

Saskatchewan also differentiates between old oil and new oil in determining the royalty payable to the Crown. 'Incremental oil' is the incremental oil produced after the year 1973 from an oil pool with respect to a new or expanded waterflood project, thermal recovery project or other enhanced recovery project and is considered as new oil for purposes of royalty calculations. The royalty rate on incremental oil from enhanced oil recovery projects is 70 per cent of the royalty rate on old oil.

All oil well income is also subject to the oil well income tax with the exception of royalty revenues to mineral owners of producing tracts aggregating 1,280 acres or less. The oil well income tax rate is presently 59 per cent. The amount of royalty paid to the Crown is deducted from the oil well tax otherwise payable. Deductions for the purpose of determining the income subject to the tax are permitted under the system for several classes of expense. One of these classes is the 'new oil allowance' which is based on the proportion of the person's revenue from new oil production relative to revenue from all oil production, subject to a maximum of 30 per cent of total oil well income. This deduction provides an incentive for increased production of new oil.

Every barrel of oil a producer generates in Saskatchewan is credited with 80¢ in an approved expenditure grant account. For each dollar expended on qualified activities, one of which is the drilling of tertiary recovery wells, 75¢ is remitted to the investor from the Saskatchewan Heritage Fund.