
Multi-Lateral Oil Well Program

Information Circular PR-IC03A

March 2024

Version 1.0

Governing Legislation:

Acts: *The Crown Minerals Act*
 The Freehold Oil and Gas Production Tax Act, 2010

Regulations: *The Multi-Lateral Oil Well Program Regulations*
 (under development)

Record of Change

Revision	Date	Description
1.0	March 2024	New Information Circular

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1 Introduction

This Information Circular has been prepared by the Ministry of Energy and Resources (ER) to explain the policies and procedures which are used to administer the Crown Royalty and Freehold Production Tax (royalty/tax) applicable to the *Multi-Lateral Oil Well Program* (Program). Reference should be made to Acts and Regulations for an exact statement of the law. In case of a conflict between this Information Circular and the provisions of the Acts and Regulations, the Acts and Regulations will govern.

2 Program Descriptions

The Program applies to the drilling of new multi-lateral horizontal oil wells (MLW) drilled on or after April 1, 2024, and before April 1, 2028. MLWs may receive an incentive volume which will be added to the initial horizontal drilling incentive volume. This incentive volume will be based upon the number of wellbores that have been drilled for that well. Additional laterals drilled on existing wells are not eligible under the Program.

MLWs are horizontal wells drilled with more than two productive laterals branching off a main wellbore (a well with two productive laterals is considered as a dual lateral well). These additional laterals are generally drilled in either a Pitchfork configuration, where several laterals are drilled parallel to the main bore, or a Fishbone configuration, with multiple secondary (shorter) wellbores radiating from the main horizontal section in a fishbone (Fishbone) pattern.

For the assignment of the additional incentive to a MLW, the Ministry will consider two distinct drilling configurations or variations of these configurations:

- The “Pitchfork” configuration, or variations of the Pitchfork configuration, will earn additional incentive volumes based on each additional lateral drilled, starting with the third lateral from the main bore hole and with a minimum lateral length of 500 meters. The maximum incentive volume is provided on the fifth lateral and beyond.
- The “Fishbone” configuration, or variations of the Fishbone configuration, will be required to have a minimum of 10 laterals, with a minimum lateral length of 200 meters. MLWs meeting these criteria will receive the maximum incentive volume.

NOTE: Incentive volumes displayed in the tables below include Initial Drilling Incentives

Development Multi-Lateral Wells (Pitchfork)			
Non-Deep		Deep	
	Total Incentive Volume (m ³)		Total Incentive Volume (m ³)
1 Leg	6,000	1 Leg	16,000
2 Leg	6,000	2 Leg	16,000
3 Leg	8,000	3 Leg	17,000
4 Leg	12,000	4 Leg	19,000
5 Leg +	16,000	5 Leg +	21,000

Development Multi-Lateral Wells (Fishbone)			
Non-Deep		Deep	
	Total Incentive Volume (m ³)		Total Incentive Volume (m ³)
1 - 9 Leg	6,000	1 - 9 Leg	16,000
10 Leg +	16,000	10 Leg +	21,000

Appraisal Wells

The Ministry will accept applications to approve a MLW as an Appraisal Well and, if approved, assign a specific Appraisal Well incentive. Appraisal wells would be the first MLW in a defined geographic area, or oil pool, and be used to prove the effectiveness of MLW development in an oil pool or area and, as such, be considered higher risk. Each Appraisal well would be required to prove the drilling of additional MLWs of a similar configuration. Once proven effective, additional production MLWs would be required to be drilled within a specific time period. Due to the higher-risk nature of appraisal wells, a larger incentive volume is provided to spur development in a new geographic area or oil pool.

Appraisal Multi-Lateral Wells (Pitchfork)			
Non-Deep		Deep	
	Total Incentive Volume (m ³)		Total Incentive Volume (m ³)
1 Leg	6,000	1 Leg	16,000
2 Leg	6,000	2 Leg	16,000
3 Leg	12,000	3 Leg	21,250
4 Leg	18,000	4 Leg	23,750
5 Leg +	24,000	5 Leg +	26,250

Appraisal Multi-Lateral Wells (Fishbone)			
Non-Deep		Deep	
	Total Incentive Volume (m ³)		Total Incentive Volume (m ³)
1 - 9 Leg	6,000	1 - 9 Leg	16,000
10 Leg +	24,000	10 Leg +	26,250

3 Definitions

Development Multi-Lateral Oil Well means a horizontal oil well with more than two horizontal laterals (sections) or wellbores.

Appraisal Multi-Lateral Oil Well means the first MLW, as approved by the Minister, in a defined geographic area, or oil pool, drilled to test the effectiveness of a MLW drilling configuration in that geographic area or oil pool.

Pitchfork Multi-Lateral Oil Well means a MLW type where several wellbores (normally longer) branch out from the main horizontal section of a well.

Fishbone Multi-Lateral Oil Well means a MLW type where multiple secondary (normally shorter) wellbores radiate from the main horizontal section in a fishbone pattern.

Deep Oil Well means an oil well that is producing oil:

- (i) from a zone:
 - (a) the upper limit of which, measured from the Kelly Bushing, is more than 1,700 metres in depth as determined in accordance with the records of the ministry, or any lesser depth the minister may approve; and

- (b) within the Mississippian Period; or
- (ii) from a zone that was deposited before the Bakken zone, regardless of the depth.

Non-Deep Oil Well means an oil well that is not a deep oil well.

Kickoff Point (KOP) means the point at which the drilling string has been pulled back on a horizontal well to begin drilling of a subsequent wellbore.

Lateral Length means the length of the horizontal oil well section from the kickoff point to the end point of the wellbore.

4 Application Process

There are 2 different types of applications for the Program. Both application types are to be submitted to petroleumroyalties@gov.sk.ca.

1. Development Wells

- Applications must include the well location (UWI), license number and number of laterals.
- Development MLW applications can be submitted before or after drilling is completed.
- If ER reviews a drilling plan prior to drilling, the final volumetric incentive provided will be based on the final drilled well configuration.

2. Appraisal Wells

- All Appraisal MLWs must be approved **prior** to drilling.
- A maximum of one appraisal MLW is designated per Plan.
- A minimum of 10 MLWs, each of which contain 5 laterals or more, must be drilled as part of the Plan.
- The Plan contains contiguous tracts of mineral lands in the same stratigraphic zone.
- The area subject to the Plan cannot contain an existing MLW, that is 5 laterals or more, in the same stratigraphic unit, whether or not that well is owned or operated by the company submitting the Plan.
- The approved Appraisal MLW, and all associated wells, must be drilled within 48 months of the Plan's approval.
- Failure to adhere to the conditions of the approval may result in loss of the appraisal well status, which will then be designated a non-appraisal MLW.

5 Approval Process

After ER has reviewed an application, and approved the well, the MLW's incentive volume will be updated in IRIS. If the application is rejected the applicant will be notified of the decision.

The Program applies to the new MLWs drilled after March 31, 2024, and before April 1, 2028.

6 Effective Date

When an application is approved, ER will add the additional incentive volume to the incentive volume that IRIS assigns. If the conditions for an MLW are not met, the incentive volume may be clawed back.

7 Royalty/Tax Regime

The royalty/tax incentive volumes noted in section 2 receive the following royalty/tax rates:

Crown Royalty (applied to oil produced from or allocated to Crown lands)

A Crown royalty rate equal to the lesser of:

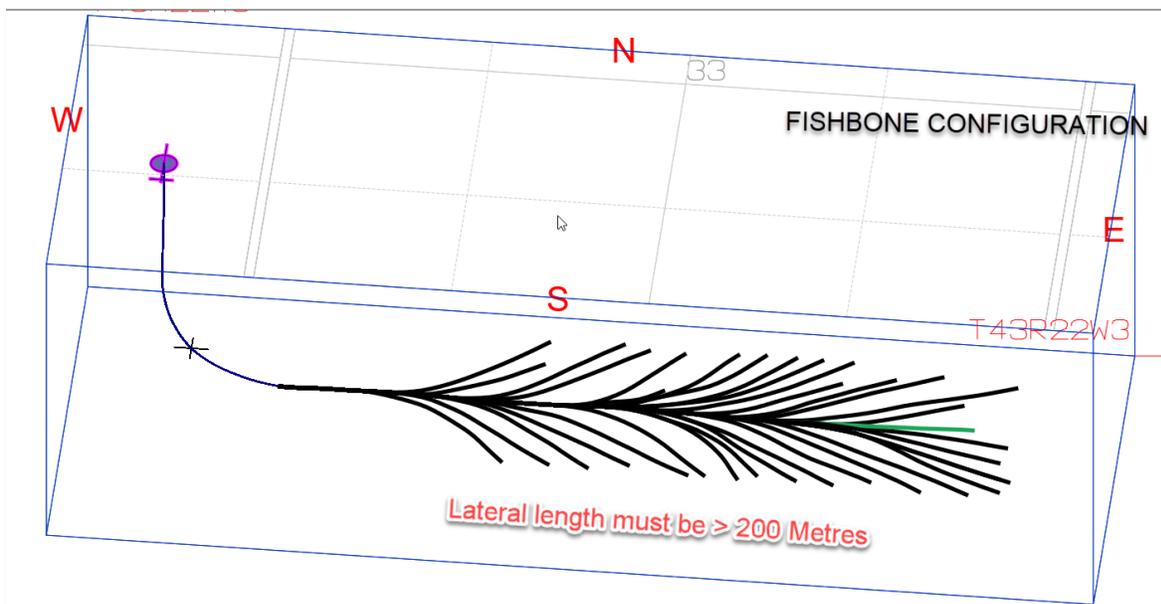
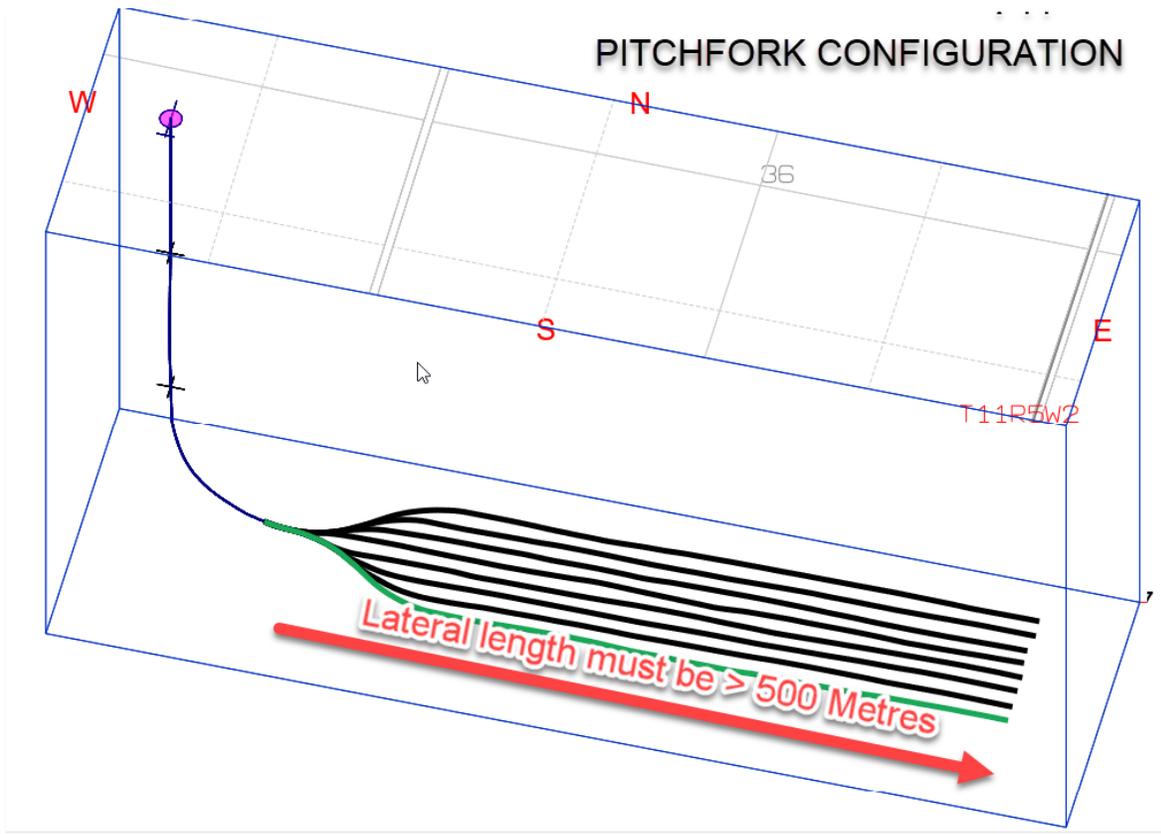
- the "fourth tier oil" Crown royalty rate; and
- 2.5%.

Freehold Production Tax (applied to oil produced from or allocated to freehold lands)

A freehold production tax rate of 0%.

After the incentive volume has been produced, the oil produced from a MLW will be subject to the "fourth tier oil" royalty/tax rates.

Appendix A: Examples of MLW Types



FOR FURTHER INFORMATION, PLEASE CONTACT:

The Ministry of Energy and Resources
Energy Policy Branch - Petroleum Royalties Group

Email: petroleumroyalties@gov.sk.ca

Or Phone: 1 (855) 219-9373