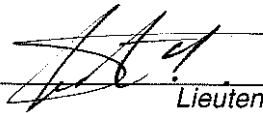


PROVINCE OF BRITISH COLUMBIA
ORDER OF THE LIEUTENANT GOVERNOR IN COUNCIL

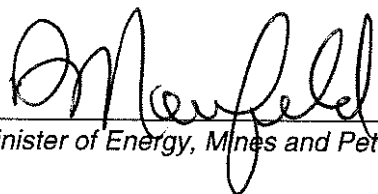
Order in Council No. **097** , Approved and Ordered **FEB 19 2008**



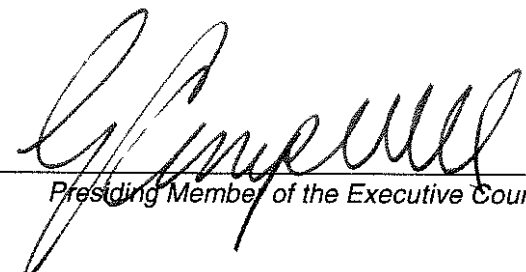
Lieutenant Governor

Executive Council Chambers, Victoria

On the recommendation of the undersigned, the Lieutenant Governor, by and with the advice and consent of the Executive Council, orders that the Petroleum and Natural Gas Royalty and Freehold Production Tax Regulation, B.C. Reg. 495/92, is amended as set out in the attached Schedule.



Minister of Energy, Mines and Petroleum Resources



Presiding Member of the Executive Council

(This part is for administrative purposes only and is not part of the Order.)

Authority under which Order is made:

Act and section:- Petroleum and Natural Gas Act, R.S.B.C. 1996 c. 361, s. 73 (2)

Other (specify):- oic 1854/92

December 20, 2007

R/1085/2007/48

SCHEDULE

1 *Section 4 is amended*

(a) by adding the following subsections:

- (9.1) If a pipeline company advises the administrator that the pipeline company intends to undertake a project, in a contractual arrangement with one or more producers, to construct or upgrade pipelines in British Columbia in support of resource exploration or development in British Columbia,
- (a) the administrator may agree that the producer or producers are entitled to deduct from the royalty or tax otherwise payable by the producer or producers under this Act a portion of the costs attributable to that project,
 - (b) the administrator may, for the purpose of paragraph (a), enter into an agreement with the parties to the contractual arrangement, identifying the various steps that constitute the project, and specifying what constitutes the completion of each step, what the estimated completion cost of each step is to be and what the estimated completion cost for the project is to be,
 - (c) the project deduction amount available, for each of the specified steps of the project, to all producers who have entered into an agreement for that project under paragraph (b), is 50% of the lesser of the estimated completion cost for that step and the amount actually spent by the parties to the contractual arrangement to complete that step, if the administrator is satisfied that
 - (i) the step has been completed in the manner and to the extent required by the agreement,
 - (ii) the parties to the contractual arrangement intend to complete the project, and
 - (iii) the completion cost for which the deduction amount is calculated has actually been paid by the parties to the contractual arrangement.

(9.2) For the purposes of subsection (9.1):

“pipeline” means a pipe or system or arrangement of pipes by which is conveyed petroleum or natural gas, or water used or obtained in drilling for or in the production of petroleum or natural gas, and property used for, with or incidental to their operation, but does not include a pipe or system or arrangement of pipes to distribute natural gas in a community to ultimate consumers;

“pipeline company” means a person that owns, constructs or operates a pipeline.

- (b) in subsection (10) by striking out “subsection (9)” and substituting “subsections (9) and (9.1)”, and*
- (c) in subsection 10 (b) by adding “or the parties to the contractual arrangement, as the case may be,” after “the producer”.*