

Oil and Gas Production Tax Regulation

THE OIL AND GAS PRODUCTION TAX ACT (C.C.S.M. c. 037)

Regulation 28/97 Registered February 17, 1997

Definitions

1(1) In this regulation,

"EOR incentive period" means the period in respect of a well or spacing unit in an enhanced oil recovery project that was approved under The Mines Act, R.S.M. 1987, chapter M160, on or after January 1, 1987 and fully implemented before January 1, 1992, starting:

- (a) the first day of the month in which the project was fully implemented;
- (b) the first day of the month following the month in which the production incentive period for the well expires; or
- (c) the month in which the final holiday oil volume for the well is produced or deemed to be produced;

whichever is the latest, and continuing for the number of producing months determined under that Act

"incentive oil" means oil obtained from a well or allocated to a spacing unit during a production incentive period or an EOR incentive period;

"production incentive period" means the period in respect of a new oil well that was drilled and completed on or after January 1, 1979 and before January 1, 1987, commencing the first day of the month in which the well began to produce and continuing for the number of producing months determined under The Mines Act, R.S.M. 1987, chapter M160.

Application of definitions from other regulation

1(2) In this regulation, each of the following terms has the same meaning given to it under subsection 1(1) of the Crown Royalty and Incentives Regulation under The Oil and Gas Act: "drainage unit", "holiday oil", "new oil", "new oil well", "old oil", "producing month", "third tier oil", "third tier oil well".

Classification of oil

1(3) For the purpose of this regulation, oil is classified as holiday oil, incentive oil, third tier oil, new oil, or old oil.

Application of regulation

2 This regulation applies to oil and gas produced or, in the case of a unit, pooled spacing unit or horizontal well, deemed to be produced, from freehold oil and gas rights.

Production allocation re: horizontal well

3(1) Subject to subsection (2), where a horizontal well is completed in more than one spacing unit, the amount of the production that is deemed for the purpose of the Act and this regulation to be allocated to each spacing unit in the drainage unit is determined:

(a) in accordance with any agreement between the royalty and working interest owners in the drainage unit respecting the allocation of production; or

(b) where no such agreement exists, by dividing the amount of the production equally among the spacing units in the drainage unit.

Agreement allocating production from outside drainage unit

3(2) For the purpose of this regulation, where an agreement referred to in clause (1)(a) allocates production to a spacing unit that is outside the drainage unit, that production shall, despite anything in the agreement to the contrary, be allocated to the spacing units inside the drainage unit in the same proportions as the agreement allocates production among the spacing units inside the drainage unit.

Determination of tax rate

4 The rate of tax payable on the value of oil and gas produced or deemed to be produced from, or allocated to, a spacing unit during a producing month shall be determined in accordance with the Schedule.

Value of production

5 The value of oil or gas produced or deemed to be produced from or allocated to a spacing unit is its fair market value determined in accordance with section 7 of the Crown Royalty and Incentives Regulation under The Oil and Gas Act.

Application for designation as special operator

6(1) An application by a holder of a working interest for designation of the holder as a special operator must be made to the director and must include the following:

(a) a list of wells for which the designation is proposed, and proof of the applicant's interest in each well;

(b) for the purpose of serving documents on the applicant, the address of the applicant or, in the case of an applicant who is not a resident of the province, the name and address of the applicant's agent in the province;

(c) the applicant's plan respecting the sale of production from each well, and evidence that the operator of each well has been notified of the plan;

(d) any other information required by the director which, when the applicant is a corporation, may include information respecting the operations and financial status of the corporation.

Posting of security

6(2) Where the director requires an applicant to post security under subsection 5(2) of the Act, the security shall be in one of the following forms:

(a) cash;

(b) a term deposit that is:

(i) issued by a bank, trust company, or credit union;

(ii) assigned as to principal to the Minister of Finance for Manitoba with written confirmation of the assignment from the bank, trust company, or credit union; and

(iii) acceptable to the director;

(c) a letter of credit that is acceptable to the director.

Use of security

6(3) The director may use a posted security to pay any debt to the Crown arising from the special operator's failure to comply with the Act or this regulation.

Review and recommendation

7 Not later than January 1, 2002, the minister shall:

(a) review the effectiveness of the operation of this regulation after consulting such persons affected by the regulation as the minister considers appropriate; and

(b) if the minister considers it advisable, recommend to the Lieutenant Governor in Council that the regulation be amended or repealed.

Repeal

8 The Oil and Gas Production Tax Regulation, Manitoba Regulation 357/87, is repealed.

Coming into force

9 This regulation comes into force on the day The Oil and Gas Production Tax and Oil and Gas Amendment Act, S.M. 1996, c. 27, comes into force.

Schedule (Section 3) Tax Rates

Definition

1 In this schedule, "MOP" is the monthly oil production from or allocated to a spacing unit, measured in cubic metres and calculated to the nearest 0.1 of a cubic metre.

Calculation of tax rate

2 Under sections 3 to 5, a tax rate is calculated to the nearest 0.01 percent and a result that is .005 of a percent is rounded up.

Old oil

3 The tax rate on old oil is as follows:

(a) if MOP is 20.0 or less, zero;

(b) if the MOP is more than 20.0 and less than 65.0, the tax rate is the percentage determined by applying the following formula:

$$(0.43 \times \text{MOP}) - 8.24;$$

(c) if the MOP is 65.0 or more, the tax rate is the percentage determined by applying the following formula:

$$42.76 - 1500/\text{MOP}.$$

New oil

4 The tax rate on new oil is as follows:

(a) if the MOP is 36.0 or less, zero;

(b) if the MOP is more than 36.0 and less than 65.0, the tax rate is the percentage determined by applying the following formula:

$$(0.23 \times \text{MOP}) - 8.11;$$

(c) if the MOP is 65.0 or more, the tax rate is the percentage determined by applying the following formula:

$$19.59 - 820/\text{MOP}$$

Third Tier oil

4.1 The tax rate on third tier oil is as follows:

(a) if the MOP is 46.0 or less, zero; and

(b) if the MOP is more than 46.0, the tax rate is the percentage determined by applying the following formula:

$$11.0 - 465/\text{MOP}.$$

Incentive oil

5 The tax rate on incentive oil is as follows:

(a) if the MOP is less than 56.0, zero;

(b) if the MOP is 56.0 or more, the tax rate is the percentage determined by applying the following formula:

$$9.27 - 510/\text{MOP}.$$

Holiday oil

6 The tax rate on holiday oil is zero.

Gas

7 The tax rate on gas is 1.2 % of all monthly production values