HMRC - OT05850 - PRT: Terminal Liftings - The Basic Formula (Regulation4)

The general formula used (where the oil lifted is not sold under term or month of entitlement contracts) to determine how a lifting of oil will be allocated to a company’s particular field interest in the blend is

A x B / C

A is the volume of the lifting of blended oil in question.

Note this could be either:

the total volume of the oil lifted, or

the amount that the purchaser has nominated to lift.

Regulation 3 determines which of these two alternatives will apply to any particular participator in a blend, see OT05890.

B is defined as the total volume of a participator’s production entitlement from the originating field for that month.

Where the B figure for any month is zero or less than zero, it will be deemed to be zero for that month for the purposes of this formula. In other words that field will not be allocated oil from the company’s blend liftings in that month.

C is the sum of all the participator’s B figures for the month, plus the sum of production entitlements for the month in question from all the period of entitlement term contracts (POE) that the participator is the purchasing party to in that blend.

Notes

Where the B figure was zero or less than zero it will be treated as zero in establishing C.

Oil purchased under POE contracts by affiliates of the producer do not feature in the C calculation. LB Oil & Gas are aware that some groups use such oil to displace the producer’s own oil from high priced contracts by transferring this oil to the producer at point of lifting. If this practice continues LB Oil & Gas will seek to amend the regulations to deal with this.

Previous page

Next page