Reporting Requirements
Petroleum and Natural Gas Act

Latest Revision: The revision bar ( | ) identifies changes to the previous version of this notice dated October 2018. For a summary of the changes, see Latest Revision at the end of this document.

Reporting requirements for oil and gas activities in BC are changing November 1, 2018 with the implementation of Petrinex. This notice explains important changes to BC reporting requirements, including changes to infrastructure, monthly and annual reporting.

Starting November 5, 2018 for the October 2018 gas and oil production month, you report volumetric and other royalty-related information, along with the supporting well and facility infrastructure information in Petrinex.

Certain reporting errors and omissions may result in penalties or deemed royalties. More information about penalties can be found in Oil & Gas Transition Notice 003, Penalties and Reporting Errors. More information about deemed royalties can be found in Oil & Gas Transition Notice 004, Deemed Royalty.

Reporting Facility
Petrinex relies on specific information being reported by industry participants throughout the oil and gas well and facility lifecycle. As a result, more people and companies are required to report information in Petrinex than currently report to us. To facilitate this change, we have broadened the definition of “reporting facility” in our regulation.

A “reporting facility” means a building, structure, installation, equipment or appurtenance that is connected to or associated with the recovery, development, production, storage, handling, processing, treatment or disposal of oil, natural gas, natural gas by-products, water or other substances that are produced from or injected into a well and, for certainty, includes a battery, gathering system, natural gas processing plant, meter station, pipeline, injection facility, terminal and treating plant.
You will find a full listing of reporting facilities in Appendix 6 of the *Petrinex Industry Readiness Handbook*. This appendix lists the facilities and subtypes, along with a description, that are available in Petrinex for reporting in BC. This table may be updated prior to November 5, 2018.

Facility types include:
- Pipeline
- Battery
- Compressor station
- LNG plant
- Refinery
- Gathering system
- Gas plant
- Meter station
- Injection facility
- Terminal
- Custom treater
- Waste plant
- Waste location

**Reporting Responsibility**

Those parties that are the current facility operator on record with the Oil and Gas Commission (OGC) will be the operator responsible for monthly and/or ongoing infrastructure reporting in Petrinex. If the current operator allows a third party to operate the facility, operatorship can be transferred in Petrinex by the operator on record. Transfer of operatorship requires concurrence on the part of the new operator.

The operator of a reporting facility may be liable for deemed royalty or penalty assessments (or both) if reporting requirements are not met.

All industry stakeholders that hold licenses or permits in BC must register for access to Petrinex. You must register soon as possible using the OGC *Business Associate (BA) Data Collection form*. For more information about this process, email OGC at BAUPDATE@bcogc.ca.

In addition to licensees and facility operators, other parties will be required to report and/or retrieve information through Petrinex. These parties include royalty/tax payers, owners of oil or natural gas production, and purchasers of oil and field condensate.
These parties must also register for access using the OGC Business Associate (BA) Data Collection form discussed above.

Appendix 5 of the Petrinex Industry Readiness Handbook provides more information on reporting responsibilities by specific stakeholder group.

**Information Reporting Requirements: Infrastructure Reporting**
The Oil & Gas Commission (OGC) is implementing a new system to collect some information. This includes Gross Completion Interval and Field/Poll information that is currently reported on the BC-11, Notice of Commencement or Suspension of Well Operations. OGC will use this information to create the Unique Well Identifier (UWI) needed for reporting and will load it into Petrinex.

Section 3.3 of the Petrinex Industry Readiness Handbook provides more information on infrastructure reporting requirements.

**Information Reporting Requirements: Monthly Reporting**
Currently, stakeholders submit volumetric, allocation and valuation data monthly through various forms that are used to calculate royalties and generate invoices. In addition, some forms are received after the billing cycle to validate data.

Starting November 5, 2018 for the October 2018 production month, reporting facility operators will submit this type of information through Petrinex. Petrinex edits, non-compliance and completeness reports will help stakeholders confirm they have correctly and completely met all reporting requirements prior to the monthly deadlines.

A list of the legacy forms, and how they will be replaced with Petrinex is available in Appendix 4: “Linking Existing BC Forms to Petrinex Processes” of the Petrinex Industry Readiness Handbook.

**Volumetric Reporting**
On or before the 21st day of the calendar month following each producing month, a reporting facility operator must report balanced volumetrics for all products at facilities they operate. This information includes inventories, production, receipts, use and storage in that producing month for oil, natural gas, natural gas by-products and water at the facility.

For most facilities, when product is received at a downstream facility, it “auto-populates” the disposition from the upstream facility. This enables balancing of volumetrics across all facilities in the province. Although this disposition information is
provided by a third party, it is up to the facility operator to ensure their facility is balanced. If information is not provided by the downstream operator in a timely manner, the facility operator should contact that party.

**Allocation Reporting for Marketable Gas and Natural Gas By-Products**

By the 25th day of the calendar month following each producing month, a reporting facility operator must submit allocation information for all volumetrics that are identified as “allocation triggers.” A complete list of BC allocation triggers is provided in section 3.4.2 of the [Petrinex Industry Readiness Handbook](#).

The reporting facility operator accounts for these volumes by allocating them to:

- a royalty/tax payer of a well event or unitized operation, or
- the upstream delivering facility (if the royalty/tax payer and well information is not known).

**Oil/Condensate Pipeline Split and Valuation Reporting**

The volume of oil and condensate sold is assigned to owners and purchasers through the pipeline split process in Petrinex. Identified owners and purchasers must then report valuation information for their share of these volumes.

When oil is recovered or being inventoried, reporting requirements depend on specific circumstances:

- **Oil Recovered from a Custody Transfer Facility and allocated to a Producer**
  Oil that is recovered at a Custody Transfer Facility (Terminal/Pipeline/Gas Plant/Waste Plant) and allocated back to the Producer that produced the oil must be reported as production from the producing well and an oil split and oil valuation must be reported in Petrinex. The valuation must be based on the actual consideration received for the sale of the oil, less allowable transportation costs. Processing and treating fees at the Treating Facility are not allowable transportation costs.

- **Oil Recovered from Waste Plants and not allocated to a Producer**
  Oil that is recovered at a Waste Plant and not allocated to the Producer that produced the oil is reported as production from the producing well, but does not pay an oil royalty under the Royalty Regulations. This is because the Waste Plant operator takes ownership of the oil under the treating contract. Petrinex does require an oil split and oil valuation to be reported by the Producer, but with Contract Number WO and zero priced.
- **Oil Inventoried at a Custody Transfer Point**
  The volumetric disposition of oil to a Custody Transfer Point requires an oil pipeline split in Petrinex for the entire oil delivery, with the assumption that all the oil delivered has been sold in the current month. A Custody Transfer Point may include a Terminal, Pipeline, Gas Plant, Waste Plant, and any facility that is outside BC. The price used for the volume sold is applied to the full volume. Once the inventoried oil volume is sold in a subsequent month, the RTP needs to amend the valuation using the weighted average of the original price and the new month’s price for the entire volume. The RTP and Purchaser will need to communicate with each other to ensure the oil valuation is in balance.

- **Oil Inventoried at a Non-Custody Transfer Point**
  Oil delivered and inventoried at a Custom Treater Facility or other Non-Custody Transfer Point Facility does not require an oil pipeline split. Inventoried volumes at the Custom Treater Facility that get delivered to a Custody Transfer Point in the following month will require an oil split and valuation at that time.

More details about the pipeline split and valuation process and requirements are provided in section 3.4.2 of the **Petrinex Industry Readiness Handbook**.

**Information Reporting Requirements: Annual Reporting**
On an annual basis, royalty taxpayers provide information to establish allowable costs for the year.

**Producer Cost of Service (PCOS)**
With the implementation of Petrinex, you will submit your PCOS information in Petrinex rather than submitting a BC 22 form to us. You have until January 31, 2019 (rather than December 31, 2018) to submit your PCOS information for the 2018 calendar year. We will review your request before the March invoice run and the PCOS rate will be applied to your January to December 2019 production period royalty invoices.

With the implementation of our new invoice and payment system, the estimated original cost of equipment previously calculated may change slightly. This change is due to system differences in rounding and should not cause a material difference on your PCOS rate. In some cases the original cost will be slightly higher, and in other cases it will be slightly lower.

Further information on PCOS reporting and conversion is available in section 3.5.2 of the **Petrinex Readiness Handbook**. Any changes made throughout the year should be reported as required.
Gas Cost Allowance (GCA)

GCA is a deduction for costs of processing gas in a producer-owned plant. Currently, a gas plant facility operator submits a BC-23, Application for Gas Cost Allowance to establish their entitlement. This data is used to calculate a GCA rate based on the direct operating and capital costs of the plant, as well as the volume of gas produced at the plant. The information is also used by Energy, Mines and Petroleum Resources (EMPR) to set the Gas Reference Price. After the implementation of Petrinex, gas plant operators will submit information in Petrinex using the Petrinex - BC Allowable Costs process.

Qualifying reporting facilities may make an application for the previous calendar year between January and March 10 of the subsequent year. GCA data for the 2018 calendar year will be due between January 1 – March 10, 2019 (5 days earlier than the 2018 annual deadline of March 15, 2018). Any changes made throughout the year should be reported as required.

Prior year data (for the 2018 calendar year) will not be transferred to Petrinex. See section 3.5.1 of the Petrinex Readiness Handbook for additional information.

Below is a list of legacy forms that were used, and the Petrinex reporting functionality that will be used to capture that information.

<table>
<thead>
<tr>
<th>Who Files</th>
<th>Legacy Form</th>
<th>Petrinex Reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facility Operator</td>
<td>Application for Producer Cost of Service (BC22)</td>
<td>Petrinex: PCOS:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• PCOS Equipment Operator Change</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• PCOS Management</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• PCOS Equipment List</td>
</tr>
<tr>
<td>Gas Plant Operator</td>
<td>Application for Gas Cost Allowance (BC23)</td>
<td>Petrinex: Allowable Costs:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• BC Allowable Costs</td>
</tr>
<tr>
<td>Producer</td>
<td>Gas Sales Contract Summary (BC40)</td>
<td>Not part of Petrinex</td>
</tr>
<tr>
<td></td>
<td></td>
<td>EMPR may collect data from producers</td>
</tr>
</tbody>
</table>

Information Reporting Requirements: Other Changes

The table below provides an overview of previous forms and future reporting functionality during the well start-up phase. This data is primarily used to set up the
well and facility infrastructure and account data. You continue to update this data throughout the lifecycle of the well.

<table>
<thead>
<tr>
<th>Form Owner</th>
<th>Who Files</th>
<th>Legacy Form</th>
<th>Future Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>OGC</td>
<td>Well Operator</td>
<td>Application for Well Permit - online</td>
<td>The form will continue to be entered into OGC’s AMS system, and data will be sent and processed by the Petrinex – Well License process</td>
</tr>
<tr>
<td>OGC</td>
<td>Facility Operator</td>
<td>Application to Build a Facility - online</td>
<td>The form will continue to be entered into OGC’s AMS system, and data will be sent to Petrinex.</td>
</tr>
<tr>
<td>FINANCE</td>
<td>Well Operator</td>
<td>Application for Summer Drilling Credit (BC25)</td>
<td>N/A – for Petrinex</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Note: Amendments accepted to June 30, 2019</td>
<td></td>
</tr>
<tr>
<td>OGC</td>
<td>Facility Operator</td>
<td>Notice of Intent (NOI) Application for Well or Facility to Facility Linkage</td>
<td>Replaced by the Petrinex – Well to Facility process.</td>
</tr>
</tbody>
</table>
Further Petrinex Information
The Petrinex Industry Readiness Handbook contains additional information on Petrinex reporting.

The Petrinex Business Desk is available to assist you in preparing for and using Petrinex. They can be reached by:
Phone: 403 297-6111 (Calgary) or 1 800-992-1144 (other locations)
Fax: 403 297-3665
Email: petrinexsupport@petrinex.ca
Website: www.petrinex.ca

Further BC Government Information
Online: gov.bc.ca/oilandnaturalgastaxes
Toll free: 1 800 667-1182 or 250 952-0192
Email: Oil&GasRoyaltyQuestions@gov.bc.ca

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The information in this notice is for your convenience and guidance and is not a replacement for the legislation. Certain information provided in this notice is subject to regulation that is pending.

Latest Revision
December 2019
- Updated to include reporting requirements for oil that is recovered or being inventoried.