

REPORT COMPLETION GUIDELINES

6.51 REPORTING ENTITY STRUCTURE STATEMENT (BC-12)

PURPOSE

A Reporting Entity is a grouping of interests in wells created for oil and gas royalty reporting purposes. It is the point at which liability for royalty or tax is established. Each of the wells or tracts in a Reporting Entity must share the following common attributes:

- royalty payor,
- product (i.e., oil or gas),
- reporting facility or production entity for oil unit agreements,
- plant code,
- Crown interest.

The Royalty/Tax Share of gas is calculated and valued and deductions are allowed by Reporting Entity. The Royalty/Tax Share of oil is calculated for each well or tract and then allocated to Reporting Entities for valuation.

A Reporting Entity Number (REN) is assigned to each Reporting Entity by the Mineral, Oil and Gas Revenue Branch. The BC-12 is used to create new Reporting Entities and to change the linkages between Reporting Entities and wells, tracts in production entities, or participation in other unitized operations.

RESPONSIBILITIES AND TIMING

The BC-12 must be filed with the Mineral, Oil and Gas Revenue Branch whenever an addition or change in royalty interest occurs. Responsibility for submitting a BC-12 and its due date depends on the nature of the addition or change.

The operator of a reporting facility is responsible for the submission of the BC-12 for all royalty paying partners in the following situations:

- A new well (or a well previously connected to another facility) is connected to the facility,
- Royalty paying responsibilities of partners change because they begin or stop taking their share of production in kind, or any other situation occurs which causes a change to royalty paying responsibilities,
- A facility is connected to and delivers gas to a plant to which it has not previously delivered gas.

The BC-12 report on changes in these situations is due on the 20th day of the month following the month in which the change in royalty paying responsibility becomes effective.

The facility operator should provide a copy of the BC-12 to affected royalty paying partners so that they are aware of their royalty responsibility. If royalty paying partners do not agree with responsibilities as submitted, they should advise the facility operator. The facility operator should file an amended BC-12 when partners do not agree with responsibilities reported on a BC-12.

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RESPONSIBILITIES AND TIMING cont'd

The owner of a royalty paying interest in a well must submit a BC-12 when they have acquired an interest in an existing well that is already connected to a facility. In this circumstance, the BC-12 is due on or before the 20th day of the second month following the month in which the closing date of the agreement to acquire the interest occurs. The closing date determines when the royalty responsibility changes from the seller to the buyer. The first effective month for the royalty change will be considered to be the month after the month in which the closing date occurs.

The owner of a royalty paying interest in a well may also submit a BC-12 when they want to change their reporting entity structure by transferring wells from one of their reporting entities to another at the same facility. The ministry will not make such changes retroactive to previous months.

Royalty payors should provide facility operators with copies of their BC-12's so that operators can update their records.

SECONDARY REPORTING ENTITIES

When gas can be delivered from a reporting facility to more than one processing plant, a different Reporting Entity is required for each plant due to differences in Producer Prices and Producer Cost of Service allowance rates for each plant. In this situation a Secondary REN must be established at the facility for the second plant. The REN that is established for the first plant to which the facility delivers gas is referred to as the Primary REN. Since the only difference between a Secondary REN and the Primary REN is the plant code, the Secondary REN is established by reference to the Primary REN. Any changes made to the Primary REN will automatically be made to the Secondary REN.

When a facility is connected to an additional plant, a BC-12 must be submitted by the facility operator to establish a Secondary Reporting Entity. The only information required on this BC-12 is the code for the additional plant and the Primary Reporting Entity Number.

CONTACT INFORMATION

- A1 Report of** Insert the full name of the company responsible for completion of the statement.
- A2 Page** Insert the page number and the total number of pages of the BC-12.
- A3 Contact Name** Insert the name of the person responsible for completion and submission of the BC-12.
- A4 Date** Insert the date the report was completed.
- A5 Phone Number** Insert the phone number of the contact person named on the BC-12.
- A6 FAX Number** Insert the facsimile number of the contact person named on the BC-12.
- A7 Email Address** Insert the electronic mail address of the contact person named on the BC-12.

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REPORTING ENTITY

- B1 Product Code** Enter the 2-digit code that identifies the REN as either oil or gas; i.e., Oil = 03, Gas = 02.
- B2 Reporting Facility or Production Entity Code** Enter the 4-digit numeric code assigned by the Oil & Gas Commission to the reporting facility. The facility code is required when the REN structure consists of one or more unique well identifiers (rather than tracts, as in a Production Entity). If the REN is part of a unit agreement, enter the 4-digit Production Entity code assigned by the Ministry to the unit. This will be entered only when a REN is being established or modified for tracts within a unit. Up to date listings of reporting facility and Production Entity codes are available on the Ministry's website at www.gov.bc.ca/rev/ or the BC Ministry of Energy and Mines website at www.gov.bc.ca/em/.
- B3 Crown Interest (0% or 100%)** This field is used to indicate whether production for the Reporting Entity is from Crown land or from freehold land. Enter 100 if the Reporting Entity is for production from Crown land, or 0 if it is for production from freehold land.
- B4 Plant Code of Primary REN** (for gas REN's only) Enter the 4-digit code assigned by the Ministry to the gas processing plant to which the Reporting Entity's gas is delivered.
- B5 Plant Code of Secondary REN** (for gas REN's only) This field is to be used only when establishing a new secondary REN. Once established, any changes made to the primary REN will automatically be made for the secondary REN. Enter the 4-digit code assigned by the Oil & Gas Commission to the second gas processing plant to which the reporting entity's gas can be delivered. When using this field to establish a secondary REN, provide the number of the Primary Reporting Entity in the Comments field (E1).

REPORTING ENTITY LINKAGES

- C1 UC** Enter the single-digit update code to indicate the requested action for the line. The update code also dictates which field must be completed.

Update Code	Columns to be Completed
A - Add	For use when adding to a REN an interest in a new well or an existing well that was not previously in another of the same royalty payor's REN's. This code requires completion of all fields except the "from REN" field.
D - Delete	For use to remove from a REN all interest in a well that was in the REN, except when it is being transferred to another of the same royalty payor's REN's. This code requires completion of all fields except the "to REN" field. When all wells or tracts are terminated from a REN, the REN will also be terminated.

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REPORTING ENTITY LINKAGES cont'd

C - Change	<p>For use when an interest in a well is being transferred from one REN to another and</p> <p>(1) Both REN's are for the same royalty payor, or</p> <p>(2) The REN's are for different royalty payors, only a partial interest in a well is being transferred and the REN from which the interest is being transferred will continue to hold an interest in the well.</p> <p>In the first situation, all data fields should be completed, including both the "from REN" and "to REN" fields.</p> <p>In the second situation, the C code should only be used on the line for the REN from which the interest in the well is being transferred. In this situation the interest remaining after adjusting for the transfer to the other payor, is entered into the "Reporting Interest" field. (Update Code A should be used on the line for the REN to which the interest in the well is being transferred).</p> <p>If a 100% interest in a well is being transferred from one REN to another and the REN's are for different royalty payors, the change should be reported using the A code on the line for the REN to which the interest is transferred and the D code on the line for the REN from which the interest is transferred.</p>
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- C2 Royalty Payor Code** Insert the 4-digit client code that has been assigned by the Ministry to the company required to pay the royalty reported for each unique well identifier (UWI) or tract on the REN.
- C3 Royalty Payor Name** Insert the name of the company responsible for paying the royalty reported for each UWI or tract on the REN.
- C4 From REN** Enter the REN that the UWI or tract is currently attached to.
- C5 To REN** Enter the REN that the UWI or tract will be attached to. If the "To REN" is a new REN leave this field blank. If the "To REN" is an existing REN, enter the 5-digit REN number in this field.
- C6 Unique Well Identifier or Tract No.** Enter the unique well identifiers of all wells for which the reporting interest is being established or modified. If RENs are being established or modified for a production entity, enter each tract number affected by the addition or modification.
- C7 Reporting Interest** Enter the percentage interest rounded to seven decimal places for each of the identified royalty payors in the unique well identifier or tract. The reporting interests of all royalty payors in each well or tract must add up to 100% exactly.
- C8 Effective Month** Enter 4-digits for the year 2-digits for the month (e.g. June=06) that this linkage is to be established.

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COMMENTS

D1 This section is mandatory when submitting a BC-12 as the buyer of a royalty reporting interest, to advise who previously held the reporting interest. Also, insert any comments that would be helpful to clarify the intent of the form.

EXAMPLES

(1) Effective Nov 2002 royalty payor ABC Ltd (payor code 1234) adds a 100% interest in new well 200B056I094A1100 to their REN 6666. The facility operator should file a BC-12 showing the following:

UC	Payor Code	Payor Name	From REN	To REN	UWI or Tract No.	Reporting Interest	Effective Month
A	1234	ABC Ltd		06666	200B056I094A1100	100	200211

(2) Effective Nov 2002 royalty payor ABC Ltd (payor code 1234) buys a 100% interest in well 200B056I094A1100 from CDE Ltd (payor code 6789) and adds it to ABC's REN 6666. The well was in CDE's REN 3333. As purchaser, ABC Ltd should file a BC-12 showing the following:

UC	Payor Code	Payor Name	From REN	To REN	UWI or Tract No.	Reporting Interest	Effective Month
A	1234	ABC Ltd		06666	200B056I094A1100	100	200211
D	6789	CDE Ltd	03333		200B056I094A1100	100	200211

(3) ABC Ltd (payor code 1234) owns 50% interest in well 200B056I094A1100. Effective Nov 2002 they buy the other 50% interest from CDE Ltd (payor code 6789) and add it to ABC's REN 06666. The well was in CDE's REN 03333. As purchaser, ABC Ltd should file a BC-12 showing the following:

UC	Payor Code	Payor Name	From REN	To REN	UWI or Tract No.	Reporting Interest	Effective Month
C	1234	ABC Ltd		06666	200B056I094A1100	100	200211
D	6789	CDE Ltd	03333		200B056I094A1100	50	200211

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EXAMPLES cont'd

(4) Effective Nov 2002 royalty payor ABC Ltd (payor code 1234) buys a 25% interest in well 200B056I094A1100 from CDE Ltd (payor code 6789) and adds it to ABC's REN 06666. The well was in CDE's REN 03333. Before the sale ABC did not own any interest in the well. Before the sale CDE Ltd had a 75% interest in the well and retains a 50% interest after the sale. As purchaser, ABC Ltd should file a BC-12 showing the following:

UC	Payor Code	Payor Name	From REN	To REN	UWI or Tract No.	Reporting Interest	Effective Month
A	1234	ABC Ltd		06666	200B056I094A1100	25	200211
C	6789	CDE Ltd	03333		200B056I094A1100	50	200211

(5) Effective Nov 2002 royalty payor ABC Ltd (payor code 1234) transfers a 100% interest in well 200B056I094A1100 from ABC's REN 06666 to their REN 08888. As royalty payor, ABC Ltd should file a BC-12 showing the following:

UC	Payor Code	Payor Name	From REN	To REN	UWI or Tract No.	Reporting Interest	Effective Month
C	1234	ABC Ltd	06666	08888	200B056I094A1100	100	200211