

**Minerals Management Service, Interior**

**§ 203.69**

(d) We may change your assumptions under §203.62 if our technical evaluation reveals others that are more appropriate. We may consult with you before a final decision and will explain any changes.

(e) We will notify all designated lease operators within a field when royalty relief is granted.

[63 FR 2618, Jan. 16, 1998, as amended at 67 FR 1875, Jan. 15, 2002]

**§ 203.66 What happens if MMS does not act in the time allowed?**

If we do not act within the timeframes established under §203.65, you get royalty relief according to the following table.

If you apply for royalty relief for	And we do not decide within the time specified	As long as you
(a) An authorized field .....	You get the minimum suspension volumes specified in § 203.69.	Abide by §§203.70 and 203.76.
(b) An expansion project .....	You get a royalty suspension for the first year of production.	Abide by §§203.70 and 203.76.
(c) A development project .....	You get a royalty suspension for initial production for the number of months that a decision is delayed beyond the stipulated timeframes set by §203.65, plus all the royalty suspension volume for which you qualify.	Abide by §§203.70 and 203.76.

[67 FR 1875, Jan. 15, 2002]

**§ 203.67 What economic criteria must I meet to get royalty relief on an authorized field or project?**

We will not approve applications if we determine that royalty relief cannot make the field, development project, or expansion project economically viable. Your field or project must be uneconomic while you are paying royalties and must become economic with royalty relief.

[67 FR 1876, Jan. 15, 2002]

**§ 203.68 What pre-application costs will MMS consider in determining economic viability?**

(a) We will not consider ineligible costs as set forth in §203.89(h) in determining economic viability for purposes of royalty relief.

(b) We will consider sunk costs according to the following table.

We will	When determining
(1) Include sunk costs .....	Whether a field that includes a pre-Act lease which has not produced, other than test production, before the application or redetermination submission date needs relief to become economic.
(2) Not include sunk costs .....	Whether an authorized field, a development project, or an expansion project can become economic with full relief (see §203.67).
(3) Not include sunk costs .....	How much suspension volume is necessary to make the field, a development project, or an expansion project economic (see §203.69(c)).
(4) Include sunk costs for the project discovery well on each lease.	Whether a development project or an expansion project needs relief to become economic.

[63 FR 2618, Jan. 16, 1998, as amended at 67 FR 1876, Jan. 15, 2002]

**§ 203.69 If my application is approved, what royalty relief will I receive?**

If we approve your application, subject to certain conditions, we will not collect royalties on a specified suspension volume for your field, develop-

ment project, or expansion project. Suspension volumes include volumes allocated to a lease under an approved unit agreement, but exclude any volumes of production that are not normally royalty-bearing under the lease

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or the regulations of this chapter (e.g., fuel gas).

(a) For authorized fields, the minimum royalty-suspension volumes are:

- (1) 17.5 million barrels of oil equivalent (MMBOE) for fields in 200 to 400 meters of water;
- (2) 52.5 MMBOE for fields in 400 to 800 meters of water; and
- (3) 87.5 MMBOE for fields in more than 800 meters of water.

(b) For development projects, any relief we grant applies only to project wells and replaces the royalty relief, if any, with which we issued your lease.

(c) If your project is economic given the royalty relief with which we issued

your lease, we will reject the application.

(d) If the lease has earned or may earn deep gas royalty relief under §§ 203.40 through 203.49 or ultra-deep gas royalty relief under §§ 203.30 through 203.36, we will take the deep gas royalty relief or ultra-deep gas royalty relief into account in determining whether further royalty relief for a development project is necessary for production to be economic.

(e) If neither paragraph (c) nor (d) of this section apply, the *minimum* royalty suspension volumes are as shown in the following table:

For . . .	The minimum royalty suspension volume is . . .	Plus . . .
(1) RS leases in the GOM or leases offshore Alaska,	A volume equal to the combined royalty suspension volumes (or the volume equivalent based on the data in your approved application for other forms of royalty suspension) with which MMS issued the leases participating in the application that have or plan a well into a reservoir identified in the application,	10 percent of the median of the distribution of known recoverable resources upon which MMS based approval of your application from all reservoirs included in the project.
(2) Leases offshore Alaska or other deep water GOM leases issued in sales after November 28, 2000,	A volume equal to 10 percent of the median of the distribution of known recoverable resources upon which MMS based approval of your application from all reservoirs included in the project.	

(f) If your application includes pre-Act leases in different categories of water depth, we apply the minimum royalty suspension volume for the deepest such lease then assigned to the field. We base the water depth and makeup of a field on the water-depth delineations in the “Lease Terms and Economic Conditions” map and the “Fields Directory” documents and updates in effect at the time your application is deemed complete. These publications are available from the MMS Gulf of Mexico Regional Office.

(g) You will get a royalty suspension volume above the minimum if we determine that you need more to make the field or development project economic.

(h) For expansion projects, the minimum royalty suspension volume equals 10 percent of the median of the distribution of known recoverable resources upon which we based approval of your application from all reservoirs

included in your project plus any suspension volumes required under § 203.66. If we determine that your expansion project may be economic only with more relief, we will determine and grant you the royalty suspension volume necessary to make the project economic.

(i) The royalty suspension volume applicable to specific leases will continue through the end of the month in which cumulative production reaches that volume. You must calculate cumulative production from all the leases in the authorized field or project that are entitled to share the royalty suspension volume.

[63 FR 2618, Jan. 16, 1998, as amended at 67 FR 1876, Jan. 15, 2002; 73 FR 58472, Oct. 7, 2008; 73 FR 69515, Nov. 18, 2008]

**§ 203.70 What information must I provide after MMS approves relief?**

You must submit reports to us as indicated in the following table. Sections