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**AUTHORITY:** 25 U.S.C. 396 *et seq.*; 25 U.S.C. 396a *et seq.*; 25 U.S.C. 2101 *et seq.*; 30 U.S.C. 181 *et seq.*; 30 U.S.C. 351 *et seq.*; 30 U.S.C. 1001 *et seq.*; 30 U.S.C. 1701 *et seq.*; 31 U.S.C. 9701; 42 U.S.C. 15903–15906; 43 U.S.C. 1301 *et seq.*; 43 U.S.C. 1331 *et seq.*; and 43 U.S.C. 1801 *et seq.*

**Subpart A—General Provisions**

**SOURCE:** 63 FR 2616, Jan. 16, 1998, unless otherwise noted.

**§ 203.0 What definitions apply to this part?**

*Authorized field* means a field:

(1) Located in a water depth of at least 200 meters and in the Gulf of Mexico (GOM) west of 87 degrees, 30 minutes West longitude;

(2) That includes one or more pre-Act leases; and

(3) From which no current pre-Act lease produced, other than test production, before November 28, 1995.

*Certified unsuccessful well* means an original well or a sidetrack with a sidetrack measured depth (*i.e.*, length) of at least 10,000 feet, on your lease that:

(1) You begin drilling on or after March 26, 2003, and before May 3, 2009, on a lease that is located in water partly or entirely less than 200 meters deep and that is not a non-converted lease, or on or after May 18, 2007, and before May 3, 2013, on a lease that is located in water entirely more than 200 meters and entirely less than 400 meters deep;

(2) You begin drilling before your lease produces gas or oil from a well with a perforated interval the top of which is at least 18,000 feet true vertical depth subsea (TVD SS), (*i.e.*, below the datum at mean sea level);

(3) You drill to at least 18,000 feet TVD SS with a target reservoir on your lease, identified from seismic and related data, deeper than that depth;

(4) Fails to meet the producibility requirements of 30 CFR part 250, subpart A, and does not produce gas or oil, or meets those producibility requirements and MMS agrees it is not commercially producible; and

(5) For which you have provided the notices and information required under § 203.47.

*Complete application* means an original and two copies of the six reports consisting of the data specified in 30 CFR 203.81, 203.83 and 203.85 through

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203.89, along with one set of digital information, which MMS has reviewed and found complete.

*Deep well* means either an original well or a sidetrack with a perforated interval the top of which is at least 15,000 feet TVD SS and less than 20,000 feet TVD SS. A deep well subsequently re-perforated at less than 15,000 feet TVD SS in the same reservoir is still a deep well.

*Determination* means the binding decision by MMS on whether your field qualifies for relief or how large a royalty-suspension volume must be to make the field economically viable.

*Development project* means a project to develop one or more oil or gas reservoirs located on one or more contiguous leases that have had no production (other than test production) before the current application for royalty relief and are either:

- (1) Located in a planning area offshore Alaska; or
- (2) Located in the GOM in a water depth of at least 200 meters and wholly west of 87 degrees, 30 minutes West longitude, and were issued in a sale held after November 28, 2000.

*Draft application* means the preliminary set of information and assumptions you submit to seek a nonbinding assessment on whether a field could be expected to qualify for royalty relief.

*Eligible lease* means a lease that:

- (1) Is issued as part of an OCS lease sale held after November 28, 1995, and before November 28, 2000;
- (2) Is located in the Gulf of Mexico in water depths of 200 meters or deeper;
- (3) Lies wholly west of 87 degrees, 30 minutes West longitude; and
- (4) Is offered subject to a royalty suspension volume.

*Expansion project* means a project that meets the following requirements:

- (1) You must propose the project in a Development and Production Plan, a Development Operations Coordination Document (DOCD), or a Supplement to a DOCD, approved by the Secretary of the Interior after November 28, 1995.
- (2) The project must be located on either:
  - (i) A pre-Act lease in the GOM, or a lease in the GOM issued in a sale held after November 28, 2000, located wholly

west of 87 degrees, 30 minutes West longitude; or

- (ii) A lease in a planning area offshore Alaska.

- (3) On a pre-Act lease in the GOM, the project:

- (i) Must significantly increase the ultimate recovery of resources from one or more reservoirs that have not previously produced (extending recovery from reservoirs already in production does not constitute a significant increase); and

- (ii) Must involve a substantial capital investment (e.g., fixed-leg platform, subsea template and manifold, tension-leg platform, multiple well project, etc.).

- (4) For a lease issued in a planning area offshore Alaska, or in the GOM after November 28, 2000, the project must involve a new well drilled into a reservoir that has not previously produced.

- (5) On a lease in the GOM, the project must not include a reservoir the production from which an RSV under §§ 203.30 through 203.36 or §§ 203.40 through 203.48 would be applied.

*Fabrication (or start of construction)* means evidence of an irreversible commitment to a concept and scale of development. Evidence includes copies of a binding contract between you (as applicant) and a fabrication yard, a letter from a fabricator certifying that continuous construction has begun, and a receipt for the customary down payment.

*Field* means an area consisting of a single reservoir or multiple reservoirs all grouped on, or related to, the same general geological structural feature or stratigraphic trapping condition. Two or more reservoirs may be in a field, separated vertically by intervening impervious strata or laterally by local geologic barriers, or both.

*Lease* means a lease or unit.

*New production* means any production from a current pre-Act lease from which no royalties are due on production, other than test production, before November 28, 1995. Also, it means any additional production resulting from new lease-development activities on a lease issued in a sale after November 28, 2000, or a current pre-Act lease

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under a DOCD or a Supplement approved by the Secretary of the Interior after November, 28, 1995.

*Nonbinding assessment* means an opinion by MMS of whether your field could qualify for royalty relief. It is based on your draft application and does not entitle the field to relief.

*Non-converted lease* means a lease located partly or entirely in water less than 200 meters deep issued in a lease sale held after January 1, 2001, and before January 1, 2004, whose original lease terms provided for an RSV for deep gas production and the lessee has not exercised the option under § 203.49 to replace the lease terms for royalty relief with those in § 203.0 and §§ 203.40 through 203.48.

*Original well* means a well that is drilled without utilizing an existing wellbore. An original well includes all sidetracks drilled from the original wellbore either before the drilling rig moves off the well location or after a temporary rig move that MMS agrees was forced by a weather or safety threat and drilling resumes within 1 year. A bypass from an original well (e.g., drilling around material blocking the hole or to straighten crooked holes) is part of the original well.

*Participating area* means that part of the unit area that MMS determines is reasonably proven by drilling and completion of producible wells, geological and geophysical information, and engineering data to be capable of producing hydrocarbons in paying quantities.

*Performance conditions* means minimum conditions you must meet, after we have granted relief and before production begins, to remain qualified for that relief. If you do not meet each one of these performance conditions, we consider it a change in material fact significant enough to invalidate our original evaluation and approval.

*Phase 1 ultra-deep well* means an ultra-deep well on a lease that is located in water partly or entirely less than 200 meters deep for which drilling began before May 18, 2007, and that begins production before May 3, 2009, or that meets the requirements to be a certified unsuccessful well.

*Phase 2 ultra-deep well* means an ultra-deep well for which drilling began on or after May 18, 2007; and that either

meets the requirements to be a certified unsuccessful well or that begins production:

(1) Before the date which is 5 years after the lease issuance date on a non-converted lease; or

(2) Before May 3, 2009, on all other leases located in water partly or entirely less than 200 meters deep; or

(3) Before May 3, 2013, on a lease that is located in water entirely more than 200 meters and entirely less than 400 meters deep.

*Phase 3 ultra-deep well* means an ultra-deep well for which drilling began on or after May 18, 2007, and that begins production:

(1) On or after the date which is 5 years after the lease issuance date on a non-converted lease; or

(2) On or after May 3, 2009, on all other leases located in water partly or entirely less than 200 meters deep; or

(3) On or after May 3, 2013, on a lease that is located in water entirely more than 200 meters and entirely less than 400 meters deep.

*Pre-Act lease* means a lease that:

(1) Results from a sale held before November 28, 1995;

(2) Is located in the GOM in water depths of 200 meters or deeper; and

(3) Lies wholly west of 87 degrees, 30 minutes West longitude.

*Production* means all oil, gas, and other relevant products you save, remove, or sell from a tract or those quantities allocated to your tract under a unitization formula, as measured for the purposes of determining the amount of royalty payable to the United States.

*Project* means any activity that requires at least a permit to drill.

*Qualified deep well* means:

(1) On a lease that is located in water partly or entirely less than 200 meters deep that is not a non-converted lease, a deep well for which drilling began on or after March 26, 2003, that produces natural gas (other than test production), including gas associated with oil production, before May 3, 2009, and for which you have met the requirements prescribed in § 203.44;

(2) On a non-converted lease, a deep well that produces natural gas (other than test production) before the date which is 5 years after the lease

issuance date from a reservoir that has not produced from a deep well on any lease; or

(3) On a lease that is located in water entirely more than 200 meters but entirely less than 400 meters deep, a deep well for which drilling began on or after May 18, 2007, that produces natural gas (other than test production), including gas associated with oil production before May 3, 2013, and for which you have met the requirements prescribed in §203.44.

*Qualified ultra-deep well means:*

(1) On a lease that is located in water partly or entirely less than 200 meters deep that is not a non-converted lease, an ultra-deep well for which drilling began on or after March 26, 2003, that produces natural gas (other than test production), including gas associated with oil production, and for which you have met the requirements prescribed in §203.35 or §203.44, as applicable; or

(2) On a lease that is located in water entirely more than 200 meters and entirely less than 400 meters deep, or on a non-converted lease, an ultra-deep well for which drilling began on or after May 18, 2007, that produces natural gas (other than test production), including gas associated with oil production, and for which you have met the requirements prescribed in §203.35.

*Qualified well* means either a qualified deep well or a qualified ultra-deep well.

*Redetermination* means our reconsideration of our determination on royalty relief because you request it after:

- (1) We have rejected your application;
- (2) We have granted relief but you want a larger suspension volume;
- (3) We withdraw approval; or
- (4) You renounce royalty relief.

*Renounce* means action you take to give up relief after we have granted it and before you start production.

*Reservoir* means an underground accumulation of oil or natural gas, or both, characterized by a single pressure system and segregated from other such accumulations.

*Royalty suspension (RS) lease* means a lease that:

- (1) Is issued as part of an OCS lease sale held after November 28, 2000;

(2) Is in locations or planning areas specified in a particular Notice of OCS Lease Sale offering that lease; and

(3) Is offered subject to a royalty suspension specified in a Notice of OCS Lease Sale published in the FEDERAL REGISTER.

*Royalty suspension supplement (RSS)* means a royalty suspension volume resulting from drilling a certified unsuccessful well that is applied to future natural gas and oil production generated at any drilling depth on, or allocated under an MMS-approved unit agreement to, the same lease.

*Royalty suspension volume (RSV)* means a volume of production from a lease that is not subject to royalty under the provisions of this part.

*Sidetrack* means, for the purpose of this subpart, a well resulting from drilling an additional hole to a new objective bottom-hole location by leaving a previously drilled hole. A sidetrack also includes drilling a well from a platform slot reclaimed from a previously drilled well or re-entering and deepening a previously drilled well. A bypass from a sidetrack (e.g., drilling around material blocking the hole, or to straighten crooked holes) is part of the sidetrack.

*Sidetrack measured depth* means the actual distance or length in feet a sidetrack is drilled beginning where it exits a previously drilled hole to the bottom hole of the sidetrack, that is, to its total depth.

*Sunk costs for an authorized field* means the after-tax eligible costs that you (not third parties) incur for exploration, development, and production from the spud date of the first discovery on the field to the date we receive your complete application for royalty relief. The discovery well must be qualified as producible under part 250, subpart A of this title. Sunk costs include the rig mobilization and material costs for the discovery well that you incurred before its spud date.

*Sunk costs for an expansion or development project* means the after-tax eligible costs that you (not third parties) incur for only the first well that encounters hydrocarbons in the reservoir(s) included in the application and that meets the producibility requirements under part 250, subpart A of

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this chapter on each lease participating in the application. Sunk costs include rig mobilization and material costs for the discovery wells that you incurred before their spud dates.

*Ultra-deep well* means either an original well or a sidetrack completed with a perforated interval the top of which is at least 20,000 feet TVD SS. An ultra-deep well subsequently re-perforated less than 20,000 feet TVD SS in the same reservoir is still an ultra-deep well.

*Withdraw* means action we take on a field that has qualified for relief if you have not met one or more of the performance conditions.

[63 FR 2616, Jan. 16, 1998, as amended at 67 FR 1872, Jan. 15, 2002; 69 FR 3509, Jan. 26, 2004; 69 FR 24053, Apr. 30, 2004; 73 FR 69504, Nov. 18, 2008]

**§ 203.1 What is MMS's authority to grant royalty relief?**

The Outer Continental Shelf (OCS) Lands Act, 43 U.S.C. 1337, as amended by the OCS Deep Water Royalty Relief Act (DWRRA), Public Law 104-58 and the Energy Policy Act of 2005, Public Law 109-058 authorizes us to grant royalty relief in four situations.

(a) Under 43 U.S.C. 1337(a)(3)(A), we may reduce or eliminate any royalty or a net profit share specified for an OCS lease to promote increased production.

(b) Under 43 U.S.C. 1337(a)(3)(B), we may reduce, modify, or eliminate any royalty or net profit share to promote development, increase production, or encourage production of marginal resources on certain leases or categories of leases. This authority is restricted to leases in the GOM that are west of 87 degrees, 30 minutes West longitude, and in the planning areas offshore Alaska.

(c) Under 43 U.S.C. 1337(a)(3)(C), we may suspend royalties for designated

volumes of new production from any lease if:

(1) Your lease is in deep water (water at least 200 meters deep);

(2) Your lease is in designated areas of the GOM (west of 87 degrees, 30 minutes West longitude);

(3) Your lease was acquired in a lease sale held before the DWRRA (before November 28, 1995);

(4) We find that your new production would not be economic without royalty relief; and

(5) Your lease is on a field that did not produce before enactment of the DWRRA, or if you propose a project to significantly expand production under a Development Operations Coordination Document (DOCD) or a supplementary DOCD, that MMS approved after November 28, 1995.

(d) Under 42 U.S.C. 15904–15905, we may suspend royalties for designated volumes of gas production from deep and ultra-deep wells on a lease if:

(1) Your lease is in shallow water (water less than 400 meters deep) and you produce from an ultra-deep well (top of the perforated interval is at least 20,000 feet TVD SS) or your lease is in waters entirely more than 200 meters and entirely less than 400 meters deep and you produce from a deep well (top of the perforated interval is at least 15,000 feet TVD SS);

(2) Your lease is in the designated area of the GOM (wholly west of 87 degrees, 30 minutes west longitude); and

(3) Your lease is not eligible for deep water royalty relief.

[63 FR 2616, Jan. 16, 1998, as amended at 73 FR 69506, Nov. 18, 2008]

**§ 203.2 How can I obtain royalty relief?**

We may reduce or suspend royalties for Outer Continental Shelf (OCS) leases or projects that meet the criteria in the following table.

If you have a lease . . .	And if you . . .	Then we may grant you . . .
(a) With earnings that cannot sustain production ( <i>i.e.</i> , <i>End-of-life lease</i> ).	Would abandon otherwise potentially recoverable resources but seek to increase production by operating beyond the point at which the lease is economic under the existing royalty rate.	A reduced royalty rate on current monthly production and a higher royalty rate on additional monthly production. (See §§ 203.50 through 203.56.)
(b) Located in a designated GOM deep water area ( <i>i.e.</i> , 200 meters or greater) and acquired in a lease sale held before November 28, 1995, or after November 28, 2000.	Propose an expansion project and can demonstrate your project is uneconomic without royalty relief.	A royalty suspension for a minimum production volume plus any additional production large enough to make the project economic (see §§ 203.60 through 203.79).