



Strata Mineral Titles Crown-Acquired Oil and Gas Rights

Introduction

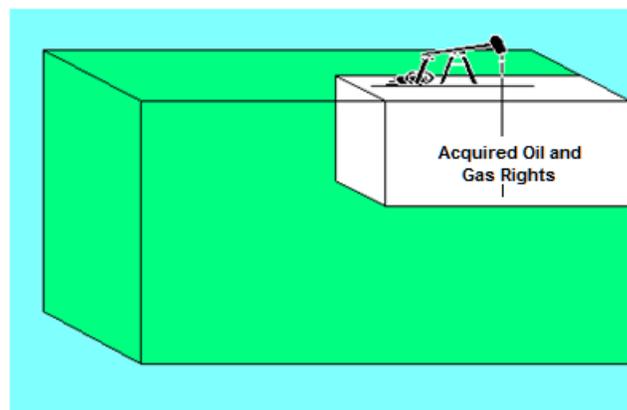
On January 1, 1974, the Government of Saskatchewan acquired approximately 180,000 acres (72,843 hectares) of oil and gas rights from 29 corporations under the provisions of *The Oil and Gas Stabilization and Development Act, 1973* (Bill 42). The Crown titles raised for these mineral rights appear as “strata titles” in the Saskatchewan Land Titles Registry. Interpreting these titles requires an understanding of how Bill 42 affected the ownership of the oil and gas rights at these Crown-acquired locations. This Information Circular is intended to help oil and gas operators understand the allocation of ownership rights involving these acquired lands.

Crown-Acquired Rights

Under Bill 42, the Crown acquired—through a legislative vesting order—oil and gas rights in producing spacing units or in lands allocated production (unit tracts) where there may not have been a producing well. The acquired oil and gas rights included the surface to the base of the producing horizon for the spacing unit or unit tract. The vesting order was limited to:

- Wells that were on production or lands within active units as of January 1, 1974; and
- Titles where the beneficial owner held more than 1,280 net producing acres of oil and gas rights; and
- Oil and gas rights (other minerals were exempt from the vesting order).

The following diagram shows the effect of Bill 42 on a quarter-section of freehold oil and gas rights containing four spacing units defined by legal subdivision. Only the oil and gas rights in the producing spacing unit illustrated by the white block were acquired under Bill 42. The deeper oil and gas rights, together with the undrilled spacing units, were not acquired by the Crown. These remain as freehold.



Leasing Arrangements

Bill 42 has created three different leasing arrangements for Crown-acquired oil and gas rights. These are described below:

1. Crown Freehold Agreements (CFA): In most cases, the acquired oil and gas rights were subject to pre-existing freehold leases issued by the former owner to an oil and gas company. Bill 42 required the Crown to honour these leases on their original terms. The Ministry of the Economy (ECON) refers to these leases as CFAs. These leasehold interests may appear as registered interest on the strata mineral title.
2. Acquired Petroleum and Natural Gas Leases (APN): A number of oil and gas owners affected by Bill 42 were also in the business of producing oil and gas from their properties. Bill 42 required the Crown to issue these owners oil and gas leases on standard Crown lease terms in order to allow the former owner to maintain production. ECON refers to these original leases as APNs.
3. Standard Crown Leases (PN): Over the years, the Ministry has issued new petroleum and natural gas leases for Crown-acquired rights where the original disposition may have lapsed and new leases issued through the normal tendering process. In addition, ECON has initiated a program to convert CFAs to standard Crown leases based on the voluntary agreement of the lease holder. These standard Crown leases are typically coded with the prefix PN.

For more information on converting CFAs to standard Crown leases, please contact the Mineral Rights Services Unit at the phone number and/or the email address shown at the [end](#) of this document.

Title Descriptions and Acquired Rights

Although Bill 42 was effective on January 1, 1974, the transfer of ownership of the stratified oil and gas titles from the former owner to the provincial Crown was not completed until the early 1980s. The rights acquired by the Crown appeared as an exception on the original Certificate of Title. New Certificates of Title for the acquired spacing units were issued by the Registrar based on an Order-in-Council approved by the Lieutenant Governor in Council under Bill 42.

The Order-in-Council included a description of both the acquired horizon and the depth of the producing well located within the spacing unit that served as a basis for the order. The Certificates of Title issued by the Registrar only make reference to the depth of the well. These depth references were carried forward to the new strata mineral titles issued under *The Land Titles Act, 2000*.

Notwithstanding the depth on the title, the Crown-acquired rights are defined by the producing horizon as described on the original Order-in-Council. The Crown-Acquired Lands/Rights spreadsheet posted to the Ministry's website describes the acquired rights and horizons and includes amendments made over the years to correct errors in the original Order-in-Council.

Title Corrections after Vesting

Over the years, errors were discovered in the original Order-in-Council used to raise title to the Crown-acquired rights. The most common error occurred where the depth reference referred to “below mean sea level” rather than “above mean sea level”. Improper horizon notations within complex spacing units have also been discovered through the normal course of licensing wells and reporting production. In a few cases, oil and gas rights were re-vested to the original owner where it was discovered that one of the vesting exemptions applied to the spacing unit. These types of changes are now very infrequent. Most of the errors were discovered prior to 2000.

The Minister has authority under *The Crown Minerals Act* to correct errors to bring the title record in line with the requirements of Bill 42. The Crown-Acquired Lands/Rights spreadsheet posted to the Ministry’s website contains the corrected information.

Strata Title Interpretation

The commodity descriptions for the strata titles are complex and require careful interpretation. A typical strata title for the Crown-acquired rights reads as follows:

Sample Crown-acquired Title Description

Her Majesty the Queen in Right of Saskatchewan is the uncertified owner of Strata as referenced on Certificate of Title 81SC00240S in Mineral Parcel #145726959
Reference Land Description: SE Sec 02 Twp 13 Rge 19 W3 Extension 0
As described on Certificate of Title 99SC06460B.
Commodity: Strata
Depth Reference: 1265 Feet Below Mean Sea Level
Numerator/Denominator: 1/1
Reference to Authority: oil and gas rights' as defined by section 27, The Oil and Gas Conservation, Stabilization and Development Act, 1973.

In this case, the Crown-acquired horizon as described in the Crown-Acquired Lands/Rights spreadsheet posted to the Ministry’s website is the “Miscellaneous Roseray Sand”.

The freehold titles at this location treat the Crown’s strata rights as an exception in the commodity description. This appears on the freehold mineral titles in one of two ways:

1. An explicit exclusion set out in the commodity description that appears on the title such as “all mines and minerals except strata”; or
2. A Registrar’s warning at the bottom of the title noting that the petroleum and natural gas rights do not include the strata rights.

The second approach addresses a technical limitation within the ISC system related to applying an exception against anything other than an “all” title.

Split Shallow Rights

As noted above, mineral owners holding less than 1,280 acres were exempt from the application of Bill 42. In many cases, these exempt owners held a partial interest in the spacing units or the unitized lands subject to the vesting order. It is therefore common for the Crown to have

acquired only a fractional share of the oil and gas rights from the surface to the base of the producing horizons.

The existence of exempt owners within acquired spacing units has resulted in strata titles for both the Crown and the freehold owners. This is not an error. The fractional shares on the respective titles show the exempt and non-exempt portions of the Crown-acquired titles as they existed in 1974.

Incorrect Sea Level References

As noted above, incorrect sea level references appeared on the original vesting order. These have been changed on the Crown-Acquired Lands/Rights spreadsheet posted to the Ministry's website. Unfortunately, erroneous sea level references continue to appear on the strata title records maintained by Information Services Corporation (ISC). The computer system used to operate the Land Titles Registry was designed to show only below mean sea level descriptors. ISC has addressed this problem by making a note at the bottom of the title on the correct sea level reference. An example is as follows:

Her Majesty the Queen in Right of Saskatchewan is the uncertified owner of Strata as referenced on Certificate of Title 80B14515CNV in Mineral Parcel #150933898		
Reference Land Description: SE Sec 01 Twp 49 Rge 24 W3 Extension 0 As described on Certificate of Title 80B14515CNV.		
Commodity: Strata		
Depth Reference: <u>445 Feet Below Mean Sea Level</u>		
Numerator/Denominator: 1/1		
Reference to Authority: oil and gas rights' as defined by section 27, The Oil and Gas Conservation, Stabilization and Development Act, 1973.		
Title Locks:		
07 Feb 2003 01:17:08	Registrar's Warning (Transfer Permitted)	Depth reference on Converted Title No. 80B14515CNV <u>is 445 feet above mean sea level</u>

Please contact the Mineral Rights Services Unit at 306-798-2133 or mineralrights@gov.sk.ca for further inquiries regarding Crown-acquired mineral rights.