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RE: OBTAINING PROVINCIAL REGULATORY APPROVAL FOR OIL AND GAS EXPLORATION AND DEVELOPMENT PROJECTS IN SASKATCHEWAN

This bulletin summarizes the main provincial regulatory requirements which oil and gas companies must abide by prior to commencing petroleum and natural gas drilling or seismic exploration in Saskatchewan. This bulletin, which is not a substitute for legislation, was prepared by Saskatchewan Economic and Co-operative Development in cooperation with the four main provincial agencies involved with regulating oil and gas exploration and development. Those regulators are: Municipal Affairs and Housing, Saskatchewan Energy and Mines (SEM), Saskatchewan Environment and Resource Management (SERM), and Saskatchewan Agriculture and Food (SAF). Other agencies, such as SaskWater, have regulatory requirements that may also apply to the upstream petroleum sector.

THE ROLE OF EACH PROVINCIAL REGULATOR

Each of the four main provincial regulators is responsible for certain aspects of the approval process, and each administers different requirements pursuant to a variety of Acts and Regulations.

- **Municipal Affairs and Housing:** reviews oil and gas projects to determine their potential effects on heritage sites. Companies are also required to contact the applicable rural municipality (RM) before initiating work to determine if a development permit is needed. A development permit may be required where the RM has a development plan and zoning bylaw in place.
- **SEM** is responsible for managing the province's oil and natural gas resources. SEM is also responsible for administering and leasing the Crown mineral rights (subsurface), issuing drilling and exploration licences and explosives permits, and approving preliminary plans for seismic exploration.
- **SERM** administers the surface of Crown resource lands in northern Saskatchewan and various other "islands" of Crown surface lands in southern Saskatchewan (e.g., Provincial Parks and recreational sites). All proposed oil and gas projects on Crown land (including Crown agricultural land administered by SAF) require SERM's approval before proceeding. SERM undertakes an initial evaluation of the environmental impact of new proposals and determines whether they require a comprehensive environmental review (i.e., Environmental Protection Plan or Environmental Impact Assessment).

- **SAF** administers the surface of Crown agriculture lands, most of which are under lease to individual farmers and ranchers. Oil and gas projects on these lands require approval from SAF (in addition to SERM). SAF issues a surface lease or easement for development projects, and requires that companies obtain a right-of-entry for seismic projects. These instruments incorporate specific SAF and SERM conditions.

An oil and gas company will require approval from one or more of these provincial regulators before a drilling or seismic project may begin. Each regulator's involvement is dependent on the ownership of the affected land (i.e., Crown resource land, Crown agriculture land or private land) as well as whether or not there are environmental concerns with the particular project.

HOW DOES A COMPANY OBTAIN APPROVAL TO DRILL AN OIL OR GAS WELL?

1. ACQUIRE THE MINERAL RIGHTS

Mineral rights (subsurface) are **Crown** (owned by the province, and in some instances, the federal government - i.e., national parks or Indian reserves) **or freehold** (owned by private individuals, companies). Prior to drilling, the appropriate mineral rights must be acquired. Mineral rights are normally acquired by leasing, or occasionally purchasing the rights from SEM (Provincial Crown rights), or from a private individual or company (freehold rights).

2. ADDRESS THE REGULATORY REQUIREMENTS OF EACH REGULATOR

Municipal Affairs and Housing:

Before applying for a well drilling licence and prior to making any surface alterations, contact Municipal Affairs and Housing to identify any heritage restrictions (private or Crown land). Municipal Affairs and Housing may require the proponent to undertake a heritage resource impact assessment to assess the potential impact of the project, and, any heritage-resource conflicts must be resolved. The affected rural municipality should also be contacted to determine if a development permit is needed or if there are other municipal requirements or concerns (i.e., road maintenance agreement).

SEM:

An application for a drilling licence must be submitted to SEM. SEM normally issues drilling licences within three working days with a maximum of ten working days. In special cases, same day approval may be granted.

The issuance of a well licence by SEM does NOT grant right of entry (surface access). Prior to commencing drilling, surface access and a lease must be obtained from the individual private landowner(s) (freehold land) or from SERM or SAF (provincial Crown land).

SERM:

Development on SERM-administered Crown land (mainly Crown resource or Provincial Park lands) requires prior approval from SERM. Depending on the project, this may include permission to enter the land, permission to survey, or a surface lease or easement. Cutting or

removal of timber from any Crown land (including SAF-administered land) also requires a permit from SERM.

If drilling is proposed on either SERM-or SAF-administered Crown land, environmental clearance is required from SERM. Drilling, and other development activity such as pipelines, batteries, and compressor stations on private land usually does not require approval from SERM unless there is a direct conflict with a public resource (e.g., a rare species, a stream or water body). SERM has developed a **Private Land Checklist**, for companies to self-screen their development projects on privately owned land and to determine if they require review by SERM. To view SERM's environmental checklist for oil and gas development projects on private land go to: <http://www.serm.gov.sk.ca/environment/assessment/private-land.PDF>

A Project Proposal/Restoration Plan must be submitted to SERM's applicable regional office before drilling on either SERM-or SAF-administered Crown land. This document is used by SERM to determine if the project is or is not a "development", and whether there are site-specific environmental concerns with the project. See the Project Proposal Guidelines at: <http://www.serm.gov.sk.ca/environment/assessment/oilandgas/procedures.PDF>

- If SERM's regional office determines that there are no major environmental concerns with the project, they will issue their clearance and any required permits, **and drilling may proceed without further environmental review**. SERM's regional office conducts their environmental review within ten working days of receiving the application.
- If SERM's regional office determines that the project raises significant environmental concerns, the project will proceed to a more comprehensive environmental review (Environmental Protection Plan "EPP" or for a very significant impact, an Environmental Impact Assessment "EIA"). EPPs or EIAs are required in well-known, environmentally sensitive areas where there are significant environmental and public concerns regarding industrial development (e.g., Great Sand Hills, Cypress Hills, northern forest). **If an EPP or an EIA is required, right of entry will be withheld until the identified concerns are resolved**. SERM has prepared revised Guidelines for Preparation of an EPP for Oil and Gas Projects. The guideline details the review process and describes the types of information to be included in an EPP. See the Guidelines at: <http://www.serm.gov.sk.ca/environment/assessment/composite.PDF>

SAF:

If drilling is proposed on Crown agriculture land, approval is required from SAF (in addition to SERM):

- Contact SAF's regional office to see if there are any restrictions on the land.
- Obtain the lessee's permission to enter the property (if under lease). If vacant, then
- contact the district Crown Land Agrologist.
- Submit a Project Proposal/Restoration Plan to SAF's regional office (same as the Project Proposal/Restoration Plan sent to SERM). SAF completes its review within ten working days of receiving SERM's environmental conditions. SAF then prepares a Petroleum and Natural Gas Surface Lease agreement, which is signed with the company. Once this

agreement, which includes conditions from both SERM and SAF, is finalized, **drilling may proceed subject to compliance with all other requirements.**

HOW DOES A COMPANY RECEIVE APPROVAL TO CONDUCT SEISMIC EXPLORATION?

Prior to commencing a seismic project, companies must comply with the requirements of the four main provincial agencies involved in the regulation of seismic exploration. Those are: SEM, Municipal Affairs and Housing, SERM, and SAF.

SEM:

SEM requires that all seismic programs be undertaken by contractors licenced to operate in Saskatchewan and in accordance with the following procedures:

- Obtain *The Seismic Exploration Regulations, 1999* and the Seismic Guidelines from SEM.
- Submit a “Preliminary Plan” form and a map of the proposed program to SEM for approval.
- Following approval of the “Preliminary Plan” by SEM, submit a completed “Notice of Intent for Seismic Operations” to all the agencies* that SEM identifies on the Preliminary Plan. The company must return the agencies’ signed copies to SEM prior to commencing field operations. If the “Preliminary Plan” has been denied, any deficiencies identified by SEM need to be addressed before the plans can be re-submitted to SEM.

* These agencies include but may not be limited to: SaskTel; SaskEnergy; SaskPower; TransGas Ltd; TransCanada PipeLines; Foothills PipeLines; Saskatchewan Highways and Transportation; Saskatchewan Agriculture and Food; Saskatchewan Environment and Resource Management; applicable rural/urban municipalities; the Prairie Farm Rehabilitation Administration (PFRA); and Indian Reserves.

Note: All seismic operators must obtain a licence to conduct seismic exploration and an explosives permit from SEM in order to operate in Saskatchewan.

Municipal Affairs and Housing:

Contact the Heritage Branch so that any heritage-resource restrictions (private or Crown land) can be resolved. Municipal Affairs and Housing may require a heritage resource impact assessment to assess the potential impact of the project and require that any heritage resource conflicts be resolved. The company must also comply with any conditions that rural municipalities may attach to the project.

SERM:

Exploration on SERM-administered Crown land (mainly Crown Resource or Provincial Park lands) requires a right-of-entry from SERM. Cutting or removal of timber from any Crown land also requires a permit from SERM. All seismic projects whether on Crown or private land require environmental review by SERM.

A completed “Notice of Intent” and program map for all seismic projects should be provided to the SERM regional office. SERM conducts an environmental review of the “Notice of Intent.” If a more detailed review is not required, SERM will issue a clearance for the project, **and seismic exploration may proceed subject to all other requirements.** If the work is proposed within a sensitive area, or raises significant environmental concerns, SERM may request additional information (project proposal or Environmental Protection Plan).

SERMs conditions are issued as follows:

- on SERM-administered land, as conditions on the right-of-entry;
- on SAF-administered land, SERMs conditions are included on SAFs project authorization; and
- on private land, SERM will issue a letter to the proponent outlining any environmental concerns and protection measures.

SERM’s turnaround time is ten working days; however, the average is less than five working days.

SAF:

If the seismic proposal is on Crown agriculture land, approval is required from SAF (in addition to SERM). The “Notice of Intent” and a map are submitted to SAF’s regional office (in addition to SERM’s regional office). SERM and SAF’s reviews occur simultaneously and SAF’s approval includes SERM’s conditions regarding wildlife habitat and other environmental issues.

Consent of the occupant (surface lessee) is also required before a seismic program may enter leased Crown agricultural land.

NOTE: Access approval is also required from all private landowners whose land will be crossed by the seismic program.

Field operations can commence once a company has obtained the right of entry and resolved any concerns raised by landowners and all the above agencies.

What are the requirements of provincial regulators once field operations are completed?

- A “Notice of Completion of Seismic Exploration” form must be submitted to the applicable rural municipality within 72 hours of completing field operations for all seismic projects. Once the form is signed by the administrator of the rural municipality, a copy should be forwarded to SEM where it will be placed on the program file.
- A “Final Report of Seismic Exploration” along with one copy of the final shot point map and ground elevations must be submitted to SEM within 60 days of completing field operations.

DEFINITIONS:

Heritage Property: *The Heritage Property Act* defines heritage property as “a property that is of interest for its architectural, historical, cultural, environmental, archaeological, palaeontological, aesthetic or scientific values”.

Heritage Resource Impact Assessment*: Studies designed to locate and assess heritage sites that may be adversely affected by a proposed development or land use project, and to recommend appropriate mitigative action where necessary.

Environmental Protection Plan (EPP): A study that demonstrates the company's understanding of the environmental concerns of the project, and the means of addressing those concerns.

Environmental Impact Assessment (EIA)*: A comprehensive study conducted to provide the information necessary to determine whether, from an environmental perspective, a proposed development should be allowed to proceed and, if so, under what conditions.

Restoration*: Returning the land to a condition and productivity as close as possible to that which existed before the surface disturbance.

Surface Lease: *The Provincial Land Regulations* defines a surface lease as "a lease of provincial lands issued for the purpose of exploration, recovery, storage or transportation of petroleum and natural gas".

Field Operations: *The Seismic Exploration Regulations, 1999,* defines "Field Operations" as "any or all of the following activities carried out for the purposes of seismic exploration: surveying, drilling, blasting, operating vibrator equipment, and recording results."

* Source: The Canadian Association of Petroleum Producers' Environmental Operating Guidelines for the Saskatchewan Petroleum Industry, 1992.

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