

## OIL AND GAS

- In 2010, oil and gas sales totalled \$10.8 billion, a 12.5% increase from 2009
- Saskatchewan's upstream oil and gas industry provided an estimated 30,350 jobs (direct and indirect employment) in 2010
- Petroleum and mining is the largest goods-producing contributor to the provincial economy – 13.4% of GDP. The industry contributed \$1.7 billion in revenue to the provincial economy
- Saskatchewan ranked "best in Canada" for oil and gas investment in the Fraser Institute's 2011 Global Petroleum Survey

### *Our Competitive Edge*

- We're the 2<sup>nd</sup> largest oil producer in Canada, accounting for 17% of total crude oil production
- An estimated 27,000 oil wells produced 154.2 million barrels (24.5 million cubic metres) worth \$10.2 billion in 2010. Remaining recoverable reserves are 1.2 billion barrels (183.8 million cubic metres)
- We're the 3<sup>rd</sup> largest natural gas-producing province. In 2010, gas production was 241.6 billion cubic feet (7.6 billion cubic metres) valued at \$626 million. Remaining recoverable reserves are 2.8 trillion cubic feet (77.6 billion cubic metres).
- 2,730 oil wells were drilled in 2010, an increase of 70% from 2009. A record-setting 1,531 were horizontal oil wells
- Oil and gas drilling in Saskatchewan is expected to increase by 11% in 2012 – the highest percentage among the four producing provinces
- Improvements to horizontal oil well completion techniques have greatly improved production from the Bakken (southeast Saskatchewan) and the Lower Shaunavon (southwest). Other exciting opportunities exist: the Viking and Birdbear Formation (west central), the Torquay Formation (southeast), shale gas in central and east-central Saskatchewan and an estimated 2.7 million hectares of oil sands potential immediately adjacent to the massive Athabasca deposit

### *Innovation and Opportunity*

- Opportunities abound in exploration, extraction, processing and refining; \$3.8 billion was spent in exploration and development in 2010, a 35.7% increase from 2009
- An extensive network of pipelines ensures quick turnaround from drilling to market. Crude oil, natural gas and refined products are transported to customers throughout Canada and the U.S. in an efficient, timely manner
- Our refining and upgrading capabilities are among the most advanced in Canada. Canada's first commercial heavy oil upgrader (facility that processes heavy crude into light synthetic oil) opened in Saskatchewan in 1988; a second upgrader began operations in 1992. Work to increase current capacity of 22,250 cubic metres (140,000 barrels) to 27,010 cubic metres (170,000 barrels) is underway

### **Enhanced Oil Recovery (EOR) Techniques**

- Currently less than 13% of the 45.6 billion barrels (7.3 billion cubic metres) of oil in-place is recoverable based on current and expected conditions. With approximately 87% of the oil remaining in the ground, there is excellent potential for the use of EOR methods and new technologies



- New technologies like vapour extraction and carbon dioxide injection have the potential to increase investment and resource recoveries in Saskatchewan
- The Petroleum Technology Research Centre (PTRC) at Innovation Place Regina plays a significant role in pioneering and developing EOR techniques. The PTRC leads an international research project in Weyburn/Midale studying the effectiveness of permanently storing CO<sub>2</sub> underground. The CO<sub>2</sub> flood projects by Cenovus Energy Inc. and Apache Canada are projected to recover 222 million barrels (35.3 million cubic metres) of oil, lengthen each unit's operating life by at least 25 years and provide underground storage for 35 million tonnes of CO<sub>2</sub> over the life of the projects

### ***The Investment Climate***

- High exploration and development potential
- Public land sales (competitive bidding by sealed tender) held six times a year
- Excellent land access to drilling sites
- Lower drilling costs due to shallower drilling depths and well-defined geology
- Technological advances allow greater oil production at lower cost
- Affordable land prices – lower overall business and industrial costs
- Central North American location with excellent transportation services and access to markets

### ***The Bottom Line***

#### **Tax and Royalty Structures**

- Stable, competitive royalty rates – among the lowest in Canada – developed in partnership with industry and are sensitive to price and production rates.
- Low 'fourth tier' royalties and freehold production taxes applicable to all newly drilled conventional oil and gas wells
- Drilling incentives for new horizontal oil wells, deep oil wells, and exploratory oil and gas wells
- Reduced royalty/freehold production tax rates for incremental oil produced due to enhanced oil recovery projects

#### **Support and Infrastructure**

- A 40-year history of supplying goods and services to the oil and gas industry in Canada and around the world. Strong industry capabilities in fabrication (metal and plastics), machining, electronics/instrumentation and innovation in research and design
- Access to extensive crude oil and natural gas gathering systems connected to interprovincial and international pipeline networks
- Leading-edge R&D capabilities through the PTRC, the Saskatchewan Research Council and the International Test Centre for Carbon Dioxide Capture
- Qualifying R&D field projects are eligible for a 30% to 50% royalty credit under the Saskatchewan Petroleum Research Incentive
- Streamlined and responsive regulatory system
- Producers have access to extensive geological data (the most complete core lab in Canada), seismic data, well location maps and well data
- Hard-working, skilled, reliable and productive workforce

***Want to know more? Contact:***

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