BRITISH
COLUMBIA

FACTSHEET

June 3, 2003 Ministry of Energy and Mines

OIL AND GAS DEVELOPMENT STRATEGY FOR THE HEARTLANDS
SUMMER ROYALTY PROGRAM

Qualification Criteria:

A producer may deduct a summer drilling deduction amount from its total royalty payable to the province if:

(a) the producer has one or more interests in a well and

(b) the well has a spud date after June 30, 2003 and before December 1, 2003, after March 31, 2004 and before December 1, 2004 or after March 31, 2005 and before December 1, 2005.

Where the following terms are defined:

"goods and service costs" means, in relation to a well, the costs incurred by the producer for goods and services directly related to the drilling of the well.

"well event" means all completions in a zone for a well with a primary product of natural gas.

Royalty Calculation:

The summer drilling deduction amount is, for each well referred to above, the lesser of the following multiplied by the producer's proportionate interest in the well:

(i) 10% of the goods and service costs attributable to the well.

(ii) $100,000.

Examples of Goods and Service Costs related to directly drilling a well:

BOP, Coring and Tong Services
Cementing and Stimulation Services
Camps
Drilling and Completion Tools and Services
Drilling Fluids & Chemical Suppliers
Drilling Mats
Equipment and Processing Manufacturers
Fabricators
Pipe and Drill Bit Manufacturers
Pipe Coating and Inspection Services
Pipeline & Oilfield Construction Oilfield
Environmental Services
Production Testing
Rathole Conductor Contractors
Safety Services
Snubbing Services
Specialized Trucking Services
Supply and Rental Stores
Well Consultants
Wireline and Perforating Services

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