Oil and Gas Exploration and Development on Saskatchewan Agricultural Crown Lands

As oil and gas exploration and development in Saskatchewan continues to increase, Crown land leaseholders have many questions and concerns when oil and gas exploration and seismic activity ventures onto their lease. This fact sheet provides information to Crown land leaseholders on the process that oil and gas companies must follow when exploring on Crown lands and on the roles of the provincial regulatory agencies.

Crown lands are administered by Saskatchewan Agriculture and Food (SAF) and are generally under lease to individual farmers, grazing co-ops and ranchers. SAF supports petroleum and gas exploration on Crown lands based on these principles:

- Orderly and efficient resource management through proper planning and development;
- Environmental conservation and protection as an integral component in the planning and development process;
- Conservation of Saskatchewan's remaining rangelands;
- Minimal environmental (specifically soil) disturbance;
- Restoration of the land to pre-development conditions;
- Use of native plant species when re-seeding or revegetation is a part of the site restoration.

SAF exploration guidelines and procedures are based on these principles. It is the responsibility of the petroleum and gas developers to ensure that government guidelines and procedures are followed.

Oil and Gas Exploration and Development Process

There are two stages of petroleum operations:

- Exploration; and
- Development.

Exploration involves geophysical and exploratory drilling operations to help determine if oil and/or gas might be present. This includes seismic activities and test hole drilling.

Development involves the drilling and production stages. This may include: drilling, site development, battery sites, pipelines, roadways and power lines to sites.

Agencies Involved and their Roles

**Saskatchewan Agriculture and Food (SAF)**
- Administers Agricultural Crown Land in the province;
- Ensures developers are aware of their environmental responsibilities when developing on Crown Land;
- Reviews all applications for surface leases and pipeline easements and issues an agreement to oil and gas companies;
- Issues release of the surface agreement once all restoration requirements are met;
- Pays lessee compensation;
- Deals with lessee concerns.

**Saskatchewan Environment (SE)**
- Reviews all project proposals pertaining to development on Crown Land;
- Assesses development impacts on the environment (rare and endangered species concerns, unique landscape concerns, impact on fish, riparian and terrestrial habitat etc.);
- Enforces several pieces of legislation pertaining to environmental protection and issues required permits under that legislation.

**Saskatchewan Industry and Resources (SIR)**
- Leases Crown minerals;
- Regulates and monitors all activities of the oil and gas industry up to refinery gate;
- Approves well and facility abandonment and reclamation;
- Issues drilling and exploration licenses;
- Approves preliminary plans for seismic exploration, issues seismic licenses and explosive permits.

**Government Relations (GR)**
- Reviews and monitors municipal zoning bylaws including Rural Municipalities (RMs) that wish to regulate development in environmentally sensitive areas through zoning;
- Reviews the subdivision of land.

**Saskatchewan Watershed Authority (SWA)**
- Provides approvals for water use for oil and gas exploration;
- Allocates water for use for extraction.

**Fisheries and Oceans Canada (DFO)**
- Reviews all project proposals which have the potential to impact fish and fish habitat;
- Ensures land and water use activities comply with the habitat provisions of The Fisheries Act.
Policy on Seismic Activity on Saskatchewan Agricultural Crown Lands
Seismic is one of the first steps in the oil and gas exploration process. The seismic company submits a project proposal to SE and SAF. Once the proposal is reviewed and is deemed acceptable to government, the Company is given a work authorization to proceed. The authorization outlines environmental conditions and lessee contacts. When Crown land is vacant the seismic company contacts and pays SAF crossing fees; when the land is leased the seismic company negotiates crossing fees, fence cuts etc. directly with the lessee. SAF encourages multiple use on Crown lands and should an access conflict arise between the agricultural lessee and the seismic company the Department will attempt to resolve any legitimate concerns between the parties. Every seismic project is also licensed by SIR. Policies and guidelines regarding seismic operations are available on the internet or from Agriculture Business Centres.

Purchasing Mineral Rights
Oil and gas companies can acquire Crown mineral rights for a property from SIR. This can be done with or without the benefit of seismic information. If the minerals are held by the Crown a company can request SIR advertise the minerals for sale. SIR generally holds minerals sales six times per year and minerals are obtained by a tender bid process. SIR decides which bidder acquires the rights and this gives the company the right to extract the minerals subject to conditions and a share or royalty payment for any minerals produced. Access and development restrictions apply to lands designated environmentally sensitive and notations to this effect are on the SIR advertisement so that energy companies can bid accordingly.

Policy for Oil and Gas Development on Saskatchewan Agricultural Crown Lands
Once the mineral rights are obtained a land company operating on behalf of the oil and gas company contacts SAF and the lessee for consent to survey and completes an environmental review on the proposed site. The site location and access are the main concerns at this time. Once a survey plan is drafted the land company again contacts the lessee for consent to drill; at this time issues such as fire protection, fencing, gates, water testing, land spreading, time of drilling, etc, can be discussed and resolved. Once legitimate issues are resolved (SAF can assist to resolve) the survey plan, project proposal (addressing any environmental aspects), lessee consent (if acquired) and request for a surface lease are forwarded to SAF. The project proposal/environmental plan outlines the following:

- A survey plan detailing the exact location of all proposed access roads, power lines, pipelines, borrow pits and temporary work camps, as well as permanent facilities such as wells, access routes, compressor stations, and flow line rights-of-way;
- Any proposed work near water bodies;
- Any locations where grade or corners in the proposed route will require more than the regulation working space;
- Locations of any sensitive areas such as steep slopes and water bodies;
- Locations of any existing features such as roads, seismic lines and natural openings that may be used as access routes;
- The legal survey plots of all well sites, compressor, meter and battery stations, pipelines and access roads;
- A waste management plan;
- Heritage resources;
- A site assessment with a description of the general landscape, soil type and vegetation cover;
- Measures to minimize surface disturbance and to safeguard any unique landscape features and/or rare or endangered flora or fauna;
- Measures to reclaim the land when the lease expires.

Whenever oil and gas exploration occurs where native vegetation is present minimal disturbance drilling techniques and plough in pipelining are encouraged. Site restoration and reseeding with native grass mixtures are required; a complete copy of SAF’s guidelines for restoration of native range is available on the internet or from Agriculture Business Centres. Throughout the life of the development there are many contractors and subcontractors employed by the energy company that must access a successful well. Oil and gas exploration is a significant use of Crown land and is of economic importance to Saskatchewan.

Special Areas
Oil and gas development in certain areas may require a more detailed project proposal called an Environmental Protection Plan or Environmental Impact Assessment. SE has compiled the following list of these areas based on known environmental sensitivities and or public concern regarding development activity. These areas include:

- Great Sand Hills and Webb, Burstall, Cabri, Elbow and Manitou Sand Hills;
• Frenchman River Valley and South Saskatchewan River Valley;
• Big Muddy Valley;
• Western Hemisphere Shorebird Reserve Network sites (Chaplin, Reed, Old Wives and Quill Lakes);
• Cypress Hills Upland;
• Old Man on His Back Prairie and Heritage Conservation Area;
• Grand Cheviot Co-op Pasture;
• Whitehood Integrated Resource Management Area;
• Lands listed under The Wildlife Habitat Protection Act (when more than 4 wells/quarter are proposed or exist).

Obtaining a Development Permit
In some cases, oil and gas companies must obtain a development permit from the rural municipality in which they want to drill. Development is defined as...“the carrying out of any building, engineering, mining or other operations in, on or over land or the making of any material change in the use or intensity of the use of any building or land”. Based on this definition, most land use activities are deemed a development and therefore require a Municipal Development Permit from a municipality with a zoning bylaw. This is not always required, as only 190 of 296 RM’s have zoning bylaws. The municipality’s development officer reviews the proposal and classifies it into one of three categories:

- **Permitted Use** – a permit may be granted
- **Discretionary Use** – the application must be presented to the RM council
- **Neither Permitted nor Discretionary** – the development is considered prohibited. If this is the case, there is an opportunity for the company to apply to council for a zoning bylaw amendment.

Obtaining a Well Licence
An application for a drilling license needs to be submitted to SIR. This license does not grant right of entry, but is required prior to drilling. This applies to private and Crown land.

Project Abandonment
Oil and gas companies abandoning surface leases on Crown lands must meet three requirements:

- the abandonment (cut off and cementing) and removal of equipment must meet with SIR guidelines as outlined in The Oil and Gas Conservation Regulations, 1985,
- the company must provide evidence that the site is pollutant free or within acceptable limits.
- The company must provide to SAF an acceptable restoration plan.

Restoration involving sites on native prairie requires reseeding with native grass species (see SAF Restoration Guidelines). Once restoration is complete SAF inspects the site for proper restoration and vegetation establishment. The lease file is then closed and the land is added back into the original agricultural lease.

Lessee Compensation
- Agricultural leaseholder receives compensation from SAF for the land that is withdrawn for the surface lease, but the lessee remains responsible for the agricultural taxes assessed for the site.
- In year one of the development the lessee receives a $200 one-time payment for each well drilled.
- In succeeding years compensation is $100 per well to a maximum of 30% of the agricultural rent.
- Compensation for seismic operations is negotiated directly between the company and the lessee.
- Compensation for pipeline easements is shared with the lessee. A 10% share is provided by SAF and crop loss is in addition and is negotiated directly between the oil and gas company and the lessee.
- Lessees can deal directly with oil and gas companies for damages outside of right of ways or surface leases.

Restoration Criteria
SAF has restoration guidelines and procedures in place that developers must follow for all Saskatchewan Agricultural Crown Lands. These procedures and guidelines apply to all rangelands affected by:

- Seismic operations;
- Oil or gas well sites and associated facilities;
- Sand and gravel development;
- Coal or oil sands development;
- Utility development;
- Roads.

The key to restoration is to do as little damage as possible when initially developing a site or installing a pipeline. SAF has published “Restoration for Saskatchewan’s Agricultural Crown Rangelands” which outlines guidelines and procedures for developers. Guidelines include:

- All development must minimize the extent of surface (soil) disturbance, especially on native prairie; plant material used for restoration must be free of noxious weeds as specified under The Canada Seeds Act and Saskatchewan’s Noxious Weeds Act
- No exotic plant materials are to be used for restoration;
- Any plant material to be used for reseeding or revegetation purposes must be approved by a SAF Agrologist.
Monitoring

While the oil and gas companies are active on a site SAF and SE usually do not conduct a monitoring program unless a problem arises. In environmentally sensitive areas, SE or SAF can require an environmental monitor be on site to ensure that all commitments outlined in the environmental plan are being followed. SIR monitors the physical aspects of drilling (i.e. how deep the rig is drilling) while the rig is active. In the case of an oil spill, SIR is responsible for ensuring proper clean-up procedures are employed. SIR has the authority to shut the rig down until the spill is cleaned up properly. The leaseholder is not expected to do any monitoring and does not have any legal authority to change any part of the development process. It is important to know that the oil and gas companies are responsible for all sub-contractors and the work that they do during development. If the leaseholder has concerns about what is taking place, they are encouraged to contact the oil and gas companies or respective governmental agency to ensure the issue is resolved.

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Prairie Conservation Action Plan (PCAP)
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Other Related Publications:

Centre for Studies in Agriculture, Law and the Environment (CSALE) www.csale.usask.ca
Saskatoon Phone (306) 966-8893

CSALE offers the following publications:
• When the Oilpatch Comes to Your Saskatchewan Backyard: A Citizen’s Guide to Protecting Your Rights – 2004
• Negotiating Surface Rights - 1998

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