

Ministry of Finance

Tax Bulletin



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Bulletin PNG 005

gov.bc.ca/oilandnaturalgastaxes

British Columbia Oil and Gas Primer

Petroleum and Natural Gas Act

Latest Revision: The revision bar (|) identifies changes to the previous version of this bulletin dated July 2012.
For a summary of the changes, see Latest Revision at the end of this document.

This bulletin explains the reporting and payment obligations for operators of oil and gas wells, production facilities or plants, and producers of oil and gas.

For detailed information on reporting and payment obligations, see the [British Columbia Oil and Gas Royalty Handbook](#). For detailed information on a variety of royalty programs, visit our [website](#).

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Overview

As an oil and gas operator or producer (royalty payer), you must report and make payments to the Ministry of Finance. This bulletin explains your reporting and payment obligations in compliance with BC's oil and gas royalty system. You must be registered in BC if you are operating oil or gas wells or facilities in the province, or if you are an oil or gas producer.

For more information on registering, visit the [Corporate Registry's website](#).

Oil and gas operators and producers have different reporting and payment obligations under BC's oil and gas royalty system. Operators and producers are required to interact, at different times, with the three reporting agencies identified below.

1. Ministry of Finance, Oil and Gas Revenue Branch (ministry)

The Ministry of Finance assesses, collects, verifies and reports Crown royalties and freehold production taxes you pay. The ministry also administers the Oil and Gas Commission Levy.

Note: Reference to 'ministry' in this bulletin refers to the Ministry of Finance.

2. Ministry of Energy, Mines & Petroleum Resources EMPR

The Ministry of Energy, Mines & Petroleum Resources (EMPR) promotes and facilitates the development of the energy and mineral resource sectors, and manages oil and gas titles. EMPR is also responsible for determining a monthly producer price for gas producers in BC.

3. British Columbia Oil and Gas Commission (OGC)

The Oil and Gas Commission (OGC) regulates the crude oil, natural gas and pipeline activities in the province. The OGC provides the necessary permits for pipelines and for the oil and gas industry.

The permit, reporting and payment process involves the three reporting agencies listed above. For example, before drilling can occur, you must obtain a [Well Permit Application](#) from the OGC. You must also provide drilling and well completion reports to the OGC. Selected information provided in your completion reports is used by the ministry to determine royalty rates and exemptions.

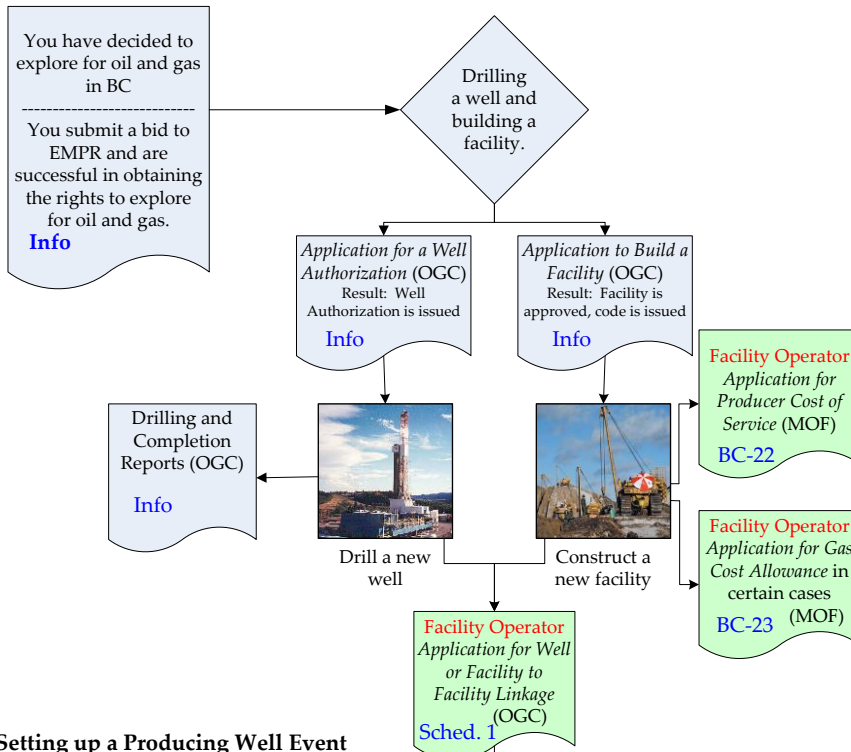
The flow chart below, Application and Reporting Requirements in the Oil and Gas Industry in BC, shows the step by step process in the oil and gas industry in BC, from exploration to completion, acquiring approvals, submitting reports and making payments. This chart will help you identify which agency you submit a specific

application or report to. The section of the flow chart outlined in green represents your reporting requirements.

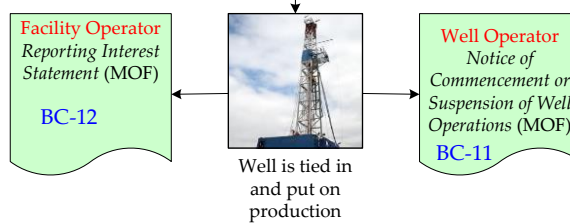
For a list of the due dates for each submission form mentioned in this bulletin, see the Table of Reporting Due Dates at the end of the bulletin. For guidelines and options on submitting the forms, visit our [website](#).

Application and Reporting Requirements in the Oil and Gas Industry in BC

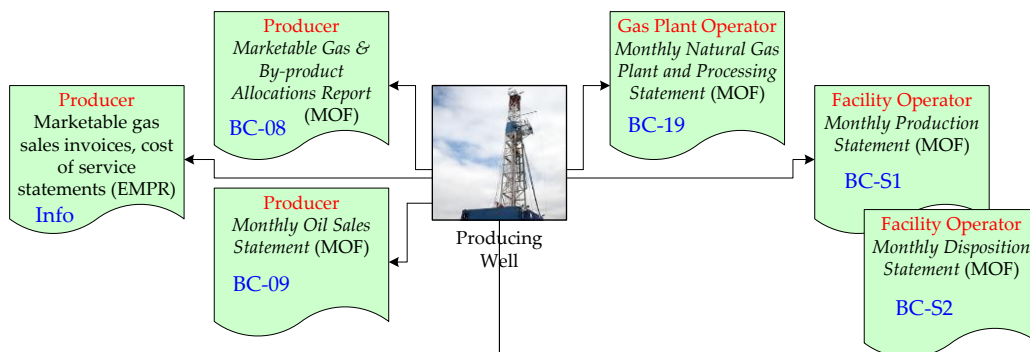
Getting Started



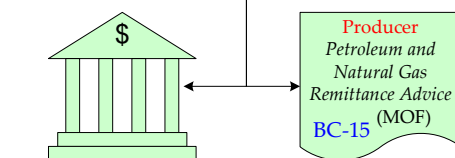
Setting up a Producing Well Event



When You are Producing Oil or Gas



Royalty Payment



MOF = Ministry of Finance
 EMPR = Ministry of Energy, Mines and Petroleum Resources
 OGC = British Columbia Oil and Gas Commission

Definitions

Disposition refers to the movement of product, such as the sale or delivery of product, flaring or venting of gas, or the disposal of water to pits.

A **facility operator** is an operator whose operations do not include a gas processing plant.

An **operator** is a person or company that is responsible for the drilling, completion, production and abandonment of a well, or for the construction, operation and reclamation of a production facility or processing plant.

A **plant operator** is an operator of a gas processing or reprocessing plant.

The **posted minimum price (PMP)** is the minimum value for the **reference price**. The EMPR calculates and publishes a PMP each month for each gas processing plant. For example, if a producer price for a producer at a plant is less than the PMP for the plant, the PMP must be used for the royalty calculation. For more information on posted minimum prices, visit our [website](#).

A **producer** is a person or company that takes ownership of oil or gas production as it is produced and has the right to sell it as they choose. Producers are direct recipients of proceeds from the first sale of the oil or gas and are responsible for paying royalties on oil or gas production.

A **producer-owned plant** is a processing plant owned by a producer that also has its own production going through the plant.

The **Producer Cost of Service (PCOS)** deduction is an allowance to the producer to offset the costs of transporting the Crown's share of gas from the wellhead to the inlet of the plant.

The **producer price** is calculated by EMPR as an average monthly natural gas sales price for each producer at the inlet of each processing plant where you have production.

The **reference price** is used to calculate gross royalties for marketable gas. It is the greater of the producer price and PMP, and is determined at each plant inlet where you have production. Both the producer price and the PMP are based on current market prices. For example, if your producer price at a plant is less than the PMP for that plant, the PMP will be used for the reference price.

Royalty credits are given to encourage industry to develop particular resources.

The **royalty rate** is the Province of BC's calculation of its share of oil and gas in the province.

Operators

Well Operator

You must receive approval from the OGC before constructing a well site. You must provide reports during and after the drilling of the well. Once drilling is complete, you must submit a *Completion/Workover Report* to the OGC.

For guidelines on how to fill out the report, see the [Completion/Workover Report Reference Guide](#).

Well status reports

The purpose of the *Notice of Commencement or Suspension of Operations (BC-11)* is to notify the ministry of any of the following operations at a well:

- Initial commencement of production
- Initial commencement of injection of gas or other product into a reservoir for pressure maintenance, storage, displacing liquids, or for recovery purposes or disposal
- Suspension of production
- Suspension of injection or disposal
- Resumption of production
- Resumption of injection or disposal

You must submit a BC-11 when the status of a well event changes. A separate BC-11 is required for each well event.

The reporting of the status of a well event includes three parts:

1. **Fluid type** - may be oil, gas, water, gas cap, solvent or something undefined
2. **Mode** - may be active, completed, suspended or abandoned
3. **Operation type** - may involve production, disposal, injection, observation or source shortage, and may also be undefined

Note: For guidelines and options on submitting a BC-11, visit our [website](#).

The online [BC-11 form entry screen](#) will provide you with information about the well that was previously received through well authorizations, drilling and completion reports.

When the ministry receives your completed BC-11 indicating an active status of a new well, the ministry will establish the well event in its royalty management system.

Facility Operator

Well-to-facility connections

You must provide the OGC with a *Well or Facility to Facility Linkage* ([Schedule 1](#)) in order to connect a well to a production facility (e.g. a battery, dehydration facility, pumping station, compressor station, gas injection station or any other system of vessels and equipment designed to accommodate production or disposal).

The Schedule 1 informs the ministry and the OGC that you have linked a well to a facility, or have linked a facility to another facility. The Schedule 1 is designed to ensure the ministry has the necessary information to identify and confirm the physical flow of oil and gas from production to disposition.

The information contained in Schedule 1 provides the ministry with the details to allocate correct royalty deductions. The Schedule 1 is available on OGC's [website](#). The [Facility Application and Operations Manual](#), located on the same webpage, provides instructions for the Schedule 1 form.

Royalty Responsibility

If you are an operator of an oil or gas facility where a new well event is connected, or there is a change in royalty responsibility in an existing well event or production entity, you must submit a *Reporting Interest Statement* ([BC-12](#)) to the ministry. This statement provides the ministry with information as to which royalty payer is responsible for paying royalties on production from the well event or production entity, and the percentage share for each royalty payer.

When you establish royalty responsibility for a new well, the percentages on your BC-12 must total 100 percent.

When you submit a change in royalty responsibility, you only submit the percentage change in ownership.

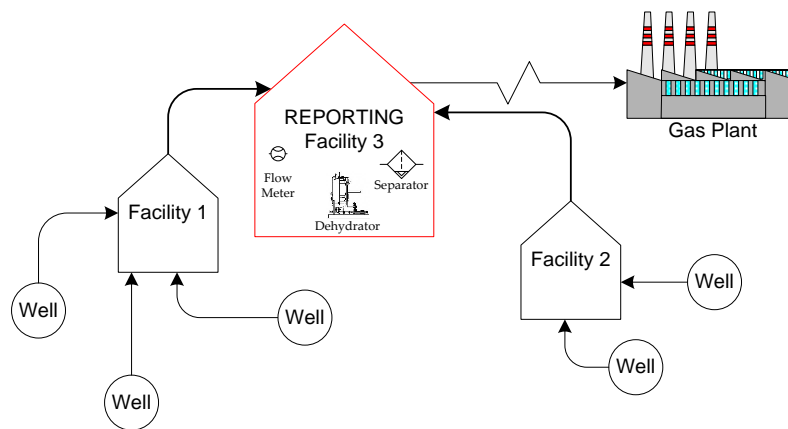
Note: Percentage of royalty responsibility is not always equal to percentage of ownership interest.

Reporting oil, gas, condensate and water production

The OGC determines which production facility will be your reporting facility based on how the product flows from the wells through the facilities. Monthly production or disposition information is then reported from your identified reporting facility.

A reporting facility must have certain equipment installed in order to adequately separate and measure all of the product streams. Typically, this is a facility where there is dehydration equipment. Sometimes, there may be separation and measurement equipment for each product stream, or just separation and compression equipment. For a detailed description of the distinction between production facilities and reporting facilities, see the diagram below, Example of What Defines a Reporting Facility.

Example of What Defines a Reporting Facility



If you are an operator of an active reporting facility, you must submit a *Monthly Production Statement (BC-S1)* to the ministry. The BC-S1 is a statement of monthly production of oil, condensate, gas and water for one or more wells linked to a reporting facility. It is used to record estimated, measured and prorated production from each well event. You must report the production and disposition data each month for all well events you are responsible for.

Note: You **are not** required to submit the BC-S1 if there is no production from any of the well events attached to your reporting facility.

Reporting flow of oil, gas, condensate and water

If you are an operator of a reporting facility, you must submit a *Monthly Disposition Statement (BC-S2)* to the ministry. The BC-S2 is a monthly statement tracking the movement of oil, gas, condensate and water to and from a reporting facility. For example, sometimes oil or gas is delivered from one facility to another. This means the facility sending the product to the reporting facility must show that volume as being

delivered to the reporting facility. The reporting facility needs to confirm they have received volumes from the first facility by submitting the BC-S2.

Note: You **are not** required to submit a BC-S2 if there has been no activity in the month.

Deductions from gas royalties – Producer Cost of Service (PCOS) allowance

If you are an operator of a gas reporting facility, you must submit an *Application for Producer Cost of Service* (BC-22) to the ministry. PCOS is an allowance for certain costs involved in moving raw gas from the well head to the inlet of a gas processing plant. These costs include gathering, dehydrating and compressing raw gas.

You must inform the ministry of additions and deletions of qualifying equipment that is in use at each production facility. The ministry sets annual PCOS rates for each reporting facility and calculates PCOS deductions on gas royalty invoices. The PCOS deductions are posted each month on your royalty invoices.

Natural Gas Processing Plant Operators

A natural gas processing plant is a plant that extracts hydrogen sulphide, carbon dioxide, helium, ethane, natural gas liquids or other substances from natural gas. It is not a gas production facility.

Gas Cost Allowance (GCA)

If you are an operator of a producer-owned natural gas processing plant, you must submit an *Application for Gas Cost Allowance* (BC-23) to the ministry. The GCA is an allowance to offset the capital and operating costs associated with processing raw gas at a producer-owned gas processing plant. You must provide your plant's actual capital and operating costs for the previous year and estimated costs for the current year.

The GCA is a deduction from your average gas sales prices that is used to calculate the final **producer price** each month. For more information on producer prices, see Natural Gas Royalties below.

Reporting natural gas plant and by-products volumes

You must submit a *Monthly Natural Gas Plant and Processing Statement* (BC-19) to the ministry. The BC-19 is used to report raw gas volumes received, marketable gas volumes extracted, volume of natural gas by-products extracted from raw gas received, any gathering system or plant losses associated with transporting and processing raw gas deliveries, and natural gas and by-product splits.

Producers of Oil and Gas, Royalty Payers

Oil Royalties

Reporting requirements

If you are a facility operator, you must submit the BC-12 to determine your royalty responsibility for each well event or for each tract in a production entity. You must also submit the BC-S1 to report your monthly oil production volumes.

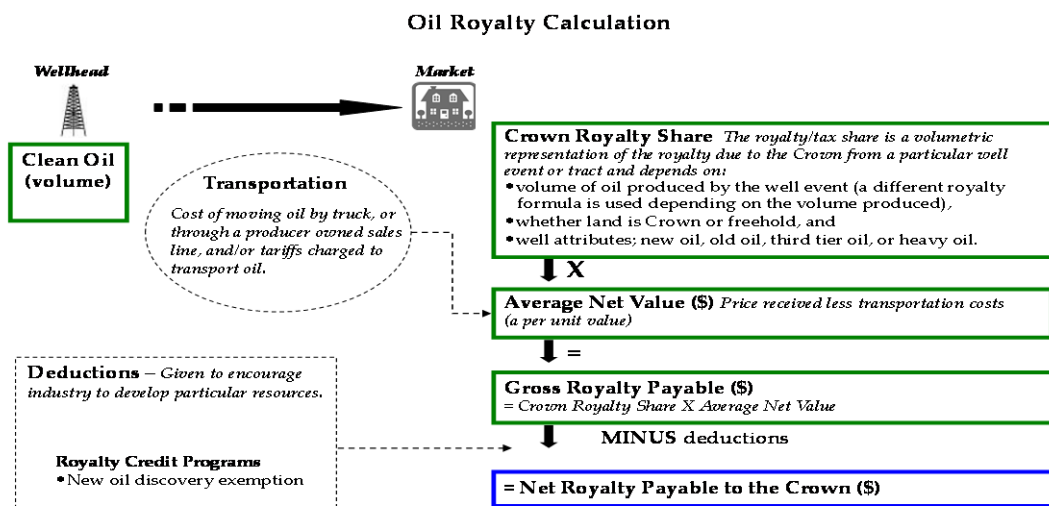
If you are an oil producer, you must submit a *Monthly Oil Sales Statement (BC-09)* to the ministry. The ministry uses the information provided on the BC-09 to determine an average net value of oil sales by each producer at each reporting facility.

Oil royalty invoices

Royalty and freehold production tax amounts owing are calculated using the BC-12, BC-S1 and BC-09. Royalties are payable on oil production from Crown land and freehold production tax is payable on oil production from freehold land. Royalties and taxes owing are issued on one royalty invoice.

Royalties and taxes on oil production for each well event are calculated, in part, by applying your percentage of royalty/tax responsibility to oil production volume. Royalties and taxes on oil production also rely on varying well factors, such as oil vintage and whether oil is produced from Crown land or freehold land.

For a detailed description of how oil royalties are calculated, see the diagram below, Oil Royalty Calculation.



Natural Gas Royalties

The royalties you pay on gas sales are based on the monthly producer price, the volumes of raw gas produced, the marketable gas available for sale, the volumes and value of by-products sold, and the well attributes.

For a detailed description of how natural gas royalties are calculated, see the diagram below, Natural Gas Royalty Calculation.

Reporting requirements

If you are a producer of natural gas, you must submit copies of marketable gas sales invoices for all your sales of marketable gas in a given month to EMPR. An average sales price is then determined from these statements.

You must also submit your actual monthly costs of transporting, processing or treating natural gas from the inlet of the processing plant to market. These costs, which you receive from plant and pipeline operators, are referred to as cost of service statements. For producer-owned plants, approved gas cost allowance rates are used. These costs are then deducted from the average sales value.

The cost of service information is used to calculate an average monthly sales price for each producer at the inlet of each processing plant, known as the **producer price**. For more information on the producer price calculation, see the [Oil and Gas Royalty Handbook](#).

You must submit copies of marketable gas sales invoices and actual cost of service statements to EMPR by fax or email to:

Fax: 250 952-0251

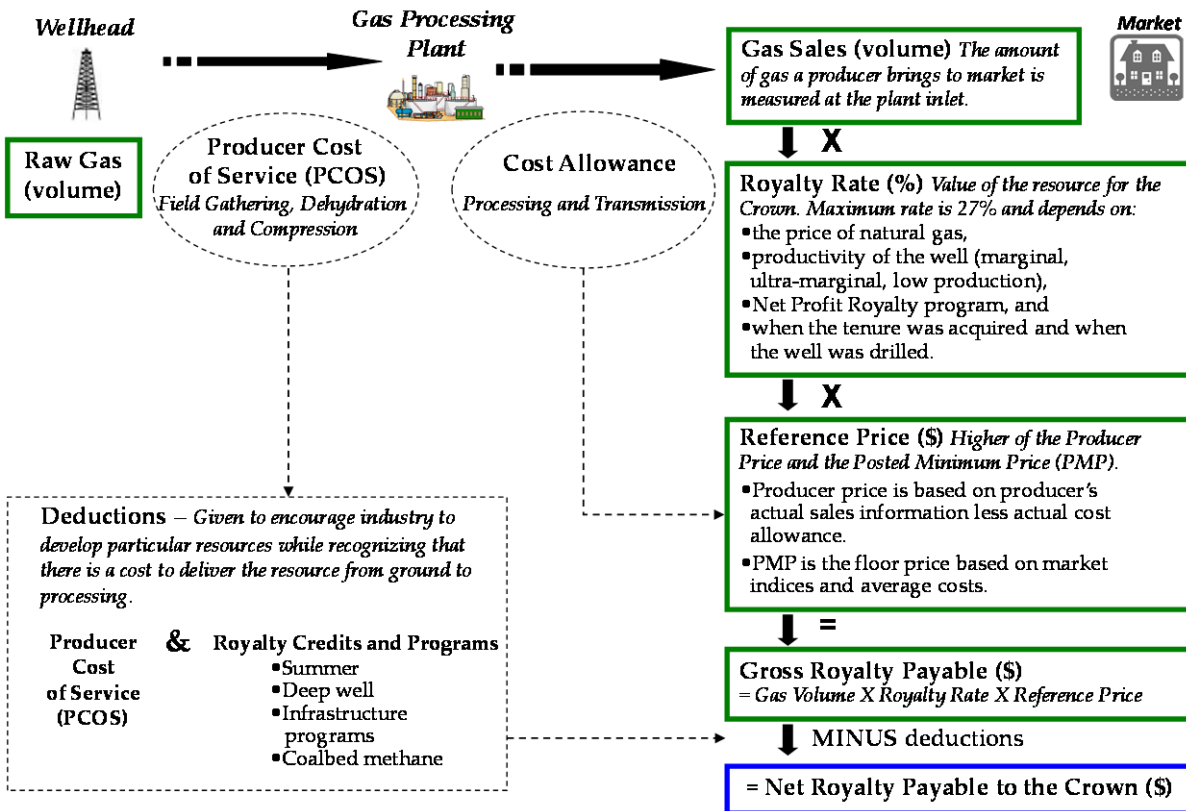
Email: PDATA.PDATA@gov.bc.ca

If you are a producer of natural gas, you must submit a *Marketable Gas and By-Product Producer Allocations Report (BC-08)* to the ministry. The BC-08 provides information on your share of raw and marketable gas volumes for each well event and production entity. The BC-08 also identifies the plant where the gas was processed, the volumes of by-products sold and the value received for the by-products.

Gas royalty invoices

Royalty and freehold production tax amounts owing are calculated using BC-08 reports, reference prices provided by EMPR, PCOS rates for each reporting facility and various attributes of well events. Royalties are payable on gas production from Crown land and freehold production tax is payable on gas production from freehold land. Royalties and taxes owing are issued on one royalty invoice.

Natural Gas Royalty Calculation



Payments and Statements for Oil and Gas Producers

Your payment for oil and gas royalties is always accompanied by a *Petroleum & Natural Gas Remittance Advice (BC-15)*. The BC-15 tells the ministry how to apply your payment.

The BC-15 can be completed online. It is also available as a downloadable excel file, which can be submitted electronically, or as a printable PDF file. For guidelines and options on submitting the form, visit our [website](#).

You make your payment in one of the following ways:

By Wire Transfer or Electronic Funds Transfer (EFT)	
Province of BC Energy, Mines and Petroleum Resources CIBC Bank Number: 0010 Transit Number: 00009 Account Number: 09-77217	Note: The CIBC may charge a \$15 fee for wire transfers. If so, you add \$15 to your amount owing to cover this cost.
By Courier or in Person	
Calgary P3 Deposit, Lower Level Canadian Imperial Bank of Commerce CIBC Place 309 – 8th Avenue SW Calgary, Alberta T2P 2P2 Victoria Mineral, Oil and Gas Revenue Branch Revenue Division Ministry of Finance 2nd Floor, 1810 Blanshard Street Victoria BC V8T 4J1	Attach your cheque to the top of your BC-15 form when submitting to the CIBC or the ministry. Cheques are made payable to the BC Minister of Finance . Payments and BC-15 reports must be received as follows: <ul style="list-style-type: none"> • by the CIBC in Calgary no later than 3:00 pm local time on the due date, or • by the ministry in Victoria no later than 4:30 pm local time on the due date. Payments and reports received after these times are considered received the next business day.
By Mail	
Victoria Mineral, Oil and Gas Revenue Branch Ministry of Finance PO Box 9328 Stn Prov Govt Victoria, BC V8W 9N3	Payments and BC-15 reports must be received in Victoria no later than 4:30 pm on the due date. Payments and reports received after 4:30 pm are considered received the next business day.

The online version of the BC-15 automatically populates your report with a balance due or overpayment in each account. You may pay the balance shown in each account or pay a different amount.

Statement of Accounts for Oil and Gas Producers

On about the 20th of each month, the ministry will mail you a Statement of Account. This statement lists the balance due, previous payments received, all royalty deposits and, if applicable, any interest and/or penalty charges.

Royalty Account Balance Analysis Report

The Royalty Account Balance Analysis Report is different from the Statement of Account - it lists all transactions for a royalty account that has a non-zero balance, not just the current month's transactions. This allows you to track the balance forward showing on your Statement of Account.

You may access your password-protected Royalty Account Balance Analysis Report by email request or you may view the report on our [website](#).

Oil and Gas Commission Levy

The OGC was created as part of an agreement between the Province of BC and the Canadian Association of Petroleum Producers to regulate the oil and gas exploration and development in BC.

The OGC is funded by the oil and gas industry through a range of fees and a levy on production. In addition to the levy on production, you also pay an orphan site reclamation fund tax.

The ministry is responsible, on behalf of the OGC, for issuing invoices and collecting the levy and tax. The gas levy is based on marketable gas volumes, and the oil levy is based only on production data. You receive your OGC levy/orphan site reclamation fund invoice on about the 10th day of the third month after the production month.

By Wire Transfer or Electronic Funds Transfer (EFT)	
Province of BC B.C. Oil and Gas Commission Levy Account CIBC Bank Number: 0010 Transit Number: 00090 Account Number: 09-84515	Note: The CIBC may charge a \$15 fee for wire transfers. If so, you add \$15 to your amount owing to cover this cost.
By Courier or in Person	
Mineral, Oil and Gas Revenue Branch Revenue Division Ministry of Finance 2nd Floor, 1810 Blanshard Street Victoria BC V8T 4J1 Attention: B.C. Oil and Gas Commission Levy	Cheques are made payable to the BC Minister of Finance . Payment must be received no later than 4:30 pm on the due date. Payments received after 4:30 pm are considered received the next business day.
By Mail	

Mineral, Oil and Gas Revenue Branch Revenue Division Ministry of Finance PO Box 9328 Stn Prov Govt Victoria BC V8W 9N3 Attention: B.C. Oil and Gas Commission Levy	Cheques are made payable to the BC Minister of Finance. Payment must be received in Victoria no later than 4:30 pm on the due date. Payments received after 4:30 pm are considered received the next business day.
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For more information on the Oil and Gas Commission Levy, visit our [website](#).

Penalties and Interest

You must submit all reports and payments by the due date. Overdue reports are subject to penalties of either \$20 for each day, or \$100 for each month, up to a maximum of \$6,000.

You must pay interest at the rate of 3% above the current prime rate if your payment is not within 90% of the oil and gas royalty amounts assessed for those production months. If your payment exceeds the royalty amounts assessed for that production month by 110%, the excess will be returned with interest at the prime rate.

For more information on penalties and interest for late reports and payments, see [Section 3.6-2](#) of the *British Columbia Oil and Gas Royalty Handbook*.

Appeals

If you disagree with an assessment of royalties, taxes, penalties or producer prices made by the Collector or Administrator, you have the right to a review of the assessment. To request a review, you submit an objection in writing to the Collector or Administrator, who will review the assessment and decide whether to change or uphold it.

If you disagree with the decision of the Collector or Administrator, or with a decision of the royalty collector regarding the applicable class of oil, natural gas or natural gas by-products for the purpose of calculating royalty share and tax share, you have the right to appeal to the Minister of Finance. To file an appeal, you must serve a notice of appeal on the Minister of Finance within 60 days of the date of the decision you are appealing. For more information, visit our [website](#).

Audit Preparedness

You may, at any time, be subject to an audit assessment. It is important that you maintain records for at least 72 months (6 years). You may be asked to produce these records during an assessment or reassessment. For more information, see [Section 10.0](#) of the *British Columbia Oil and Gas Royalty Handbook*.

Need more info?

Visit the Oil and Gas Royalties and Freehold Production Tax [website](#).

For information on other provincial taxes that may relate to the oil and gas industry, visit gov.bc.ca/taxes.

Ministry of Finance

Mineral, Oil and Gas Revenue Branch
PO Box 9328 Stn Prov Govt
Victoria BC V8W 9N3
Telephone (Victoria): 250 952-0192
Toll free in Canada: 1 800 667-1182
Fax: 250 952-0191
Email: Oil&GasRoyaltyQuestions@gov.bc.ca

Ministry of Energy, Mines & Petroleum Resources

Oil and Gas Division
PO Box 9323 Stn Prov Govt
Victoria BC V8W 9N3
Telephone (Victoria): 778 698-3676
Toll free in Canada: 1 800 663-7867
Fax: 250 952-0926
Email: PDATA.PDATA@gov.bc.ca

British Columbia Oil and Gas Commission

100, 10003 110th Ave.,
Fort St. John BC V1J 6M7
Telephone (outside Victoria): 250 794-5200
Toll free in Canada: 1 800 663-7867
Fax: 250 794-5390
Website: www.bcogc.ca

The information in this bulletin 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](#).

Latest Revision

September 2017

- Updated ministry names
 - Other minor revisions
-

References: *Petroleum and Natural Gas Act*, Sections 72.1-81, *Petroleum and Natural Gas Royalty and Freehold Production Tax Regulation* and *Net Profit Royalty Regulation*

Table of Reporting Due Dates

The table below lists the due dates for each submission form mentioned in this bulletin. For guidelines and options on submitting the forms, visit our [website](#).

Submission forms	Due dates
BC-08	Last day of the second month following the production month
BC-09	Last day of the month following the production month
BC-11	20 th day of the month following the effective date of the well status update
BC-12	20 th day of the month following: <ul style="list-style-type: none"> • the month in which a new well event begins commercial production, or • the month in which a change in reporting interest in an existing well event is effective
BC-15	Last day of the month in which payment is made
BC-19	25 th day of the month following the production month in which the gas was processed
BC-22	For additions or deletions to existing reporting facilities, December 31 st of each year. For new reporting facilities, the last day of the month in which the facility starts operating
BC-23	For existing producer-owned plants, March 15 th of each year. For new producer-owned plants, the last day of the month in which the plant starts operating.
BC-S1	25 th day of the month following the production month
BC-S2	25 th day of the month following the production month
Oil royalty invoices	Payable by the later of: <ul style="list-style-type: none"> • 15 days after the invoice date, or • the 25th of the second month after production

Gas royalty invoices	Payable by the later of: <ul style="list-style-type: none"> • 15 days after the invoice date, or • the 25th of the third month after production
Marketable gas sales invoices and actual cost of service statements	15 th day of the second month after the production month
Schedule 1	When a well has been linked to a facility, or a facility is linked to another facility

Note: For an overview of additional oil and natural gas industry reporting due dates not mentioned in this bulletin, visit the [Reporting Due Dates webpage](#).