Ministry of Finance

BC22 Producer Cost of Service (PCOS) Application Reporting Requirements

Petroleum and Natural Gas Act

The PCOS allowance is a deduction from royalties payable on a volume of natural gas to compensate producers for their allowable costs of gathering, compressing and dehydrating the Crown's share of the gas up to a processing plant gate, or entry to a third party transmission pipeline or sales meter. The PCOS allowance is calculated on royalty invoices by multiplying the raw gas volume by a PCOS rate per thousand cubic meters.

The ministry calculates a PCOS rate for each reporting facility. The key feature of a reporting facility is that the operator must submit monthly oil and gas production and disposition reports. Gas production volumes are an essential component of PCOS rate calculations.

PCOS rates are determined by applying standard costs to the allowable equipment in use at a reporting facility. The PCOS application (**BC22**) is used to establish an inventory of allowable equipment in use at each facility.

Reporting Requirements

The BC22 reporting requirements have not changed. BC22 applications to report pipelines and equipment continue to be required as set out below.

- If you are an operator of an existing facility, you need to file a BC22 to report all additions and deletions of equipment, whether the equipment has been moved or is no longer in use.

- If you are an operator of a new facility producing natural gas, you need to file a BC22 to receive the initial PCOS rate.

- If you are an operator of a new well linked to an established facility, you need to file a BC22 to report the pipeline and any additional equipment.

- If you are an operator of an existing well that has changed linkage to a new facility, you need to file a BC22 to report the pipeline deletion on the original facility and the pipeline addition on the newly linked facility.

The BC22 application for a new facility for which a PCOS rate has not been determined is due on the last day of the month following the first month of production. The new facility rate will be calculated when the facility is in operation and the BC22 processed.

The BC22 for existing facilities reporting additions or deletions of equipment may be submitted anytime during the year, however, all changes must be reported by December 31st of each year. The additions and deletions reported for the year will be processed and the changes included in the rates for the following year.

Often, non-reporting facilities are connected to reporting facilities. If the reporting and non-reporting facilities have the same operator, equipment inventories for both may be reported on the same BC22. If they have different operators, the operator of the non-reporting facility should submit a separate BC22 for that facility. The ministry will combine information from the separate BC22s when calculating the PCOS rate for the reporting facility.

The BC22 application and guidelines are available online at **www.sbr.gov.bc.ca /business/Natural_Resources/Oil_and_gas_royalties/forms.htm** You can submit the completed BC22 by e-mail to **Kathryn.Anderson@gov.bc.ca** or by fax to 250 952-0191. You can also submit the completed BC22 by e-mail through the Excel version of the online form, by clicking on the submit button at the end of the form.

New Website Access to PCOS Calculation Reports

If you are a facility operator in British Columbia, you can now access PCOS calculation reports for 2008 rates through our website at www.sbr.gov.bc.ca/business /Natural_Resources/Oil_and_gas_royalties/oil_and_gas_royalties.htm Click on the Oil and Gas Royalties and Taxes ONLINE link, scroll down to Reports and choose the report you wish to access.

The following three reports show the calculation of PCOS rates for a particular facility.

1. PCOS Cost Summaries Report
2. PCOS Current Value Report
3. PCOS Rate Report

If you are the operator of a reporting facility, you can access the reports for that facility. Any others wanting this information must contact the operator of the facility.

If you are a royalty payor in British Columbia, you can access **Producer Cost of Service (PCOS) Rates** through this website for each reporting facility at which you own production. This report provides a summary, by year, of all of a royalty payor's PCOS rates.

You will need a user ID and password to access any of the above reports. To obtain a user ID and password, please call us at 1 800 667-1182.

When you have chosen the report you wish to access, fill in the information fields on the report request screen. The report will be created and sent to the e-mail address you provide within minutes of your request.

Please note: When a facility changes ownership, it is the responsibility of the buyer and seller to inform the Oil and Gas Commission (OGC) of the change. If the OGC is not informed, the facility name, operator and operator code will not be changed and the buyer will not be able to retrieve their PCOS information.

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**

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

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