HMRC - OT05870 - PRT: Terminal Liftings - Delays And Accelerations In Loading

Where a lifting is delayed or advanced from its original scheduled month of loading, and the lifting agreement provides for the use of projected production, issues will arise as to what production entitlement to use in establishing how to allocate that lifting to a company’s originating fields.

The principle to apply is as follows:

Has the loading become part of the loading schedule for the month in which it is actually loaded?

If the answer to this question is yes,

then you use the production entitlement used in constructing the loading schedule for the month of actual delivery.

If the answer is no,

then you use the production entitlement used in constructing the loading schedule for the month in which the oil was originally scheduled to load.

The reason why advancements occur is that actual production is significantly higher than originally forecast, requiring the programme to be adjusted to avoid the risk of “tank tops”. Terminals can take a certain amount of variation but have to take pre-emptive action if they get indications that there might be an issue arising. FPSOs have less storage and so are constantly adjusting their programmes to ensure tank tops are not reached. If this situation arises, producers may be asked to lift extra barrels to alleviate the situation, of if this does not resolve it, the whole programme may be advanced, or those with higher stock may be required to lift sooner.

The acceleration of a cargo from one month into the previous month is relatively common occurrence for larger terminals The decision to accelerate a month M cargo to M -1 would be made by the facility, not the producer.

Suppose an acceleration occurs (say from 1-3 March into 25-27 February). The 1-3 March lifting was assigned based upon estimated production figure for March. For various reasons as described above the lifting gets moved forward by the operator of the facility. The accelerated lifting would thus be allocated using the March attribution key, not that of February, because it was originally part of the March program.

Companies will be expected to maintain documentation sufficient to enable them to demonstrate to LB Oil & Gas, if challenged, that the correct figures have been used in the formula.

Where the B figure, as determined above, 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.

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

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.

Note Oil purchased under POE contracts by affiliates of the producer does 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.

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