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STATUTORY INSTRUMENTS

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**2010 No. 610**

**OIL TAX**

**The Field Allowance for New Oil Fields Order 2010**

*Made - - - - 4th March 2010*

*Coming into force in accordance with article 1(1)*

The Commissioners for Her Majesty's Revenue and Customs make the following Order in exercise of the powers conferred on them by paragraph 17(1) to (3) of Schedule 44 to the Finance Act 2009<sup>(1)</sup>.

**Citation, commencement and interpretation**

1.—(1) This Order may be cited as The Field Allowance for New Oil Fields Order 2010 and shall come into force on the day after the day on which it is made.

(2) In this Order—

“pipe-line” means a pipe-line as defined by section 65 of the Pipe-lines Act 1962<sup>(2)</sup> (meaning of pipe-line),

“Schedule 44” means Schedule 44 to the Finance Act 2009 (supplementary charge: reduction for certain new oil fields).

(3) In this Order, where any term is given a definition taken from legislation which is excluded from extension to Northern Ireland, that exclusion shall not be taken into account.

**Qualifying oil field**

2. A deep water gas field is a qualifying oil field for the purposes of Schedule 44 and paragraph 20 of Schedule 44 (qualifying oil fields) shall be treated as modified accordingly.

**Deep water gas field**

3.—(1) An oil field is a “deep water gas field” if all of the following conditions are met.

(2) The first condition is that—

(a) the material submitted in support of the authorisation of the oil field identifies the planned route for the primary pipe-line (or pipe-lines) for transporting gas from the oil field to the relevant infrastructure, and

(b) the distance gas is to be transported along the planned route is more than 60 kilometres.

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(1) 2009 c. 10.

(2) 1962 c. 58.

(3) The second condition is that the natural seabed above the oil field must lie below the water surface at a depth of more than 300 metres.

(4) The third condition is that on the authorisation day of the oil field more than 75 per cent of the reserves of the oil field comprise gas.

#### **Relevant infrastructure**

4.—(1) In this Order “relevant infrastructure” means any—

- (a) pipe-line, or
- (b) gas processing facility,

which is being used by, or is planned for use by, another oil field whose development has been authorised before the authorisation day for the deep water gas field.

(2) In this article “gas processing facility” has the same meaning as provided by section 12 of the Gas Act 1995<sup>(3)</sup> (acquisition of rights to use gas processing facilities).

#### **Water depth**

5. For the purpose of article 3(3), the depth is to be measured at the lowest astronomical tide from the water surface to the lowest point of the natural seabed at the location of the primary subsea manifold or first development well whichever is the deeper.

#### **Reserves**

6. For the purpose of article 3(4), 1,100 cubic metres of gas at a temperature of 15 degrees Celsius and pressure of one atmosphere is to be counted as equivalent to one tonne of oil.

#### **Field Allowance for deep water gas field**

7. For the purpose of Schedule 44, the total field allowance (“TFA”) for a new oil field in the case of a deep water gas field is, subject to article 8, calculated as follows—

$$TFA = Y \left( \frac{D - 60}{60} \right)$$

where—

(a) “Y” is—

- (i) £800,000,000; or
- (ii) where there are more than two deep water gas fields authorised on the same day, £1,600,000,000 divided by the number of deep water gas fields authorised on that day; and

(b) “D” is—

- (i) the length in kilometres of the distance covered by article 3(2) where that is more than 60 but less than 120; or
- (ii) 120 where that length is 120 kilometres or more.

#### **Overlapping categories of qualifying oil field**

8. Where a new oil field falls into two or more of the following categories—

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(3) [c. 45. 1995.](#)

- (a) a small oil field,
- (b) an ultra heavy oil field,
- (c) an ultra high pressure/high temperature oil field,
- (d) a deep water gas field;

it is to be treated as being in the category of qualifying oil field that yields the highest total field allowance and paragraph 24 of Schedule 44 (total field allowance for new oil field) is to be treated as modified accordingly.

4th March 2010

*Dave Hartnett*  
*Bernadette Kenny*  
Two of the Commissioners for Her Majesty's  
Revenue and Customs

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## EXPLANATORY NOTE

*(This note is not part of the Order)*

This Order provides for a deep water gas field to be a qualifying oil field for the purposes of Schedule 44 to the Finance Act 2009 (c. 10) (supplementary charge: reduction for certain new oil fields) (“Schedule 44”).

Article 2 provides for a deep water gas field to be a qualifying oil field for the purposes of Schedule 44 and paragraph 20 of that Schedule, which provides for the definitions of qualifying oil field, is treated as being modified accordingly.

Article 3 provides that an oil field must meet three conditions in order to be a deep water gas field. The conditions are that: material submitted in support of the authorisation of the oil field identifies the planned route for the primary pipe-line (or pipe-lines) for transporting gas from the oil field to the relevant infrastructure and the distance gas is to be transported along the planned route is more than 60 kilometres, the natural seabed above the oil field must lie below the water surface at a depth of more than 300 metres and on the authorisation day of the oil field more than 75 per cent of the reserves of the oil field comprise gas.

Articles 4 to 6 provide for terms and measurements that are required for article 3. Article 4 provides a definition of relevant infrastructure. Article 5 stipulates when and where water depth should be measured. Article 6 stipulates how the oil field’s reserves should be measured.

Article 7 provides (subject to article 8) for the field allowance in relation to deep water gas fields which is to be determined in accordance with the calculation set out in that article. The field allowance is £800 million, unless more than two deep water gas fields are authorised on a given day in which case the field allowance for each field is equal to £1,600 million divided by the number of deep water gas fields authorised on that day, multiplied by a factor which will give a straight line taper between a field allowance of nil where the planned pipe-line route length is 60 kilometres and the full allowance where the planned pipe-line route length is 120 kilometres or more.

Article 8 provides that where a new oil field falls into two or more of the categories of qualifying oil field, small oil field, ultra heavy oil field, an ultra high pressure / high temperature oil field or deep water gas field (each of which are qualifying oil fields for the purposes of Schedule 44), it shall be treated as being in the category of qualifying oil field that yields the highest total field allowance, and paragraph 24 of Schedule 44 (total field allowance for new oil field) is to be treated as modified accordingly.

A full Impact Assessment has not been produced for this instrument as no impact on private or voluntary sectors is foreseen.