HMRC - OT01007 - The Field Determination Process

DECC is responsible for determining field boundaries. This is particularly relevant to PRT which is a field-based tax, and also to aspects of the special reliefs available for decommissioning.

A field determination sets the boundary that encompasses the maximum extent of the field. This is taken as the maximum extent of all hydrocarbons present within the geological structure(s) that constitutes the field. Fields are thus determined on the basis of geological criteria. An oil field is defined for tax purposes in Schedule 1 Oil Taxation Act 1975. For a hydrocarbon accumulation to be determined as a field it must be physically separated from any other accumulation that might be present. Occasionally fields may have a top and a base or overlie or abut one another.

FA93\S185(1) abolished PRT for new fields and thereby created two categories of field for PRT purposes:

Taxable Fields

Those given development consent before 16 March 1993. These fields are subject to PRT. The terms taxable and non-taxable refer to their status in the context of PRT only.

Non-taxable Fields

The main category of non-taxable fields consists of those given development consent on or after 16 March 1993. However FA07\S102 introduced a further category of non-taxable field as one that has received a development decision from the Secretary of State on or after 1 July 2007 following the completion of a decommissioning programme (“recommissioned” fields). Finally, FA08\S107 and Schedule 33 allow operators to elect for a field to become non-taxable if it is evident that the field will never pay PRT.

A field determination is generally a consultative process, made on the basis of geological criteria, normally triggered by the submission of a field development programme. A Notice of Proposed Determination is sent to all licensees involved. Recipients have 60 days in which to make any objections in writing and objecting parties can make representations in more detail, before a final determination is issued. The final decision on the determination rests with the Secretary of State. Once determined, a field’s boundaries are expressed in two or three dimensions, with the two dimensional horizontal ‘slice’ outline expressed in terms of latitude and longitude.

A field may be considered for redetermination at any time at the request of any party should new geological and/or seismic data suggest that the original determination is no longer valid. In practice, fields are rarely redetermined unless the difference is substantial.

In November 2008 DECC announced that field licensees could apply to DECC to have a taxable field redetermined on economic grounds. If it could be demonstrated by the current licensees that PRT would prevent a previously undeveloped area from going ahead on economic grounds, then DECC would under certain circumstances redetermine the field. The undeveloped area would then become a new non-taxable field with the original taxable field being diminished in size accordingly. Such a change requires the approval of both Treasury and DECC ministers.

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