

**Natural Resources Revenue Off., DOI**

**§ 1204.4**

- 1204.210 What if a property is approved as part of a nonqualifying agreement?
- 1204.211 When may ONRR rescind relief for a property?
- 1204.212 What if I took relief for which I was ineligible?
- 1204.213 May I obtain relief for a property that benefits from other Federal or State incentive programs?
- 1204.214 Is minimum royalty due on a property for which I took relief?
- 1204.215 Are the information collection requirements in this subpart approved by the Office of Management and Budget (OMB)?

AUTHORITY: 30 U.S.C. 1701 *et seq.*

SOURCE: 69 FR 55088, Sept. 13, 2004, unless otherwise noted. Redesignated at 75 FR 61067, Oct. 4, 2010.

**Subpart A—General Provisions**

**§ 1204.1 What is the purpose of this part?**

This part explains how you as a lessee or designee of a Federal onshore or Outer Continental Shelf (OCS) oil and gas lease may obtain prepayment or accounting and auditing relief for production from certain marginal properties. This part does not apply to production from Indian leases, even if the Indian lease is within an agreement that qualifies as a marginal property.

**§ 1204.2 What definitions apply to this part?**

*Agreement* means a federally approved communitization agreement or unit participating area.

*Barrels of oil equivalent (BOE)* means the combined equivalent production of oil and gas stated in barrels of oil. Each barrel of oil production is equal to one BOE. Also, each 6,000 cubic feet of gas production is equal to one BOE.

*Base period* means the 12-month period from July 1 through June 30 immediately preceding the calendar year for which you take or request marginal property relief. For example, if you request relief for calendar year 2006, your base period is July 1, 2004, through June 30, 2005.

*Combined equivalent production* means the total of all oil and gas production for the marginal property, stated in BOE.

*Designee* means the person designated by a lessee under §1218.52 to make all or part of the royalty or other payments due on a lease on the lessee's behalf.

*Producing wells* means only those producing oil or gas wells that contribute to the sum of BOE used in the calculation under §1204.4(c). Producing wells do not include injection or water wells. Wells with multiple zones commingled downhole are considered as a single well.

*Property* means a lease, a portion of a lease, or an agreement that may be a marginal property if it meets the qualification requirements of §1204.4.

*State concerned (State)* means the State that receives a statutorily prescribed portion of the royalties from a Federal onshore or OCS lease.

**§ 1204.3 What alternatives are available for marginal properties?**

If you have production from a marginal property, ONRR and the State may allow you the following options:

(a) *Prepay royalty.* ONRR and the State may allow you to make a lump-sum advance payment of royalties instead of monthly royalty payments for the remainder of the lease term. See subpart B for prepayment of royalty requirements.

(b) *Take accounting and auditing relief.* ONRR and the State may allow various accounting and auditing relief options to encourage you to continue to produce and develop your marginal property. See subpart C for accounting and auditing relief requirements.

**§ 1204.4 What is a marginal property under this part?**

(a) To qualify as a marginal property eligible for royalty prepayment or accounting and auditing relief under this part, the property must meet the following requirements:

|                               |  |           |
|-------------------------------|--|-----------|
| If your lease is . . .        | Then . . .   | And . . . |
| (1) Not in an agreement ..... | The lease must qualify as a marginal property under paragraph (b) of this section. |           |