



BRITISH COLUMBIA
MINISTRY OF ENERGY AND MINES

INFORMATION LETTER

F99-05

RESOURCE REVENUE BRANCH

**SUBJECT: SELECT PRICE FOR NATURAL GAS ROYALTY RATE
DETERMINATION**

In June 1998 the Select Price was introduced as a variable in the formulae used to determine the royalty rates for natural gas produced from wells drilled after May 31, 1998. The purpose of introducing this variable was to prevent royalty rates from being inflated due to general price increases and formed part of the Premier's Oil and Gas Initiative agreement with industry. The *Petroleum and Natural Gas Royalty and Freehold Production Tax Regulation* was modified to allow the Royalty Administrator to establish a Select Price for a calendar year.

The mechanism used to adjust the Select Price was to be the same method used by the Alberta Department of Energy in adjusting their various Select Prices in that province; that is, a measure of GDP inflation. Applying this method has resulted in a very small *decrease* in the Select Price, something which would result in slightly *higher* royalty rates.

Due to the small magnitude of the change in the Select Price, the Administrator has elected to keep the Select Price at its current level for calendar year 1999. The attached Order of the Administrator establishes the Select Price for calendar year 1999 at \$50/10³m³.

Note that the Select Price is not used in the determination of royalty rates for gas produced from wells drilled before June 1, 1998. Further information on the use of the Select Price can be found in section 5.2 of the British Columbia Oil and Gas Royalty Handbook.

Any questions regarding this matter can be directed to Steve Roberts, Royalty/Tax Economist at (250) 952-0204.

Original signed by

Cheryl Brooks
Assistant Deputy Minister

01/19/99
attachment

Preceded by: F99-04

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ORDER OF THE ADMINISTRATOR 99-1
IN THE MATTER OF SECTION 2(9) OF THE
PETROLEUM AND NATURAL GAS ROYALTY AND FREEHOLD
PRODUCTION TAX REGULATION
(B.C. Reg 495/92)

1. For the purposes of Section 6, items 1.1 and 1.2 of the *Petroleum and Natural Gas Royalty and Freehold Production Tax Regulation*, the Select Price for the calendar year 1999 is \$50/10³m³.
2. This order remains in effect until cancelled or amended by Order of the Administrator.

Original signed by

Cheryl Brooks
Royalty Administrator
Dated at Victoria, British Columbia
this *19th* day of January, 1999