

## Definition of Spud Date and Correction to the Deep Re-Entry Well Deduction

### *Petroleum and Natural Gas Act*

On April 21, 2004, three changes to the *Petroleum and Natural Gas Royalty and Freehold Production Tax Regulation* came into effect. The following provides a summary of these changes.

1. A definition of spud date has been added to section 1 of the Regulation. The spud date is now defined as “the date selected by the Oil and Gas Commission as the date on which the ground was first penetrated for the purposes of drilling the well.”

Spud date is used in the Regulation to determine eligibility for several royalty incentives, such as the deep well credit program.

2. Section 6 of the Regulation covers natural gas and natural gas by-product royalty and tax rates. Section 6(1), item 1, part (a) has been amended to clarify that it is the **spud date of the well** (as opposed to the well event) that must be before June 1, 1998, in order for the royalty rate in column 2 to apply to the non-conservative gas produced from the well event.
3. Section 7 of the Regulation covers royalty and tax calculations. Section 7(7)(d) has been changed to replace 1500 with **750** on the line for **100 Metres Depth** in the West table as the Incremental Value \$/Metre for deep re-entry well events. Section 7(7)(d) has also been changed to replace 900 with **450** on the line for **100 Metres Depth** in the East table as the Incremental Value \$/Metre for deep re-entry well events. The West and East tables now read as follows:

WEST		
Depth (metres)	Cumulative Value \$000	Incremental Value \$/Metre
100	0	<b>750</b>
300	150	500
1500	750	

EAST		
Depth (metres)	Cumulative Value \$000	Incremental Value \$/Metre
100	0	<b>450</b>
300	90	300
1500	450	

### Further Information

If you have any questions, please call us at 250 952-0192 in Victoria, or toll-free at 1 800 667-1182, or e-mail your questions to [Oil&GasRoyaltyQuestions@gov.bc.ca](mailto:Oil&GasRoyaltyQuestions@gov.bc.ca)

You can also find information on our website at [www.sbr.gov.bc.ca/business/Natural\\_Resources/Oil\\_and\\_gas\\_royalties/oil\\_and\\_gas\\_royalties.htm](http://www.sbr.gov.bc.ca/business/Natural_Resources/Oil_and_gas_royalties/oil_and_gas_royalties.htm)

The information in this letter is for your convenience and guidance and is not a replacement for the legislation. The *Petroleum and Natural Gas Act* and Regulations are on our website at [www.sbr.gov.bc.ca/business/Natural\\_Resources/Oil\\_and\\_gas\\_royalties/legislation.htm](http://www.sbr.gov.bc.ca/business/Natural_Resources/Oil_and_gas_royalties/legislation.htm)