



April 3, 2006

INFORMATION LETTER #OGC 06-06

SUBJECT: Amendment to the Well Authorization Application Fee and the Petroleum and Natural Gas Levy Rates

To Industry Clients:

Effective April 1, 2006, the fee for a well authorization application, as established in the Petroleum and Natural Gas General Regulation, and the levy rates for petroleum and marketable gas production, as established in the Oil and Gas Commission Levy Regulation, are changed as follows:

- a) application for a well authorization under section 15 (6) of the Drilling and Production Regulation
 - (i) \$8700 for the first well on a surface lease, and
 - (ii) \$8100 for each subsequent well on a surface lease.

- b) levies on production under the Oil and Gas Commission Levy Regulation
 - (i) \$0.92 per cubic metre of petroleum, and
 - (ii) \$0.46 per 1000 cubic metres of marketable gas.

The new fee structure will result in the Oil and Gas Commission (Commission) only taking in what is needed to meet operational expenses, in accordance with its approved budget. The requirement for the Commission to maintain a balanced budget will be satisfied, and industry's request that the Commission's revenues be consistent with the distribution of its costs of 55% for exploration driven activities and 45% for production driven activities will be honoured.

Three key projects were approved in the budget with significant cost implications in 2006/07, all intended to improve the Commission's operational effectiveness and efficiency and reducing staff turnover. The above production levies do not include the incremental Orphan Site Tax, which also comes into effect on April 1, 2006.

Maintaining the current fee and levy structures without the adjustments will result in the Commission being unable to meet its operational requirements and in a significant deterioration of the level of service provided to industry. The longer-term impact will be reduced confidence in the Oil and Gas Commission as a fair and equitable regulator and in BC as a favourable area to invest.

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