AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Oil and Gas Orphan Fund as at March 31, 2008 and the statement of revenues, expenses and net financial assets for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
June 26, 2008

Fred Wendel, CMA, CA
Provincial Auditor
## OIL AND GAS ORPHAN FUND
### STATEMENT OF FINANCIAL POSITION
As at March 31

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FINANCIAL ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due from General Revenue Fund (Note 5)</td>
<td>$3,491,543</td>
<td>$3,043,955</td>
</tr>
<tr>
<td>Net Financial Assets (Statement 2) (Note 4)</td>
<td>$3,491,543</td>
<td>$3,043,955</td>
</tr>
</tbody>
</table>

(See accompanying notes to the financial statements)
## OIL AND GAS ORPHAN FUND
### STATEMENT OF REVENUES, EXPENSES AND NET FINANCIAL ASSETS
#### Year Ended March 31

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
<td>2008</td>
</tr>
<tr>
<td></td>
<td>(Note 7)</td>
<td>(Note 7)</td>
</tr>
</tbody>
</table>

### Revenues:

- Interest (Note 5)  
  - Budget: $140,000  
  - Actual: $129,490  
  - Budget (Note 7): $122,975
- Fees and Other (Note 6)  
  - Actual: 320,000
- Total Revenues  
  - Budget: 140,000  
  - Actual: 449,490  
  - Budget (Note 7): 122,975

### Expenses:

- Abandonment and Reclamation  
  - Budget: 500,000  
  - Actual: 1,902
- Tender Costs  
  - Budget: 2,000
- Administration Costs  
  - Budget: 5,000
- Total Expenses  
  - Budget: 507,000  
  - Actual: 1,902

### Excess of revenues over expenses

- Excess: 447,588  
- Budget: 122,975

### Net Financial Assets

- Beginning of year: 3,043,955  
- End of year: $3,491,543  
- Beginning of year (Note 7): 3,043,955

### (See accompanying notes to the financial statements)
1. Authority

The Oil and Gas Environmental Fund (fund) was established on May 17, 1989, pursuant to Section 18.2 of *The Oil and Gas Conservation Regulations, 1985* (Regulations). The fund originated through a one-time assessment of $100 per well to a maximum of $20,000 per operator.

In June 2007, an amendment was made to the *Oil and Gas Conservation Act* that provided for the continuance of the existing Oil and Gas Environmental Fund as the Oil and Gas Orphan Fund (Order in Council #442/2007). The purpose of the fund is to address the issue of abandonment of wells, decommissioning of facilities, and clean-up of those wells and facilities where the obligations of the person responsible for carrying out those activities are not being met.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board.


A cash flow statement has not been provided as the cash flow information is readily apparent from the financial statements.


The net financial assets represent assessments raised in accordance with subsection 18.3(2) of the Regulations less well site restoration costs. The net financial assets, together with any future recoveries of well site restoration costs, are available to provide for expenditures under section 18.4 of the Regulations related to the:

a) abandonment of wells and restoration of abandoned well sites, as a result of disappearance or insolvency of the well owner or operator.

b) containment or clean-up of major environmental problems arising from oil and gas exploration, development, production or transportation operations.

5. Related Party Transactions

Included in these financial statements are transactions with the Government ministries and agencies related to the fund by virtue of common control by the Government of Saskatchewan.
The fund’s money is on deposit with the General Revenue Fund (GRF). The GRF calculates and pays interest on a quarterly basis using the government’s thirty-day borrowing rate and the fund’s average daily account balance. The government’s average 30-day borrowing rate in 2007-08 was 4.08% (2006-07 – 4.14%).

The fund has not been charged with any administrative costs and no provision for such costs is reflected in these statements. These costs are borne by the Ministry of Energy and Resources.

6. Fees and Other

Section 10.3 of the Regulations requires all first-time applicants for a well or upstream facility licencee to pay a one-time fee of $10,000 which is deposited into the Oil and Gas Orphan Fund.

If the applicant is not approved to receive a licence, the fee will be refunded.

7. Budget

The budget for the fund is included with the Ministry of Energy and Resources’ budget submission to Treasury Board. Treasury Board approves the fund’s budget annually.