

REPORT COMPLETION GUIDELINES

6.6 ROYALTY/TAX STATEMENT, OIL (BC-13)

PURPOSE

This section provides completion guidelines for the Monthly Crown Royalty Statement, Oil and the Monthly Freehold Tax Statement, Oil (BC-13).

The BC-13 is used to report a Reporting Entity's monthly oil Royalty/Tax Share and sales of oil used to value it. Field condensate should be reported on the Natural Gas and By-Products Volumes and Values Report (BC-10).

The BC-13 is also used to report amendments to previously reported royalties or taxes. Royalty/tax payors are requested to mark amended BC-13's with the word "Amendment".

TIMING

The BC-13 must be filed with the Mineral, Oil and Gas Revenue Branch no later than the 25th day following the month of production. If the 25th falls on a Saturday, Sunday or statutory holiday, the statement is required on the next business day.

A BC-13 must be submitted to account for the Royalty/Tax Share volume even if no sales were made by the royalty payor or if the well is exempt. Producers are not required to submit a BC-13 if the wells linked to the Reporting Entity are shut-in and the Royalty/Tax Share inventory is zero.

STANDARDS

The following standards are to be applied when completing this statement:

- Report Volumes rounded to **1** decimal place.
- Report Prices and Values rounded to **2** decimal places, except for Average Net Value.
- Report Average Net Value rounded to **3** decimal places.
- Royalty/Tax rate used in calculating volume received (C1) must be rounded to **3** decimal places.

Unless otherwise stated, the word "month" means the production month to which this statement pertains.

MANDATORY FIELDS

Mandatory data fields identified in this guideline must be completed. Failure to do so will result in the form being returned to the sender for correction and may also result in the assessment of a filing penalty under section 13(4) of the royalty regulation.

REPORT COMPLETION GUIDELINES

GENERAL INFORMATION

- A1 Report of** Enter the full name of the royalty/tax payor responsible for completion of the statement. Do not enter the name of the field or facility.
- A2 Reporting Entity Number (Mandatory Field)** Enter the 5-digit code assigned to the royalty/tax payor's Reporting Entity. See Section 6.5 for an explanation of Reporting Entities.
- A3 Production Month: Year (Mandatory Field)** Insert the last two digits of the year for which the statement is made; e.g., 1996 = 96.
- A4 Production Month: Month (Mandatory Field)** Insert two digits to indicate the month for which the statement is made; e.g., January = 01, June = 06, etc.
- A5 Page** Enter this page number and the total number of pages of this statement.
- A6 Contact Name** Insert the name of the person responsible for completion and submission of this BC-13.
- A7 Phone** Insert the phone number of the contact person named above.
- A8 Date** Enter the date the report was completed.

REPORTING ENTITY SALES

- B1 Purchaser** Indicate the name of each purchaser of oil. Provide details of each transaction on separate lines.
- B2 Purchaser Code** Insert the 4-digit client code assigned to the purchaser. See the Ministry's website at www.gov.bc.ca/rev or www.gov.bc.ca/em/ for a listing of client identification codes.
- B3 Gross Price (Mandatory Field)** Enter price received or receivable by the royalty payor for each sales volume at the point of sale, plus or minus any allowable adjustments to determine the price at the delivery point. Allowable adjustments include equalization penalties/credits from a pipeline company and transportation costs, if they were not already included in the determination of the actual unit selling price. Adjustments that are specifically not allowed are marketing fees and overhead administration costs.
- B4 Sales Volume (Mandatory Field)** Enter the volume of oil sold to the identified purchaser.
- B5 Gross Value of Sale** Enter the gross price multiplied by the sales volume.
- B6 Clean Oil Transportation Cost** Enter the allowable costs of moving clean oil from its point of production to its delivery point. The following rules apply:
- Transportation cost deductions are limited to the following:
 - (i) transporting oil from the point of production to its delivery point, and
 - (ii) charges by a contract carrier for transporting oil, except where the transportation charge was a factor used in establishing the actual unit selling price of the oil.
 - Transportation claims for trucking costs to central treating are to be prorated based on the water cut percentage. For example, if a delivery to central treating was comprised of 50% oil and 50% water, only 50% of the trucking cost would be an allowable clean oil transportation cost.

REPORT COMPLETION GUIDELINES

REPORTING ENTITY SALES cont'd

- Transportation cost receipts must be supplied to the Mineral, Oil and Gas Revenue Branch upon request.

B7 Net Sales Value Enter the difference between the Gross Value of Sale and Clean Oil Transportation Cost.

NOTE: If a BC-13 statement has more than one page, complete fields B8 to B11 only on the last page.

B8 Total: Sales Volume Enter the sum of all individual sales volumes.

B9 Total: Gross Value of Sale Enter the sum of all individual gross sales values.

B10 Total: Clean Oil Transportation Cost Enter the sum of all clean oil transportation costs claimed.

B11 Total: Net Sales Value Enter the sum of all individual net sales values.

CROWN/FREEHOLD ROYALTY/TAX SHARE

C1 Volume Received Enter the sum of the Reporting Entity's shares of the Royalty/Tax Shares of all the wells or tracts in which the Reporting Entity has a reporting interest. The following examples illustrate this calculation.

Example 1 - A Reporting Entity is linked to the following interest in wells on Crown land:

	<u>UWI</u>	<u>May 1996 Production</u>	<u>Vintage</u>		<u>Reporting Interest</u>
			<u>% New</u>	<u>% Old</u>	
1.	100062408514W600	232.0 m ³	0	100	75.0 %
2.	100111508414W600	35.7 m ³	100	0	100.0 %
3.	200D046I094A1100	195.2 m ³	60	40	33.3333333 %
4.	200C057I094A1100	65.6 m ³	0	100	66.6666667 %

Royalty rates and royalty shares for these wells would be as follows:

	<u>UWI</u>	<u>New Oil</u>	<u>Old Oil</u>	<u>New Oil</u>	<u>Old Oil</u>	<u>Total</u>
1.	100062408514W600		28.534 %		66.2 m ³	66.2 m ³
2.	100111508414W600	3.374 %		1.2 m ³		1.2 m ³
3.	200D046I094A1100	17.807 %	26.373 %	20.9 m ³	20.6 m ³	41.5 m ³
4.	200C057I094A1100		8.283 %		5.4 m ³	5.4 m ³

Calculation of Royalty rates (See Section 4.2 for formulas):

1.	Old Oil:	$(1140 + 40 (232.0 - 95)) / 232$	= 28.53448	= 28.534 %
2.	New Oil:	$35.7/10.58$	= 3.37429	= 3.374 %
3.	Old Oil:	$(1140 + 40 (195.2 - 95)) / 195.2$	= 26.37295	= 26.373 %
	New Oil:	$(2390 + 30 (195.2 - 159)) / 195.2$	= 17.80738	= 17.807 %
4.	Old Oil:	$65.6/7.92$	= 8.28283	= 8.283 %

REPORT COMPLETION GUIDELINES

CROWN/FREEHOLD ROYALTY/TAX SHARE cont'd

Calculation of Royalty Shares:

1. Old Oil: $28.534\% \text{ of } 232.0 \text{ m}^3 = 66.2 \text{ m}^3$
2. New Oil: $3.374\% \text{ of } 35.7 \text{ m}^3 = 1.2 \text{ m}^3$
3. Old Oil: $26.373\% \text{ of } 195.2 \text{ m}^3 \times .4 = 20.6 \text{ m}^3$
 New Oil: $17.807\% \text{ of } 195.2 \text{ m}^3 \times .6 = 20.9 \text{ m}^3$
4. Old Oil: $8.283\% \text{ of } 65.6 \text{ m}^3 = 5.4 \text{ m}^3$

The Reporting Entity's Volume Received for May 1996 would be as follows:

<u>UWI</u>	<u>Royalty Share</u>	<u>Reporting Interest</u>	<u>Share of Royalty Share</u>
100062408514W600	66.2 m ³	75.0000000 %	49.7 m ³
100111508414W600	1.2 m ³	100.0000000 %	1.2 m ³
200D046I094A1100	41.5 m ³	33.3333333 %	13.8 m ³
200C057I094A1100	5.4 m ³	66.6666667 %	3.6 m ³
		Volume Received	<u>68.3 m³</u>

Example 2 - A Reporting Entity is linked to the following interest in wells on freehold land:

<u>UWI</u>	<u>May 1996 Production</u>	<u>Interest</u>
1. 100062408514W600	232.0	75.0%
2. 100111508414W600	35.7	50.0%

The Reporting Entity's Volume Received for May 1996 would be as follows:

<u>UWI</u>	<u>Tax Rate</u>	<u>Tax Share</u>	<u>Interest</u>	<u>Share of Tax Share</u>
1. 100062408514W600	13.082 %	30.4 m ³	75.0 %	22.8 m ³
2. 100111508414W600	2.142 %	.8 m ³	50.0 %	.4 m ³
		Volume Received		<u>23.2 m³</u>

Calculation of Tax rates (See Section 4.2 for formulas):

1. $(1575 + 20(232.0 - 159)) / 232 = 13.0819 = 13.082\%$
2. $.06 \times 35.7 = 2.142 = 2.142\%$

Calculation of Tax Shares:

1. $13.082\% \text{ of } 232.0 \text{ m}^3 = 30.35 = 30.4 \text{ m}^3$
2. $2.142\% \text{ of } 35.7 \text{ m}^3 = .76 = .8 \text{ m}^3$

REPORT COMPLETION GUIDELINES

CROWN/FREEHOLD ROYALTY/TAX SHARE cont'd

Example 3 - A Reporting Entity has the following interest in tracts on Crown land that are part of a production entity:

	<u>Tract</u>	<u>Reporting Interest %</u>	<u>Tract Participation</u>
1.	0011	100.0000000	1.0356840 %
2.	0012	50.0000000	.3333334 %
3.	0027	33.3333333	.5762700 %
4.	0019	66.6666667	2.5468754 %

The production entity's vintage classification is 84.8 % Old Oil and 15.2 % New Oil. Total production entity production in May 1996 was 25,962.5 m³.

Royalty rates and royalty shares for these tracts would be as follows:

	<u>Tract</u>	<u>Allocated Production</u>		<u>Royalty Rates</u>		<u>Tract Royalty Shares</u>		
		<u>Production</u>	<u>Old Oil</u>	<u>New Oil</u>	<u>Old Oil</u>	<u>New Oil</u>	<u>Total</u>	
1.	0011	268.9 m ³	30.108 %	21.149 %	68.7 m ³	8.6 m ³	77.3 m ³	
2.	0012	86.5 m ³	10.922 %	8.176 %	8.0 m ³	1.1 m ³	9.1 m ³	
3.	0027	149.6 m ³	22.219 %	14.140 %	28.2 m ³	3.2 m ³	31.4 m ³	
4.	0019	661.2 m ³	35.977 %	26.400 %	201.7 m ³	26.5 m ³	228.2 m ³	

Calculation of Royalty Rates (See Section 4.2 for formulas):

1.	Old Oil:	$(1140 + 40 (268.9 - 95)) / 268.9$	= 30.107847	= 30.108 %
	New Oil:	$(2390 + 30 (268.9 - 159)) / 268.9$	= 21.149126	= 21.149 %
2.	Old Oil:	86.5/7.92	= 10.921717	= 10.922 %
	New Oil:	86.5/10.58	= 8.175803	= 8.176 %
3.	Old Oil:	$(1140 + 40 (149.6 - 95)) / 149.6$	= 22.219251	= 22.219 %
	New Oil:	149.6/10.58	= 14.139887	= 14.140 %
4.	Old Oil:	$(1140 + 40 (661.2 - 95)) / 661.2$	= 35.977011	= 35.977 %
	New Oil:	$(2390 + 30 (661.2 - 159)) / 661.2$	= 26.400484	= 26.400 %

Calculation of Royalty Shares:

1.	Old Oil:	30.108 % of 268.9 m ³ × .848 =	68.7 m ³
	New Oil:	21.149 % of 268.9 m ³ × .152 =	8.6 m ³
2.	Old Oil:	10.922 % of 86.5 m ³ × .848 =	8.0 m ³
	New Oil:	8.176 % of 86.5 m ³ × .152 =	1.1 m ³
3.	Old Oil:	22.219 % of 149.6 m ³ × .848 =	28.2 m ³
	New Oil:	14.140 % of 149.6 m ³ × .152 =	3.2 m ³
4.	Old Oil:	35.977 % of 661.2 m ³ × .848 =	201.7 m ³
	New Oil:	26.400 % of 661.2 m ³ × .152 =	26.5 m ³

REPORT COMPLETION GUIDELINES

CROWN/FREEHOLD ROYALTY/TAX SHARE - Example 3 cont'd

The Reporting Entity's Volume Received for May 1996 would be as follows:

	<u>Tract</u>	<u>Royalty Share</u>	<u>Reporting Interest %</u>	<u>Share of Royalty Share</u>
1.	0011	77.3 m ³	100.0000000	77.3 m ³
2.	0012	9.1 m ³	50.0000000	4.6 m ³
3.	0027	31.4 m ³	33.3333333	10.5 m ³
4.	0019	228.2 m ³	66.6666667	152.1 m ³
			Volume Received	244.5 m³

Example 4 - A Reporting Entity has the following interest in tracts on freehold land that are part of a production entity:

	<u>Tract</u>	<u>Reporting Interest %</u>	<u>Tract Participation</u>
1.	0005	75.00	4.0056850 %
2.	0010	50.00	1.2171717 %

Total production entity production in May 1996 was 8,505 m³.

The Reporting Entity's Volume Received for May 1996 would be as follows:

	<u>Tract</u>	<u>Allocated Production</u>	<u>Tax Rates</u>	<u>Tax Shares</u>	<u>Interest</u>	<u>Share of Tax Share</u>
1.	0005	340.7 m ³	15.289 %	52.1 m ³	75.0 %	39.1 m ³
2.	0010	103.5 m ³	6.210 %	6.4 m ³	50.0 %	3.2 m ³
				Volume Received		42.3 m³

The production entity's vintage classification is not relevant for tracts on freehold land.

Calculation of Tax Rates (See Section 4.2 for formulas):

- $(1575 + 20 (340.7 - 159)) / 340.7 = 15.28911 = 15.289 \%$
- $.06 \times 103.5 = 6.21 = 6.210 \%$

Calculation of Tax Shares:

- 15.289% of $340.7 \text{ m}^3 = 52.1 \text{ m}^3$
- 6.210% of $103.5 \text{ m}^3 = 6.4 \text{ m}^3$

REPORT COMPLETION GUIDELINES

CROWN/FREEHOLD ROYALTY/TAX SHARE cont'd

Example 5 - A Reporting Entity has 100% reporting interest in four wells that are classified as Heavy oil. Production from these wells during October 1999 was as follows:

	<u>UWI</u>	<u>Production</u>
1.	200D017D094P0702	18.8
2.	200D065L094P0202	187.0
3.	200D097L094P0200	251.9
4.	202D015D094P0702	315.6

From the Net Sales Values reported on the BC-13, the Average Net Sales Value has been calculated to be \$146.494 (see C6). The Threshold Price was set at \$110/m³ effective August 1, 1999, and remained at this value through October 1999.

The royalty rates and royalty shares for these wells would be as follows:

	<u>UWI</u>	<u>Production</u>	<u>Royalty Rate</u>	<u>Royalty Share</u>
1.	200D017D094P0702	18.8	0	0 m ³
2.	200D065L094P0202	187.0	10.084	18.8 m ³
3.	200D097L094P0200	251.9	12.375	31.2 m ³
4.	202D015D094P0702	315.6	13.480	42.5 m ³

Calculation of Royalty Rates (See Section 4.2 for formulas):

The first step in determining the royalty rate is to calculate the Price Factor:

$$\text{Price Factor} = 1 + 2.5 \times (\text{Wellhead Price} - \text{Threshold Price}) / \text{Wellhead Price}$$

The Wellhead Price is equal to the greater of:

- the Average Net Value per m³ on the BC-13, Monthly Crown Royalty/Tax Statement, and
- the Threshold Price.

In this example the Wellhead Price is \$146.494 and the Price Factor is calculated, as follows:

$$\text{Price Factor} = 1 + 2.5 \times (146.494 - 110) / 146.494 = 1.62279$$

After the Price Factor has been determined, the royalty rates can be calculated as follows:

- 0 as production is less than 20 m³
- $\frac{1.62279 \times (187 - 20)^2}{24 \times 187} = 10.084222 = 10.084\%$
- $\frac{1.62279 \times [(251.9 - 200) \times 11 + 1350]}{251.9} = 12.37482 = 12.375\%$
- $\frac{1.62279 \times [(315.6 - 200) \times 11 + 1350]}{315.6} = 13.480057 = 13.480\%$

REPORT COMPLETION GUIDELINES

CROWN/FREEHOLD ROYALTY/TAX SHARE – Example 5 cont'd

Calculation of Royalty Shares:

1. $0 \times 18.8 \text{ m}^3 = 0 \text{ m}^3$
2. $10.084\% \times 187 \text{ m}^3 = 18.8 \text{ m}^3$
3. $12.375\% \times 251.9 \text{ m}^3 = 31.2 \text{ m}^3$
4. $13.480\% \times 315.6 \text{ m}^3 = 42.5 \text{ m}^3$

The Reporting Entity's Volume Received for October 1999 would be as follows:

	<u>UWI</u>	<u>Royalty Share</u>	<u>Reporting Interest</u>	<u>Share of Royalty Share</u>
1.	200D017D094P0702	0	100%	0 m ³
2.	200D065L094P0202	18.8	100%	18.8 m ³
3.	200D097L094P0200	31.3	100%	31.2 m ³
4.	202D015D094P0702	42.5	100%	42.5 m ³
Volume Received				92.5 m³

Example 6 - A Reporting Entity is linked to the following interests in wells on Crown land:

	<u>UWI</u>	<u>March 2000 Production</u>	<u>% New</u>	<u>% Old</u>	<u>%Third Tier</u>	<u>Reporting Interest</u>
1.	100103408621W602	106.8	50	25	25	100.0%
2.	100083608014W600	978.7	75	15	10	75.0%

From the Net Sales Values reported on the BC-13, the Average Net Sales Value has been calculated to be \$165.837. The Threshold Price was set at \$125/m³ effective January 1, 2000, and remained at this value through December 2002.

The first step in determining the royalty rate for the part of the oil that is classified as Third Tier oil is to calculate the Price Factor:

$$\text{Price Factor} = 1 + 3.5 \times (\text{Wellhead Price} - \text{Threshold Price}) / \text{Wellhead Price}$$

The Wellhead Price is equal to the greater of:

- a) the Average Net Value per m³ on the BC-13, Monthly Crown Royalty Statement, and
- b) the Threshold Price.

In this example the Wellhead Price is \$165.837, and the Price Factor is equal to the lessor of:

- a) $1 + \frac{3.5 \times (\text{Wellhead Price} - \text{Threshold Price for Third Tier oil})}{\text{Wellhead Price}} = 1.86187$, and
- b) 2.0

REPORT COMPLETION GUIDELINES

CROWN/FREEHOLD ROYALTY/TAX SHARE – Example 6 cont'd

The Royalty rates and royalty shares for these wells would be as follows:

	Royalty Rates			Crown Royalty Share			Total
	New Oil	Old Oil	Third Tier Oil	New Oil	Old Oil	Third Tier Oil	
1. 100103408621W602	10.095%	15.094%	7.518%	5.4 m ³	4.0 m ³	2.0 m ³	11.4 m ³
2. 100083608014W600	27.568%	37.282%	20.531%	202.4 m ³	54.7 m ³	20.1 m ³	277.2 m ³

Calculation of Royalty rates (see Section 4.2 for formulas):

1. Old Oil:	$(1140 + 40 (106.8 - 95))/106.8$	= 15.093632 → 15.094%
New Oil:	$106.8/10.58$	= 10.094517 → 10.095%
Third Tier Oil:	$1.86187 \times 106.8/26.45$	= 7.5178718 → 7.518%
2. Old Oil:	$(1140 + 40 (978.7 - 95))/978.7$	= 37.282108 → 37.282%
New Oil:	$(2390 + 30 (978.7 - 159))/978.7$	= 27.568202 → 27.568%
Third Tier Oil:	$1.86187 \times (956 + 12 (978.7 - 159))/978.7$	= 20.531363 → 20.531%

Calculation of Royalty Shares:

1. Old Oil:	$15.094\% \text{ of } 106.8 \times .25 = 4.0 \text{ m}^3$
New Oil:	$10.095\% \text{ of } 106.8 \times .5 = 5.4 \text{ m}^3$
Third Tier:	$7.518\% \text{ of } 106.8 \times .25 = 2.0 \text{ m}^3$
2. Old Oil:	$37.282\% \text{ of } 978.7 \times .15 = 54.7 \text{ m}^3$
New Oil:	$27.568\% \text{ of } 978.7 \times .75 = 202.4 \text{ m}^3$
Third Tier:	$20.531\% \text{ of } 978.7 \times .10 = 20.1 \text{ m}^3$

The Reporting Entity's Volume Received for March 2000 would be as follows:

	<u>UWI</u>	<u>Royalty Share</u>	<u>Reporting Interest</u>	<u>Share of Royalty Share</u>
1.	100103408621W602	11.4	100%	11.4 m ³
2.	10083608014W600	277.2	75%	207.9 m ³
		Volume Received		219.3 m³

REPORT COMPLETION GUIDELINES

CROWN/FREEHOLD ROYALTY/TAX SHARE cont'd

- C2 Opening Inventory** Enter the Reporting Entity's share of the Royalty/Tax Share that has not been deemed to have been sold. This must equal the closing inventory from the previous month.
- C3 Available for Sale** Enter the sum of Volume Received and Opening Inventory.
- C4 Closing Inventory** Enter Available for Sale (C3) if there are no sales during the month. Enter "0" if any sale of oil occurs, because the entire Royalty/Tax Share Available for Sale is then deemed to have been sold.
- C5 Gross Sales Volume** Enter the entire Royalty/Tax Share Available for Sale if any sale of oil has occurred during the month. If there are no sales, enter "0".
- C6 Average Net Value** Enter the Average Net Value of the oil sales by dividing:
$$\text{Total Net Sale Value (B11)} \div \text{Total Sales Volume (B8)}$$
- C7 Gross Royalty** Determine the gross value of the Royalty/Tax Share by multiplying the Gross Sales Volume by the Average Net Value.

ROYALTY/TAX EXEMPT VALUE

- D1 Exempt Volume** Enter that portion of the Royalty/Tax Share Available for Sale that is exempt from royalty/tax. The exempt volume is the Reporting Entity's interest in the Royalty/Tax Share applicable to a well, or tracts with an approved exemption. See Section 4.3 for a description of oil royalty/tax exemptions.
- D2 Average Net Value** Enter the Average Net Value of the oil sales in C6.
- D3 Royalty Exempt Value** Determine the exempt value by multiplying the Exempt Volume by the Average Net Value. If a BC-13 has more than one page, complete this field only on the first page.

NET CROWN/FREEHOLD ROYALTY/TAX PAYABLE

- E1** Enter the result of subtracting the Royalty/Tax Exempt Value from the Gross Royalty/Tax.