HMRC - OT05635 - PRT: Commingling - PRT Treatment Of Re-Injected Gas

A common method of enhancing recovery of liquids from oil fields is to inject gas into the reservoir to maintain pressure. The PRT treatment of reinjected gas depends on the particular facts of the reinjection scheme in operation.

In the simplest scenario, gas produced from one field is used for reinjection into the same field. There is no disposal of the gas when reinjected and neither is there a relevant appropriation within the terms of OTA75\S2(5)(cb). This is because injection to enhance recovery is deemed to be ‘for production purposes’ and so gas won from the field and then reinjected is excluded from the definition of relevant appropriation by virtue of OTA75\S12(1). Thus no charge to PRT exists at the time of reinjection. It is only when the gas is produced from the field and disposed of or appropriated that a charge to PRT will arise.

The issue is more complicated where gas produced from one field (A) is used for reinjection in another field (B). In general however the treatment of the gas re injected will follow one of two paths.

Where the gas is sold by the participators in Field A and acquired by the participators in Field B the situation is straightforward - a charge to PRT arising on delivery under the terms of OTA75\S2(5)(a) or S2(5)(ca) . But as this will usually entail an offshore purchase of gas there is the possibility of a charge arising under OTA83\SCH2\PARA12.

Where, however, the participator in Field B has an interest in Field A and uses equity gas from Field A for re injection into Field B then the exclusion from the definition of relevant appropriation in OTA75\S12 still applies (FA83\S39) and there is no charge to PRT upon reinjection. A charge to PRT does arise on Field A when the gas is reproduced from Field B and exported in some manner. But at this time the gas produced from field B will be a commingled stream of indigenous (reservoir) gas (B) and injected gas from field A. Thus it will be necessary to agree with the participators, under the terms of FA87\S63, a method by which the commingled export stream can be allocated back to each of the contributing sources.

In the absence of any simple physical method by which gas molecules from each source can be identified, LB Oil & Gas practice is to agree with participators an objective method of allocation for PRT purposes which is transparent to all parties and consistently applied. One such method is to treat injected gas from field A as being re-won first (injected gas first out or IGFO) with the balance of delivered gas allocated to field B equity.

But the particular facts of any new reinjection scheme, or alterations to existing arrangements, should always be reviewed on their own merits to determine the most appropriate method of allocation for PRT purposes under FA87\S63.

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