

BRITISH COLUMBIA ROYALTY CREDIT PROGRAM
ROAD DEVELOPMENT ROYALTY DEDUCTION AGREEMENT

NAME OF PRODUCER PROJECT

THIS AGREEMENT dated for reference _____, 20_____

BETWEEN:

HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF BRITISH COLUMBIA
REPRESENTED BY THE ROYALTY ADMINISTRATOR OF THE MINISTRY OF NATURAL GAS
DEVELOPMENT
(THE "ADMINISTRATOR")

AND:

[Name of Project Proponent]
(THE "PROJECT PROPONENT")

WHEREAS:

- A. The Project Proponent is a producer as defined under the Petroleum and Natural Gas Royalty and Freehold Production Tax Regulation, B.C. Reg. 495/92 (the Regulation).
- B. The Project Proponent has advised the Administrator pursuant to [section 4](#) of the Regulation that it intends to undertake a project to upgrade or construct a road in support of resource exploration or development.
- C. The Parties have agreed to enter into this Agreement to determine the Project Proponent's eligibility to deduct a portion of the costs attributable to the Project from royalty or tax otherwise payable by the Project Proponent under the [Petroleum and Natural Gas Act](#), R.S.B.C. 1996, c. 361.
- D. A deduction of costs attributable to its project from royalty or tax otherwise payable by the Project Proponent pursuant to this Agreement is subject to section 4 of the Regulation.
- E. The Project Proponent has obtained, or is in the process of obtaining, all necessary permits or authorizations under the *Oil and Gas Activities Act*, S.B.C. 2008, c. 36 and any other statutes as applicable.
- F. The Project qualifies as a "project" pursuant to section 4(9), of the Regulation.

THE PARTIES AGREE AS FOLLOWS:

I. Definitions And Interpretation

1. In this Agreement:

“Amended Project” means the Project as amended under Section III of this Agreement;

“Act” means the [Petroleum and Natural Gas Act](#), R.S.B.C. 1996, c. 361, and any amendments thereto;

“Agreement” means this Agreement;

“Construction Completion Date” means the Completion Date of the Construction as specified in the Statutory Declaration of Completion for the Project;

“Eligible Costs” means the following costs, actually paid by the Project Proponent, to complete the Project:

- (a) costs paid for planning, designing, surveying, mapping, obtaining licenses and approvals and engineering expenditures; and
- (b) all materials, labour and equipment charge-out costs incurred during construction and mobilization and demobilization;

but excludes:

- (c) maintenance costs;
- (d) goods and services tax (GST); and
- (e) contingency allowances, administration costs, consulting fees for supervision of clean-up of well site lease or pad site, overhead, accounting, interest and the purchase of, and amortization and depreciation on, capital equipment that is not integral to the operation of the project.

“Fiscal Year” means a period commencing April 1st and terminating March 31st of the following year;

“Ministry” means the Ministry of Natural Gas Development;

“OGAA” means the [Oil and Gas Activities Act](#), S.B.C. 2008, c. 36 and any amendments thereto;

“Parties” means the Administrator and Project Proponent and **“Party”** means either one of them as applicable;

“Pipeline” has the same meaning as provided in [section 4\(9.2\)](#) of the Petroleum and Natural Gas Royalty and Freehold Tax Regulation, and any amendments thereto;

“Producer” has the same meaning as found in [section 1](#) of the Regulation;

“Project” means the project described in Schedule A and constructed according to the specifications described in Schedule C, and includes the project as amended pursuant to the acceptance of the Administrator in accordance with Section III, paragraphs 1 through 5;

“Regulation” means the [Petroleum and Natural Gas Royalty and Freehold Production Tax Regulation](#), B.C. Reg. 495/92 and any amendments thereto;

“Royalty Revenues” means the net royalties payable to the Province of British Columbia from production of oil and gas enabled by this Project, prior to any infrastructure royalty deduction;

“Step” means a step of the Project as set out in Schedule A;

“Well Permit” means a permit issued pursuant to the *Oil and Gas Activities Act* S.B.C. 2008, c. 36 that includes permission to drill or operate a well.

2. Any headings or titles are for convenience of reference and do not affect the construction or interpretation of this Agreement.

II. Schedules

The following attached schedules form a part of this Agreement:

- (a) Schedule A – Summary of Project Work and Step(s);
- (b) Schedule B – Documentation Required for Release of Deductions;
- (c) Schedule C – Road Layout and Design Standards, Project Map, and Construction Schedule; and
- (d) Schedule D – Special Equipment, Inventory or Service for the Project.

III. Project Amendments

1. Any amendment to the Project will not be considered within 6 months of the Reference Date to this Agreement or any subsequent date on which a written approval has been issued to amend the project.
2. A request by the Project Proponent to amend the Project must be submitted in writing to the Administrator with the necessary information satisfactory to the Administrator to describe the proposed change.
3. The Administrator has the sole discretion to accept or reject a proposed amendment to the Project. The Administrator must inform the Project Proponent of the decision to accept or reject the proposed amendment.

4. If the Administrator accepts the proposed amendment, the Parties will amend Schedules A, C and/or D, as applicable, in accordance with the accepted amendment.
5. If the Administrator does not accept the proposed amendment, but the Project Proponent constructs the Project in accordance with a proposed amendment, the Administrator may demand from the Project Proponent, an amount equal to any and all deductions that have been allowed by the Administrator under this Agreement, and the Administrator need not review a subsequent application for a deduction under this Agreement.

IV. Completion of Project

1. The construction phase of the Project must not commence before the closing date of the Request for Applications for which this Project was proposed.
2. The Project Proponent has a maximum of three years to complete the Project from the date of signing the Agreement. Should unusual or exceptional circumstances arise, the Project Proponent may propose a different Completion date to the Administrator in which case the Administrator has the sole discretion to amend the date by which the Project may be completed under the Agreement in accordance with Section III, paragraphs 1 through 5.
3. A Project or Step will be considered complete on the date specified as the Completion of Construction Date in the Statutory Declaration of Completion executed by the Project Proponent in the form attached as Schedule B, submitted to and received by the Administrator.
4. Any goods or services such as special equipment, inventory or surveying services for the Project that are purchased before the actual start date of the Project must be described in accordance with **Schedule D - Special Equipment, Inventory or Services**.
5. If the Project Proponent has not completed the Project on or before [DATE], then the Administrator has sole discretion to demand from the Project Proponent an amount equal to any and all deductions that have been allowed by the Administrator under this Agreement, and the Administrator need not review a subsequent application for a deduction under this Agreement.

V. Project Supervisor

The Project Proponent must identify to the Administrator a supervisor for the Project, and ensure that the supervisor is available, with reasonable notification, to meet with, and provide information to the Administrator throughout construction of the Project.

VI. Inspections, Audits and Safety

1. The Administrator, or designated representative, may, at reasonable times, on written notice to and with the permission of the Project Proponent, such permission not to be

unreasonably withheld, access the Project site for the purpose of conducting inspections, monitoring progress of the Project and conducting audits.

2. At any time during construction of the Project, and within **60 months** following the completion of the Project, the Administrator, or designated representative, may request that all relevant records and information related to the Project be made available, and the Administrator may conduct, or cause to be conducted, an audit of the records and information for the purpose of determining if costs claimed by the Project Proponent under this Agreement constitute Eligible Costs, and if the costs have actually been paid by the Project Proponent. The Project Proponent must comply with this request within 30 days. This clause survives the termination of this Agreement.

VII. Application for Royalty Deduction

1. The Project Proponent may apply to the Administrator for a deduction from royalty or tax otherwise payable by the Project Proponent under the Act for Eligible Costs expended in relation to the Project for each Step identified in Schedule A upon completion of the Step.
2. The application for a deduction must be accompanied by an executed version of all documents required under Schedule B.
3. Subject to Section VII, paragraph 5, upon receipt of an application for deduction in relation to a Project, the Administrator will review the application within 90 days, and if the application meets the requirements of the Regulation and this Agreement, the Administrator will allow the deduction.
4. If the Administrator reasonably believes that any information accompanying the application for deduction is incorrect or inadequate, a notification will be sent by the Administrator, to the Project Proponent of the inadequacy. The Project Proponent must, within 30 days of receiving the notification, provide the further information to the requester. The Administrator need not begin a review of the application for a deduction or subsequent applications for deductions concerning the Project until the further information requested of the Project Proponent has been provided as requested, and the Administrator is satisfied that no further information is required in order to review the application.
5. If the Project Proponent's application for a deduction in relation to a Step is received by the Administrator more than six months after the completion date set out in Schedule A with respect to that Step, then the Administrator has the sole discretion to refuse to review the application.
6. Within six months of the Administrator's approval of a deduction for the Project under Section VII, paragraph 3, the Project Proponent must make a final submission to the Administrator reporting the actual costs for release of royalty credits. Within 90 days of that submission the Administrator will provide the Project Proponent with the final

approval of the royalty credits which may be deducted from or added to the next royalty payment with respect to the Project.

VIII. Royalty Revenues

1. In Section VIII, paragraphs 3 and 4, and Schedule A, “Maximum Deduction” means an amount which is the lesser of: XX% of the estimated completion cost for a Step shown in Schedule A or XX% of the amount of Eligible Costs actually spent by the Project Proponent to complete that Step of the Project.
2. The actual Royalty Revenues are calculated based on the executed Royalty Deduction Submission Spreadsheet provided to the Administrator by the Project Proponent at the time of making a request for a deduction under Section VII above.
3. If actual Royalty Revenues are greater than or equal to the Maximum Deduction plus any deduction allowed for a previous Step in the same fiscal year, then the Administrator, will, subject to this Agreement and the Regulation, allow the deduction for the Step.
4. If the actual Royalty Revenues are less than the Maximum Deduction plus any deduction allowed for a previous Step in the same fiscal year, then the Administrator has sole discretion to allow a deduction in an amount less than the Maximum Deduction or not allow the deduction that fiscal year.

IX. Notification

After the Administrator has allowed a deduction, the Administrator will promptly notify the Project Proponent and the British Columbia Ministry of Finance of the amount of the Project Proponent’s deductions.

X. Reporting

1. The Project Proponent must provide the Administrator with a list of the well permits associated with the Project on or before July 31st in each of the five calendar years following the year of the completion date of the Project.
 - a. For an oil and/or gas well to be attributed to the Project it must:
 - i. have a well permit granted to the Project Proponent under section 25 of OGAA; and,
 - ii. be directly associated with the Project.

XI. Defaults

1. The Project Proponent is not eligible to make an application for royalty deductions under this Agreement if the Project Proponent is in arrears in making any royalty

payments or any other payment under this Agreement or the Act to the Administrator or the Province of British Columbia.

2. If the Administrator determines that a deduction allowed pursuant to this Agreement was greater than the amount to which the Project Proponent is eligible, the Administrator may demand from the Project Proponent, an amount equal to the difference between the amount allowed and the amount to which the Project Proponent is eligible.

XII. Payments

The Project Proponent must pay to the Administrator the amounts demanded by the Administrator under Section III, paragraph 5, Section XI, paragraph 2 within 90 days of the issuance of the demand by the Administrator.

XIII. Dispute Resolution

1. The Parties agree to negotiate all disputes arising from this Agreement in good faith after receiving written notification of the existence of a dispute.
2. If the Parties are unable to resolve the dispute, either party may refer the dispute to court.

XIV. Project Proponent's Indemnity Related to Work

The Project Proponent must indemnify and save harmless the Administrator, Her Majesty the Queen in right of the Province of British Columbia, and its servants, agents, representatives or consultants, from and against all claims, liabilities, demands, costs and expenses, fines, penalties, assessments and levies made against or incurred, suffered or sustained by the Administrator, or its servants, agents, representatives or consultants, or any of them at the same time or times before on or after the completion of the Project or early termination of this Agreement where the same or any of them are based upon or arise out of the negligence of, or for anything done or omitted to be done by, or the gross negligence or wilful misconduct of the Project Proponent, their employees, agents or subcontractors, in connection with carrying out the Project Proponent's obligations under this Agreement, or the Project, which indemnity will survive the completion of the Project or early termination of this Agreement, whichever comes first, for a period not exceeding 36 months.

XV. Termination

1. This Agreement terminates on the earlier of:
 - (a) the written mutual consent of the Parties;

- (b) termination in accordance with Section XV, paragraph 2; or
 - (c) 10 years following the completion of the Project.
2. Subject to Section XV, paragraph 3, the Administrator may terminate this Agreement in the event of a breach by the Project Proponent of any obligation under this Agreement if, after giving 60 days written notice to the Project Proponent, the Project Proponent has not rectified or commenced to rectify the breach to the satisfaction of the Administrator.
3. If the Project Proponent disputes the existence of a breach in a court under Section XIII, paragraph 2, the Parties agree that the period of 60 days referred to in Section XV, paragraph 2 is extended until a decision confirming the existence of the breach is made by the court.

XVI. Governing Law

1. This Agreement must be interpreted in accordance with the laws of the Province of British Columbia.

XVII. Enurement

This Agreement may not be assigned by a Party without the prior written consent of the other Parties. No Party may unreasonably withhold consent to assignment of this Agreement. This Agreement is binding upon and enures to the benefit of the Parties and their respective administrators, trustees, receivers, successors and permitted assigns.

XVIII. Waiver

Any Party may waive a breach of an obligation set out in this Agreement. However, no waiver has any effect, or binds the Party making the waiver, unless it is in writing. A waiver does not limit or affect the rights of a Party with respect to any other breach.

XIX. Counterpart Execution

This Agreement may be executed in counterpart and all executed counterparts together constitute one agreement.

XX. Notices

1. All communications under this Agreement between the Parties must be in writing. Any communication under this Agreement is deemed to have been received:
- (a) if served personally, on the date of receipt;
 - (b) if by regular mail, on the third day following mailing;

- (c) If, between the time a notice is mailed in accordance with subparagraph(b) and the time it is actually received, there occurs a postal strike, lockout or slowdown that might reasonably affect delivery of the notice, the notice is not deemed to be given until the party actually receives it;
- (d) Subject to subsection (f), if delivered by electronic mail before 1630 hrs, on the day it was sent;
- (e) Subject to subsection (f), if delivered by electronic mail and sent after 1630 hrs, then the communication will be deemed to be received on the next business day; and

- (f) If a communication is sent by electronic mail, the party sending the communication must take reasonable steps to ensure that the transmission has been successfully completed.

The addresses for the Parties are:

Royalty Administrator: Ministry of Natural Gas Development
Physical Address: 5th Floor, 1810 Blanshard Street, Victoria BC V8T 4J1
Mailing Address: P.O. Box 9323 Stn Prov Government, Victoria BC V8W 9N3
Email Address: Project Manager email: XXXX.XXXXX@gov.bc.ca

Project Proponent: XXXXXXXXX
Physical Address: XX
Mailing Address: XX
Email Address: XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

SIGNED on behalf of **HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF BRITISH COLUMBIA**, by the **ROYALTY ADMINISTRATOR** under the *Petroleum and Natural Gas Act*

Name: Inés Piccinino
Royalty Administrator
Date

Signed on behalf of *(Name of Project Proponent)* by a duly authorized signatory

Name (Printed):
Title:
Date

Schedule A – Description of Project Work and Step(s)

COMPANY – Project Name Road

DESCRIPTION OF PROJECT: Please describe the project – Must Include: length of kilometers of project, area description, construction components/segments (phases), construction standards, etc. and location, timing and number of new wells to be drilled and produced as a result of the project.			
Project Start date (whole project) (mm/dd/yyyy)		Project Completion Date (whole project) (mm/dd/yyyy)	
Construction Start date (whole project) (mm/dd/yyyy)		Construction Completion Date (whole project)(mm/dd/yyyy)	
Construction Start date for Step 1 (mm/dd/yyyy)		Construction Completion Date for Step 1 (mm/dd/yyyy)	
Project-Step 1: Components	Expected Completion Date (mm/dd/yyyy)	ESTIMATED COMPLETION COSTS	Maximum Royalty Deduction
<i>Planning</i> (surveying, applications and design)			DO NOT use this space
<i>Construction</i> (clearing of right of way , installing culverts, road and/or bridge construction)			
<i>Graveling</i> (sub-grade and running surface)			
<i>Clean Up</i>			
TOTAL	DO NOT use this space	\$	\$
Construction Start date for Step 2 (mm/dd/yyyy)		Construction Completion Date for Step 2 (mm/dd/yyyy)	
Project-Step 2: Components	Expected Completion Date (mm/dd/yyyy)	ESTIMATED COMPLETION COSTS	Maximum Royalty Deduction
<i>Planning</i> (surveying, applications and design)			DO NOT use this space
<i>Construction</i> (clearing of right of way , installing culverts, road and/or bridge construction)			
<i>Graveling</i> (sub-grade and running surface)			
<i>Clean Up</i>			
TOTAL	DO NOT use this space	\$	\$
GRAND TOTAL FOR ALL STEPS	DO NOT use this space	\$	\$

Schedule B - Documentation Required for Release of Royalty Deduction

(All Schedule B materials to be provided by the Project Proponent to the Administrator when applying for a deduction.)

1. Royalty Deduction Submission Spreadsheet (sample attached);
2. Statutory Declaration of Completion (attached);
3. Summary of Final As Built Costs Per Step(s) (sample attached); and
4. Detailed List of Invoices of Final As Built Actual Costs Per Step(s) (sample attached).

Schedule B Example - Royalty Deduction Submission Spreadsheet

Well Information - ONE ROW FOR EACH WELL				Enter Input into Blue Shaded Cells			
Well #	Well Permit	Well Name	Bottom Hole Location	Spud Date	Rig Release	Anticipated Initial Production Date	Product (Marketable Gas, LPG, Pentanes+, Condensate, Oil,)
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							



IN THE MATTER OF THE *EVIDENCE ACT*, 1996 RSBC c.124 AND IN THE MATTER OF CERTAIN DISBURSEMENTS MADE IN CONNECTION WITH THE AGREEMENT

dated the _____ day of _____, _____ between:

HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF BRITISH COLUMBIA, represented by the Royalty Administrator of the Ministry of Natural Gas Development
(the Administrator)

and:

(the Project Proponent)

pertaining to Project Name: _____

I, _____, being the
(PRINT OR TYPE FULL NAME AND POSITION OR TITLE)

duly authorized representative of and agent for the Project Proponent, solemnly declare and attest that:

- i) the Step identified below has been completed in the manner and to the extent required by the Agreement on the completion of construction date below,
- ii) the Project Proponent intends to complete the project, and
- iii) the completion costs for which the deduction amount is calculated have actually been paid.

Project Step(s): _____

ROYALTY PAYOR CODE No. _____
(FOR ALLOCATION OF ROYALTY CREDIT)

OIL AND GAS COMMISSION PERMIT No. _____

Date Opened to Traffic (if applicable) _____

Date construction completed of applicable Step _____
(mm/dd/yyyy)

I MAKE THIS SOLEMN DECLARATION, conscientiously believing it to be true and knowing that it is of the same legal force and effect as if made under Oath.

DECLARED BEFORE ME AT THE _____)
 _____)
 _____)
 of _____, in the _____)
 Province of _____, on this _____+)
 day of _____, _____)
 _____)
 _____)
 A Commissioner for taking Affidavits for _____)
 (Province))

Signature of Project Proponent's; Authorized Representative

SUMMARY OF FINAL AS BUILT COSTS PER STEP(S)

(Summary to be provided by the Project Proponent should include the following information. Layout below is for illustrative purposes – alternative format satisfactory to Administrator may be submitted by the Project Proponent.)

Project-Step 1: Components and Segments	ESTIMATED COMPLETION COSTS (as Per Schedule A)	FINAL AS BUILT COSTS
<i>Planning</i> (surveying, applications and design)	\$	\$
<i>Construction</i> (clearing of right of way , installing culverts, road and/or bridge construction)	\$	\$
<i>Graveling</i> (sub-grade and running surface)	\$	\$
<i>Clean Up</i>	\$	\$
TOTAL	\$	\$

Project-Step 2: Components and Segments	ESTIMATED COMPLETION COSTS (as Per Schedule A)	FINAL AS BUILT COSTS
<i>Planning</i> (surveying, applications and design)	\$	\$
<i>Construction</i> (clearing of right of way , installing culverts, road and/or bridge construction)	\$	\$
<i>Graveling</i> (sub-grade and running surface)	\$	\$
<i>Clean Up</i>	\$	\$
TOTAL	\$	\$

GRAND TOTAL FOR ALL COSTS	\$	\$
----------------------------------	----	----

Detailed List of Invoices of Final As Built Actual Costs Per Step(s)

Note: Must be submitted electronically in Excel format.

(List to be provided by the Project Proponent **MUST** include the following information, layout below is for illustrative purposes- an alternate format satisfactory to the Administrator may be submitted by the Project Proponent.)

AFE # for the Project

STEP(S) (separate costs by Step)	Invoice Number	Invoice Date	Invoice Amount (less GST)	Item /Category	Vendor Name	Description of Service or Goods	Vendor Location (address)	Eligible Cost Category (Costs Paid)	Comments (identify any information of importance)
<i>Planning</i> (surveying, applications and design),	1. 2. 3.								
<i>Construction</i> (clearing of right of way , installing culverts, road and/or bridge construction) and	1. 2. 3. 4.								
<i>Graveling</i> (sub-grade and running surface)	1. 2. 3.								
TOTAL									

Schedule C – Road Layout and Design Standards, Project Map, and Proposed Construction Schedule

1. Road Layout and Design (attached);
2. Project Map (attached); and
3. Proposed Construction Schedule (attached).

Road Layout and Design

Project Name: _____ Company Name: _____

		Design Information
1.	ROAD TYPE: (OIL AND GAS ROAD, FOREST SERVICE ROAD OR MINING ACCESS ROAD)	
2.	ROAD LENGTH (KM)	
3.	ROAD LOCATION – START (NTS / TWP)	
4.	ROAD LOCATION – FINISH (NTS / TWP)	
5.	ROAD WIDTH: (M)	
6.	ROAD BASE DEPTH: (M)	
7.	DEPTH OF GRAVEL: (mm)	
8.	RIGHT OF WAY WIDTH: (M)	
9.	ROAD SUBGRADE WIDTH: (M)	
10.	NUMBER OF PULLOUTS:	
11.	DISTANCE BETWEEN PULLOUTS: (M)	
12.	MINIMUM FILL DEPTH: (M)	
13.	MAXIMUM GRADE: (%)	
14.	MINIMUM SIDE SLOPE: (%)	
15.	NUMBER OF BRIDGES: (if applicable)	
16.	BRIDGE DESIGN LOAD: (T)	
17.	MINIMUM CROSS-DRAIN CULVERT SIZE: (mm)	

PROJECT MAP:

Proposed Construction Schedule – Road (example)



Ministry Natural Gas
Development

PROPOSED CONSTRUCTION SCHEDULE

Project Name _____ **Proponent Company** _____

Work Type	Weeks	April-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
Surveying	1	█								
Design	5	█	█							
Clearing ROW	4		█	█						
Install culverts	3			█	█					
Construct Bridge	5			█	█	█				
Gravel - sub-grade	4				█	█	█			
Gravel - running surface	10				█	█	█	█	█	

Contact Name: _____

Phone Number: _____

Schedule D – Special Equipment, Inventory or Services

For clarity and audit review purposes, please provide a complete list of the goods or services purchased prior to the start date of this Project. The goods and services purchased must qualify as eligible costs under the Infrastructure Royalty Credit Program relevant to the Project.

Note: Project Proponents may be required to provide receipt/support for the costs included in Schedule D. Submitting the projected costs in advance does not take the place of a valid invoice/documentation of actual costs.

	Special Equipment / Inventory or Services required for project (outside of project dates) Eligible Item Description	Date Purchased [Month XX, Year]	Cost	Comments / Explanation
	Example: Gravel	Time prior to commencement of project start date	\$xx.xx	Example: State reason why this item had to be purchased prior to start of project.
	Example: Surveying costs	Time prior to commencement of project start date	\$xx.xx	Example: This surveying work was required because...[provide explanation]
1.			\$	
2.			\$	