

CANADIAN ENHANCED OIL RECOVERY INCENTIVES

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The Government of Saskatchewan today announced tax and royalty changes along with other measures to increase the amount of oil produced in Saskatchewan through enhanced oil recovery (EOR).

The changes include a revised and simplified tax and royalty structure for EOR; a renewed and improved Saskatchewan Petroleum Research Incentive program (SPRI) and Provincial Sales Tax and Fuel Tax exemptions on substances injected into oil-bearing formations for EOR purposes. The changes reflect the outcome of discussions with industry on steps that could be taken to expand Saskatchewan's oil production through EOR.

Speaking at the Petroleum Technology Research Centre in Regina, Premier Lorne Calvert likened Saskatchewan's oil resource to a sleeping giant. "An estimated 35 billion barrels of oil have been discovered in Saskatchewan. Roughly 15 per cent is recoverable through current proven technologies. Heavy oil recovery rates are in the 5-10 per cent range," Calvert said.

"With current technology, this means we will be leaving almost 30 billion barrels of oil in the ground. Today's announcement builds on our historical record in enhanced oil recovery to tap more of this resource. It benefits the companies. It benefits the communities where this development will occur. It benefits the province, in that any increase in oil patch activity has a positive impact on jobs and the provincial treasury."

The incentives were developed by Industry and Resources following consultations with the Canadian Association of Petroleum Producers and other stakeholders. The objective was to identify existing constraints to expanding EOR production and means of addressing them.

A new and simpler tax and royalty regime for EOR brings it into line with lower rates currently in place for EOR projects involving carbon dioxide injection. The revised structure will apply to all new and expanded EOR projects, as well as any possible future oil sands and oil shale projects. It is consistent with the overall objective of using simple, fair, competitive taxation as one means of improving Saskatchewan's climate for growth.

Renewal of the SPRI program for a further five fiscal years will provide as much as \$30 million in tax and royalty credits on new small-scale EOR pilot projects. All pilot EOR projects will be eligible for SPRI.

The Sales Tax and Fuel Tax exemption on propane, butane and other chemicals injected into oil reservoirs to increase the recovery rate brings them into line with the tax exemption already in place for carbon dioxide used in EOR projects.

All changes come into effect April 1st, 2005.

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Source: <http://www.gov.sk.ca/newsrel/releases/2005/03/18-225.html>

Additional Information: <http://www.gov.sk.ca/newsrel/releases/2005/03/18-225-attachment.pdf>

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