

§ 203.32

30 CFR Ch. II (7–1–14 Edition)

specified in the definition of a qualified well in § 203.0, and the RSV earned by the ultra-deep well would not be applied to production from this (unqualified) deep well.

Example 5: In 2008, you spud a deep well with a perforated interval the top of which is 17,000 feet TVD SS that becomes a qualified well and earns an RSV of 15 BCF under § 203.41 when it begins producing. Then in 2011, you spud an ultra-deep well with a perforated interval the top of which is 26,000 feet TVD SS. Your 26,000-foot well becomes a qualified ultra-deep well because it meets the date and depth conditions in this definition under § 203.0 when it begins producing, but your lease earns no additional RSV under this section or § 203.41 because it is on a lease that already has production from a deep well (see § 203.30(b)). Both the qualified deep well and the qualified ultra-deep well would share your lease's total RSV of 15 BCF in the manner prescribed in §§ 203.33 and 203.43.

Example 6: In 2008, you spud a qualified ultra-deep well that is a sidetrack with a sidetrack measured depth of 21,000 feet and a perforated interval the top of which is 25,000 feet TVD SS. This well meets the definition of an ultra-deep well but is too long to be classified an ultra-deep short sidetrack in § 203.0. If your lease is located in 150 meters of water and has not previously produced from a deep well, your lease earns an RSV of 35 BCF because it was drilled after the effective date for earning this RSV. Further, this RSV applies to gas production from this and any future qualified deep and qualified ultra-deep wells on your lease, as prescribed in § 203.33. The absence of an expiration date for earning an RSV on an ultra-deep well means this long sidetrack well becomes a qualified well whenever it starts production. If your sidetrack has a sidetrack measured depth of 14,000 feet and begins production in March 2009, it earns an RSV of 12.4 BCF under this section because it meets the definitions of a phase 2 ultra-deep well (production begins before the expiration date for the pre-existing relief in its water depth category) and an ultra-deep short sidetrack in § 203.0. However, if it does not begin production until 2010, it earns no RSV because it is too short as a phase 3 ultra-deep well to be a qualified ultra-deep well.

Example 7: Your lease was issued in June 2004 and expressly incorporates the provisions of §§ 203.41 through 203.47 as they existed at that time. In January 2005, you spud a deep well (well no. 1) with a perforated interval the top of which is 16,800 feet TVD SS that becomes a qualified well and earns an RSV of 15 BCF under § 203.41 when it begins producing. Then in February 2008, you spud an ultra-deep well (well no. 2) with a perforated interval the top of which is 22,300 feet that begins producing in November 2008, after well no. 1 has started production. Well

no. 2 earns your lease an additional RSV of 10 BCF under paragraph (b) of this section because it begins production in time to be classified as a phase 2 ultra-deep well. If, on the other hand, well no. 2 had begun producing in June 2009, it would earn no additional RSV for the lease because it would be classified as a phase 3 ultra-deep well and thus is not entitled to the exception under paragraph (b) of this section.

§ 203.32 What other requirements or restrictions apply to royalty relief for a qualified phase 2 or phase 3 ultra-deep well?

(a) If a qualified ultra-deep well on your lease is within a unitized portion of your lease, the RSV earned by that well under this section applies only to your lease and not to other leases within the unit or to the unit as a whole.

(b) If your qualified ultra-deep well is a directional well (either an original well or a sidetrack) drilled across a lease line, then either:

(1) The lease with the perforated interval that initially produces earns the RSV or

(2) If the perforated interval crosses a lease line, the lease where the surface of the well is located earns the RSV.

(c) Any RSV earned under § 203.31 is in addition to any royalty suspension supplement (RSS) for your lease under § 203.45 that results from a different wellbore.

(d) If your lease earns an RSV under § 203.31 and later produces from a deep well that is not a qualified well, the RSV is not forfeited or terminated, but you may not apply the RSV earned under § 203.31 to production from the non-qualified well.

(e) You owe minimum royalties or rentals in accordance with your lease terms notwithstanding any RSVs allowed under paragraphs (a) and (b) of § 203.31.

(f) Unused RSVs transfer to a successor lessee and expire with the lease.

§ 203.33 To which production do I apply the RSV earned by qualified phase 2 and phase 3 ultra-deep wells on my lease or in my unit?

(a) You must apply the RSV allowed in § 203.31(a) and (b) to gas volumes produced from qualified wells on or after May 18, 2007, reported on the Oil and Gas Operations Report, Part A (OGOR-A) for your lease under 30 CFR 1210.102.