

High Water-Cut Oil Well Program



Overview:

The High Water-Cut Oil Well Program (HWCP) offers a royalty status re-assignment for wells producing large volumes of water after a qualifying investment is made. The program recognizes all costs necessary to improve water-handling capabilities and extend the productive lives of oil wells.

The program is open to all vertical and horizontal oil wells meeting the eligibility criteria.

Applications will be accepted until March 31, 2031.

Eligibility:

1. Must produce at an average water-cut of 90% or greater during the most recent three or more months reported, for which the well had hours on production; and
2. Must include a minimum capital investment of \$30,000 per qualifying well that will directly improve water handling capabilities and extend the producing life of the well.

Program Highlights:

- The HWCP has been updated and renewed, effective April 1, 2026, with a simplified single-form application process.
- The royalty status re-assignment is based on the well's finished drilling date.
 - Wells drilled prior to October 1, 2002, will receive Fourth Tier Oil Royalties on their incremental high water-cut oil produced.
 - Wells drilled on or after October 1, 2002, will receive a 2% royalty rate deduction on all oil produced.
- The royalty status will be reassigned after the application has been submitted and approved by the Ministry of Energy and Resources.
- The royalty status re-assignment will only apply to oil production that occurs after the qualifying investment has been made.
- The royalty status re-assignment will be applied for the remaining life of the well.
- As of April 1, 2026, qualifying investments made within one calendar year will be recognized.

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