Special Exploratory Permits

- **Work commitment bid for PNG and oil shale, Bonus Bid for oil sands.**
 - **PNG - greater of the amount of the proposed work and \$2/ha for each of first two years, \$4/ha for years three to five, and \$6/ha for each extension year**
 - **for PNG includes drilling minimum of 1 well.**
 - **2 wells if permit >100,000 ha**
 - **Oil Shale – greater of the amount of the proposed work and \$1/ha for each of first two years, \$2/ha for each of last three years, and \$3/ha for each year permit extended**



Special Exploratory Permits

- **Oil Sands - Cash bonus bid plus work commitment of \$1/ha for each of first two years, \$2/ha for each of last three years, and \$3/ha for each year permit extended**
- **Exploration activity must be approved**
 - **Expenditure Guidelines provide detail**
 - **Seismic, drilling, or other approved**
- **Can Group up to three commonly-owned permits**
 - **Pro-rate expenditures**



Special Exploratory Permits

- Expectation of converting 25% to lease for PNG and oil shale, and 50% for oil sands (collecting Bonus Bid)
 - No discovery
 - lease selection is 'checkerboard' pattern
 - within 60 days of expiry of permit
 - Commercial discovery
 - lease selection is any configuration
 - Anytime during term of permit
- Rental is \$0.25 per hectare per year
- Cannot produce without going to lease.



PNG and Oil Sands Exploration Licences

- From 1 to 36 sections in size.
- “Step-out” development from producing areas.
- Term:
 - PNG - 2 year term in southern part of province, 3 to 4 year term in north.
 - Oil Sands – 5 year term (North of Air Weapons Range).
- Must drill to earn leases.
- The deeper/longer you drill, the more you earn.
- CAN produce without going to lease.
- Rent is \$1.75 per hectare per year.



Leases

- Usually 1 section or less in size.
 - Postings up to four sections will be accepted
- Normally used for development purposes in and around existing pools.
- Term: 5 year primary term for PNG, 15 year primary term for oil sands and oil shale.
- Further continuance if producing or other special conditions (eg. gas area, heavy oil area, part of a unit).
- Rent is \$3.50 per hectare per year



Negotiated Leases: < 16 hectares

NEGOTIATED LEASES

(less than 16 hectares)



Crown Land Sales

- **Six sales/year, held every second month.**
- **Postings requested by industry.**
- **Postings reviewed by Mineral Rights Unit.**
- **Ministry advises company if posted or not.**
- **Postings sent to other government agencies for review.**
- **Any restrictions are attached to postings.**

Lettering System



“B1” Restriction

B1 ENVIRONMENTAL PROTECTION PLAN AREAS

These lands either in whole or in part are judged highly sensitive environmentally and exploration or development on the subject lands will require Environmental Protection Plan (EPP) review and clearance/approval pursuant to *The Environmental Assessment Act* prior to the proposed activity proceeding. Inquires regarding these areas should be directed to:

Mr. Graham Mutch, Project Manager

Environmental Assessment

Ministry of Environment

Telephone: (306) 787-6241; Fax: (306) 787-0930



Great Sand Hills – SW Saskatchewan

Active dune



“C” Restriction

C WILDLIFE HABITAT

These lands either in whole or in part are subject to *The Wildlife Habitat Lands Disposition and Alteration Regulations* under *The Wildlife Habitat Protection Act, 1992*. Lands designated under *The Wildlife Habitat Protection Act* are protected for natural and wildlife values. A detailed review is necessary prior to any development on these lands. Surface alteration to these lands may not be granted without the prior approval of the Ministry of Environment. Inquiries regarding these areas should be directed to:

Mr. Marlon Klassen, Landscape Area Specialist

Ministry of Environment

Telephone: (306) 787-8620; Fax: (306) 787-9544



“C” Restriction

Burrowing Owl



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© Parks Canada/ Wayne Lynch /08.81.10.02(01), 1980

Swift Fox



© Parks Canada / Axel Moehrensclager



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Posting Types

Special Exploratory Permits:

- Very large tracts.
- Not posted within 40km of a cased well.
- Other posting types take preference over these.
- Work commitment bid for PNG and Oil Shale.
- Bonus Bid for Oil Sands.
- Expenditure deposit for PNG permits equal to 25% of 1st years commitment.
- Rental fee of \$0.25 per hectare per year.



Posting Types

Exploration Licences:

- First offered in 1998.
- Limited from 1 section to 36 sections.
- Take preference over leases.
- Will try to remain flexible.
- Bonus Bid.
- Rental fee of \$1.75/ha for first year.
- Application fee of \$250.00



Posting Types

Leases:

- Will post sizes ranging from less than 1 up to 4 sections.
- Offset by production.
- Bonus Bid
- Rental of \$3.50/ha
 - Pro-rated @ \$0.25/ha/month for partial year
- Application fee of \$28.00 per lease



Landsale Bidding and Results

- **Each parcel evaluated prior to sale.**
- **Closing time: 4:00 p.m. C.S.T. on sale day (Monday)**
- **Each bid to be in separate sealed envelope.**
- **Bids must contain Electronic Debit Account # only – not accepting cheques as of June 2011 landsale**
- **Reviewed on Tuesday for acceptable bids.**
- **Although the posted lands are normally awarded to the highest bidder, the province reserves the right to reject any or all offers.**

“THIS DOES OCCUR”

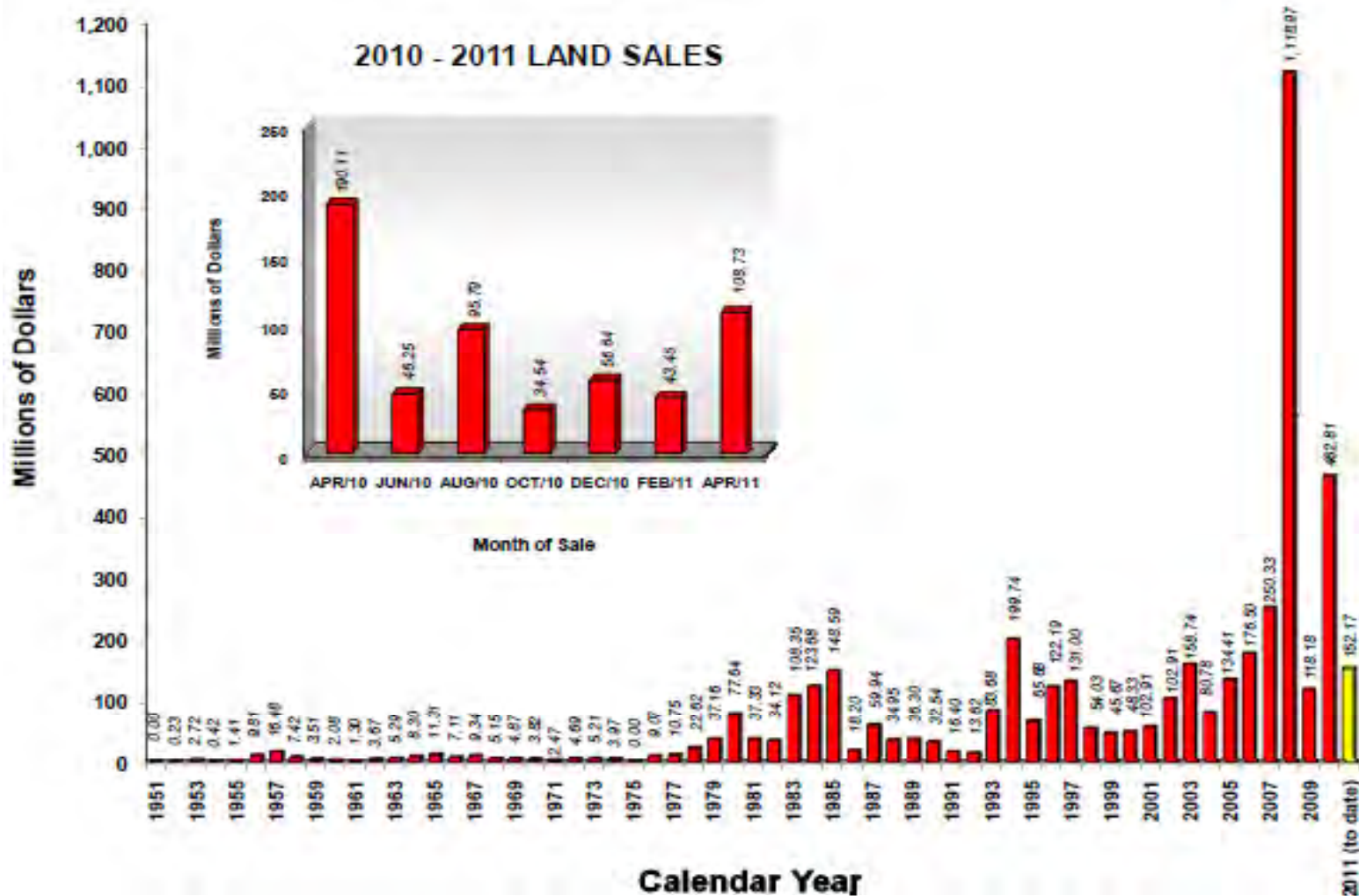


Landsale Bidding and Results

- **Results available normally between 10am and noon on the Thursday following the sale.**
 - **After News Release from Minister's Office**
- **Immediately put on website**
- **Next, sent to email subscribers.**
- **Hard copy mailed out the following day**
- **Email subscription service:**
 - **www.er.gov.sk.ca/subscribeonline**



Value of Crown Land Sales to April, 2011



2010-11 Sales Schedule

Petroleum and Natural Gas, Oil Sands and Oil Shale Rights in Saskatchewan

Public Offerings

Schedule of Sales of Petroleum and Natural Gas Dispositions

Sale Number	Sale Date	Closing Date ** for Postings	Date Sale Notice Published
	PAST SALES ARCHIVE		
335	June 7, 2010	February 17, 2010	March 25, 2010
336	August 9, 2010	April 21, 2010	May 27, 2010
337	October 4, 2010	June 16, 2010	July 29, 2010
338	December 6, 2010	August 18, 2010	September 30, 2010
339	February 7, 2011	October 20, 2010	November 25, 2010
340	April 11, 2011	December 15, 2010	January 27, 2011
341	June 6, 2011	February 16, 2011	March 24, 2011
342	August 8, 2011	April 20, 2011	May 26, 2011
343	October 3, 2011	June 15, 2011	July 28, 2011
344	December 5, 2011	August 17, 2011	September 29, 2011

**The closing date for Permits is 1 month prior to these dates.

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