

**§ 203.50**

(e) Provisions related to the format of relief in §§ 203.53 and 203.69.

Relief rate & volume	End-of-life lease	Deep water expansion project	Pre-act deep water lease
One-half pre-application effective lease rate on the qualifying amount, 1.5 times pre-application effective lease rate on additional production up to twice the qualifying amount, and the pre-application effective lease rate for any larger volumes .....	x		
Qualifying amount is the average monthly production for 12 qualifying months .....	x		
Zero royalty rate on the suspension volume and the original lease rate on additional production .....		x	x
Field Suspension volume is at least 17.5, 52.5 or 87.5 million barrels of oil equivalent (MMBOE) .....			x
Amount needed to become economic .....		x	x

(f) Provisions related to discontinuing relief §§ 203.54 and 203.78.

Full royalty resumes when—	End-of-life lease	Deep water expansion project	Pre-act deep water lease
Average NYMEX price for last 12 months is at least 25 percent above the average for the qualifying months .....	x		
Average NYMEX price for last 12 months exceeds \$28/bbl or \$3.50/mcf, escalated by the gross domestic product deflator since 1994 .....		x	x

(g) Provisions related to the end, loss or reduction of relief in §§ 203.55 and 203.76.

Relief withdrawn or reduced	End-of-life lease	Deep water expansion project	Pre-act deep water lease
Recipient so requests .....	x		
Lease rate is at the effective rate for 12 consecutive months .....	x		
Conditions that we may specify in the approval letter in individual cases actually occur .....	x		
Not submitting post-production report that compares expected to actual costs .....		x	x
Change of development system .....		x	x
Excess delay in starting fabrication .....		x	x
Spending less than 80 percent of proposed pre-production costs but notifying us in post-production report .....		x	x
Amount of relief volume is produced .....		x	x

**Subpart B—OCS Oil, Gas, and Sulfur General**

SOURCE: 63 FR 2618, Jan. 16, 1998, unless otherwise noted.

**ROYALTY RELIEF FOR END-OF-LIFE LEASES**

**§ 203.50 Who may apply for end-of-life royalty relief?**

You may apply for royalty relief in two situations.

(a) Your end-of-life lease (as defined in § 203.2) is an oil and gas lease and has average daily production of at least 100 barrels of oil equivalent (BOE) per month (as calculated in § 203.73) in at least 12 of the past 15 months. The most recent of these 12 months are considered the qualifying months. These 12 months should reflect the basic operation you intend to use until your resources are depleted. If you changed your operation significantly (e.g.,

begin re-injecting rather than recovering gas) during the qualifying months, or if you do so while we are processing your application, we may defer action on your application until you revise it to show the new circumstances.

(b) Your end-of-life lease is other than an oil and gas lease (e.g., sulphur) and has production in at least 12 of the past 15 months. The most recent of these 12 months are considered the qualifying months.

[63 FR 2618, Jan. 16, 1998, as amended at 63 FR 57249, Oct. 27, 1998]

**§ 203.51 How do I apply for end-of-life royalty relief?**

You must submit a complete application and the required fee to the appropriate MMS Regional Director. Your MMS regional office will provide specific guidance on the report formats. A complete application for relief includes:

(a) An administrative information report (specified in § 203.83) and

(b) A net revenue and relief justification report (specified in § 203.84).

**§ 203.52 What criteria must I meet to get relief?**

(a) To qualify for relief, you must demonstrate that the sum of royalty payments over the 12 qualifying months exceeds 75 percent of the sum of net revenues (before-royalty revenues minus allowable costs, as defined in § 203.84).

(b) To re-qualify for relief, e.g., either applying for additional relief on top of relief already granted, or applying for relief sometime after your earlier agreement terminated, you must demonstrate that:

(1) You have met the criterion listed in paragraph (a) of this section, and

(2) The 12 required qualifying months of operation have occurred under the current royalty arrangement.

**§ 203.53 What relief will MMS grant?**

(a) If we approve your application and you meet certain conditions, we will reduce the pre-application effective royalty rate by one-half on production up to the relief volume amount. If you produce more than the relief volume amount:

(1) We will impose a royalty rate equal to 1.5 times the effective royalty rate on your additional production up to twice the relief volume amount; and

(2) We will impose a royalty rate equal to the effective rate on all production greater than twice the relief volume amount.

(b) Regardless of the level of production or prices (see § 203.54), royalty payments due under end-of-life relief will not exceed the royalty obligations that would have been due at the effective royalty rate.

(1) The effective royalty rate is the average lease rate paid on production during the 12 qualifying months.

(2) The relief volume amount is the average monthly BOE production for the 12 qualifying months.

**§ 203.54 How does my relief arrangement for an oil and gas lease operate if prices rise sharply?**

In those months when your current reference price rises by at least 25 percent above your base reference price, you must pay the effective royalty rate on all monthly production.

(a) Your current reference price is a weighted average of daily closing prices on the NYMEX for light sweet crude oil and natural gas over the most recent full 12 calendar months;

(b) Your base reference price is a weighted average of daily closing prices on the NYMEX for light sweet crude oil and natural gas during the qualifying months; and

(c) Your weighting factors are the proportions of your total production volume (in BOE) provided by oil and gas during the qualifying months.

**§ 203.55 Under what conditions can my end-of-life royalty relief arrangement for an oil and gas lease be ended?**

(a) If you have an end-of-life royalty relief arrangement, you may renounce it at any time. The lease rate will return to the effective rate during the qualifying period in the first full month following our receipt of your renouncement of the relief arrangement.

(b) If you pay the effective lease rate for 12 consecutive months, we will terminate your relief. The lease rate will