HMRC - OT05840 - Terminal Liftings - The Attribution Rules

Regulation 4 SI3312\2006 describes the basic formula for determining how each lifting by a participator of blended oil in a month is to be attributed to its field entitlements contributing to that blend.

Regulation 5 outlines modifications to the formula to determine the allocation of liftings to fields of blended oil sold under term contracts (including month of entitlement contracts). These modifications are required as such contracts may not cover all of the seller’s production in the blend.

It is important to note that the allocation rules described below apply at a company level and not a group level.

Therefore, where a group has more than one producing company in a blend, each company will apply the formula to its own liftings in the blend to assign its field interests to those liftings.

Where a single cargo loading is allocated by the group between its producing companies in the blend (i.e. where one of the group companies sells oil on behalf of all the group producing companies in the blend under an agency-type arrangement), the group is free to assign the volumes as it sees fit between the companies. Each company will then apply the formula to its share of the lifting assigned to it in assigning its share of the cargo between its field interests.

The reason the allocation rules apply at a company-level is, again, to try and minimise the compliance burden of these rules.

However LB Oil & Gas recognise that this flexibility could tempt some groups to arrange their field interests between their producing companies in a blend so that their PRT-paying fields were in one company and their non-PRT fields were in another.

If evidence of such behaviour were to emerge consideration would be given to whether the legislation should be changed to apply the rules on a group basis.

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