

GUIDANCE NOTES FOR ANNUAL INQUIRY INTO OIL AND NATURAL GAS 2004

PLEASE READ THE GUIDANCE NOTES CAREFULLY BEFORE COMPLETING THE FORM

Introduction

The Department of Trade and Industry (as the department responsible for the energy industries) uses the information to obtain up-to-date administration and statistical information. Only totalled statistics from this survey are published. The publication of such information aids Government, business, researchers and the public in research, debate and decision-making.

All United Kingdom Continental Shelf (UKCS) activities (excluding those in the territories of the Isle of Man and the Channel Islands) should be reported on this form. If the companies whose activities are reported on in this form also carry out work elsewhere in the world, the profits from this work should be included in Part B.

Where joint operatorship occurs please ensure that the partners concerned are in agreement as to who reports for the system, or for what proportion of the system each company provides returns.

Estimates

Estimates are acceptable where you cannot give exact figures. Please do not aggregate any figures.

VAT (Value Added Tax)

The value to be shown for goods bought and sold (including sales of goods merchanted) and for any other expenditure should be the amount exclusive of value added tax.

Petroleum produced for sale

For the purposes of this return, petroleum is deemed to be sold when:

- delivered on sale;
- appropriate for use in processing plants or refineries of associated companies;
- otherwise disposed of including that delivered for tariff payments in kind.

Units and conversion factors

Quantities and values should be recorded using the units on the form.

The following conversion factors may be of use:

1 tonne crude oil = 7.55 barrels	1 cubic metre of gas = 0.36 therms
1 tonne natural gas liquids = 11.7 barrels	1 thousand cubic metres = 0.038 terajoules
1 cubic metre = 35.31 cubic feet	1 terajoule = 9,478.1 therms

N.B. These are generalised conversion rates - the specific density of crude and natural gas liquids and the calorific value of natural gas can vary greatly, so wherever possible accurate figures or conversion factors should be obtained.

Expenditure

Please record total field or system expenditure incurred on exploration, development and operating activities. You should record expenditure as incurred irrespective of the time of delivery of the goods in question or of your reimbursement by any other licensees on behalf of whom you may be incurring expenditure. Non-specific expenditure (such as office overheads) should be

split across the appropriate categories and fields or projects.

NOTES

Part A. FIELD, PIPELINE OR TERMINAL DATA

1. Please record, for each field you operate, the total produced for sale from the whole field by all licensees. If including petroleum used as payment in kind (for instance in lieu of tariff charges) this should be reflected in the price recorded (see note 5).
2. Please provide separate information on tariffs, take or pay receipts or capacity charges for each pipeline, terminal or other system you operate.
3. Total tariff income received by each pipeline, field or system that you operate.
4. Please provide all take or pay receipts or capacity charges (receipts due to a contract to supply gas, etc. that do not relate directly to an amount delivered).
5. The price recorded should relate directly to the production recorded (see note 1). Where sales are delivered to a third party, the price recorded should be the amount charged. The price of appropriations or other disposals (including those disposals delivered as tariff payments in kind) should be based on the landed c.i.f. value of the post initial treatment market valuation used for Petroleum Revenue Tax purposes. The price should exclude income relating to capacity charges etc.
6. Please give separately for each field or project you operate all known capital expenditure (including that later invoiced to licensees such as under the Joint Operating Agreement). Rental payments and interest payments should be excluded from capital expenditure, but recorded with operating expenditure. The provisions of operational leasing facilities are not regarded as finance leases, and the value of these items should not be recorded as capital expenditure. Decommissioning costs are recorded separately.

Receipts (including sales of capital items between fields operated by yourself, accounting corrections, etc.) should be recorded as negative amounts. Where an asset is transferred from one field to another the nominal value of the asset should be recorded as negative for the old field and positive for the new. Field 'sales', i.e. transfer of license interests and the associated assets, should not be recorded on the form.
7. Development wells including converting, drilling, labour etc, and appraisal wells in DTI approved fields. Please ensure appraisal well costs have not already been reported under 'exploration expenditure' (Part B question 4).
8. Development expenditure or services should be recorded here. The value should relate only to assets physically transferred to you during the period. Items transferred temporarily to your physical possession under an operational lease should not appear here.
9. Operating expenditure should be split by project, whether the 'project' is a field, terminal, or pipeline.
10. Rental payments and interest payments should be excluded from capital expenditure, but recorded with operating costs.
11. Decommissioning costs (not provisions). Do not include money set aside for decommissioning, only that actually spent.

Part B. NON-FIELD EXPENDITURE

12. Sales of merchanted goods (i.e. goods sold without having been subjected to any manufacturing process by you) but excluding canteen takings.

13. Sales of goods of your own production not reported elsewhere in this form. Include income accruing to your companies from activities carried in UK mainland or continental shelf & from elsewhere in the world.

14. Services rendered and work done for other organisations except other licensees in the fields for which you are an operator. Exclude tariffs, capacity charges, and cash calls to licensees in UKCS systems operated by you.

15. Operator's exploration expenditure. Please include all expenditure (including that later invoiced to licensees such as under a Joint Operating Agreement).

16. Any other expenditure not elsewhere recorded. Include any capital expenditure not directly attributable to a particular field.

17. Employees' wages and salaries. The amount to be reported here should be that paid by you to employees as wages and salaries and for which you have to account to the Inland Revenue for the purposes of Income Tax. Holiday pay and sick pay should be included where they were paid out by you. Include the value of payments in kind. Do not include any payments to working proprietors, travelling expenses, lodging allowances or voluntary or compulsory contributions made by you to insurance and pension scheme.

Do not include here amounts earned by agency staff (or staff on secondment) working for you if they received their wages from the agency (or their regular employer). However, if such employees receive their wages direct from you or if you had to account for their wages for tax purposes then the amounts involved should be included here.

18. Employees for the purpose of this return, refers to those employees whose wages and salaries you have recorded in Part B question 10, working proprietors, and anyone (such as family members) who worked for no reimbursement.

Thank you for your co-operation

Energy Markets Unit
Department of Trade & Industry