

Infrastructure Royalty Credit Program – Fall 2009

Frequently Asked Questions

Application Submission Format

- 1. Is completion of the submission format as provided in Section D of the Request for Applications (RFA) document required for an application to be considered?**

That is correct. All the information must be submitted as detailed in Section D of the RFA document to ensure the application receives full consideration during the evaluation process.

- 2. What is required or defined as the “Legal Name of Applicant?”**

Please use the company name that you operate in British Columbia. This is also the name that will be used to determine that you have a client code as an oil and gas royalty payor with the BC Ministry of Finance.

Pipeline Projects

- 3. Can and how do pipeline companies participate in the Infrastructure Royalty Credit Program?**

Participation of midstreamers in the Program was one of the mandates of the 2007 Energy Plan (Policy Action # 45). Pipeline companies, as defined by the Regulation governing the Program, cannot receive a royalty credit as they do not pay royalties. This means that pipeline companies can only apply jointly with a producer or producers, and only for pipeline projects.

- 4. Can a Pipeline Company sign and take responsibility for performance of the Agreement?**

Yes. For projects that compete under the Request for Applications (RFA) and are approved, pipeline companies can and must later sign an Agreement with the Crown and the Producers they applied with for an approved project. Pipeline companies can also take responsibility for performance of an Agreement, assuming that the pipeline company is willing and able to report all costs associated with construction of the project, production from drilling associated with the project on behalf of all producers involved in the project, and all other reporting requirements as specified in the Agreement.

Sample Agreements are available with all of the 2009 RFA materials at:

<http://www.empr.gov.bc.ca/OG/oilandgas/royalties/infdevcredit/Pages/default.aspx>

- 5. Is there a diameter limit for pipeline projects?**

No, there is no diameter limit. Nevertheless, pipeline applications have to be consistent with the definition of pipeline included in Section B of the 2009 RFA document.

Royalty Credits

6. Will royalty credits be released to a Pipeline Company?

Pipeline companies, as defined by the regulation, cannot receive a royalty credit as they do not pay royalties. This means that pipeline companies can only apply jointly with a producer or producers, and only for pipeline projects. In such cases, those companies will make their own commercial agreement(s), independently, among themselves, and outside of any Royalty Credit project Agreement with the Crown.

7. In an application that has 2 or more Producers, who decides how royalty credits are shared?

If two or more Producer companies apply jointly for a road or pipeline project, they will present a proposal to the Crown on how royalty credits will be shared. This proposal will be reflected in the agreement that successful proponents may sign with the Crown if the project is approved. The Province will not interfere in how the private sector negotiates and conducts business with each other. Producer companies jointly involved in projects should negotiate how they share credits among themselves, with no government involvement.

8. Can a royalty credit received for a specific project be applied to royalty payable by the Applicant on a corporate level?

Yes, they can. Royalty deductions for the Infrastructure Royalty Credit Program are credited against all oil and gas royalties (corporate) paid by the company in British Columbia.

Drilling, Production, and Royalty Estimates

9. Should the data provided with respect to risk, spud dates, and production dates in the 'Information & Production Input' tab on the Excel spreadsheet describe the case where it is assumed the project will receive approval for infrastructure royalty credits?

Yes, the information should be provided for the case you do receive approval for the infrastructure royalty credits for the project.

10. On the 'Annual Production and Royalty' table, are the production inputs risked or unrisked?

The "Annual Production and Royalty" tab information should be provided **risked**. The information provided in that table should be extracted from the "Information & Production Input" tab, where you should include all **unrisked** well production figures by month (starting in column AA), then risk them by the two risk factors (chance of success and chance of occurrence) included in columns Y and Z of the same tab.

Mapping

11. Does the mapping request for other infrastructure in the area mean pipelines and roads as well as existing and authorized wellsites?

Yes, we do want to see the infrastructure that exists in the area, and including existing and authorized wellsites in the area would be beneficial.