

Minerals Management Service, Interior

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§ 203.71 How does MMS allocate a field's suspension volume between my lease and other leases on my field?

The allocation depends on when production occurs, when the lease is assigned to the field, and whether we award the volume suspension by an approved application or establish it in the lease terms.

(a) If your authorized field has an approved royalty-suspension volume under §§203.67 and 203.69, we will suspend payment of royalties on production from all applying leases in the field until their cumulative production equals the approved volume. The following conditions also apply as appropriate:

If—	Then—	And—
We assign an eligible lease to your field after we approve or establish relief.	We will not change your field's royalty-suspension volume.	The newly assigned leases may share in any remaining royalty relief.
We assign a pre-Act lease to your field after you submit a complete application.	We will not change your field's royalty-suspension volume.	The newly assigned leases may share in any remaining royalty relief by filing the short form application specified in §203.83 and authorized in §203.82.
We assigned a pre-Act lease to your field before you submitted the royalty relief application.	We will not change your field's royalty-suspension volume.	The newly assigned lease will not share in the relief if it did not participate in the application.
We reassign a well on a pre-Act lease to another field.	The past production from that well counts toward the royalty suspension volume of the field to which the well is reassigned.	The past production from that well will not count toward any royalty suspension volume granted to the field from which it was reassigned.

(b) If your authorized field has an automatic royalty-suspension volume established under §260.110 of this chapter, we will suspend payment of royalties on production from all eligible

leases in the field until their cumulative production equals the automatic volume. The following conditions also apply as appropriate:

If—	Then—	And—
Another eligible lease is assigned to your field.	Your field's royalty-suspension volume does not change.	The newly assigned lease may share in relief only to the extent that cumulative production from your field is less than the automatic volume.
A pre-Act lease applies (along with the other leases in the field) and qualifies (subject to the field's automatic suspension volume) for royalty relief under §§203.67 and 203.69.	Your field's royalty-suspension volume may increase or stay the same.	All leases in the field share the one, higher royalty-suspension volume if we approve the application; or The eligible leases in the field keep the automatic volume if we reject the application.

(c) If you have an expansion project with more than one lease, the royalty-suspension volume for each lease equals that lease's actual incremental production from the project (or production allocated under an approved unit agreement) until cumulative incremental production for all leases in the project equals the project's approved royalty-suspension volume.

cated entirely west of the meridian will receive a royalty-suspension volume.

§ 203.72 Can my lease receive more than one suspension volume?

Yes. You may apply for royalty relief that involves more than one suspension volume under §203.62 in two circumstances.

(d) You may receive a royalty-suspension volume only if your entire lease is west of 87 degrees, 30 minutes West longitude. If the field lies on both sides of this meridian, only leases lo-

(a) Each field that includes your lease may receive a separate royalty-suspension volume, if it meets the evaluation criteria of §203.67.

(b) An expansion project on your lease may receive a separate royalty-

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suspension volume, even if we have already granted a royalty-suspension volume to the field that encompasses the project. But the reserves associated with the project must not have been part of our original determination, and the project must meet the evaluation criteria of § 203.67.

§ 203.73 How do suspension volumes apply to natural gas?

You must measure natural gas production under the royalty-suspension volume as follows: 5.62 thousand cubic feet of natural gas, measured in accordance with 30 CFR part 250, subpart L, equals one barrel of oil equivalent.

§ 203.74 When will MMS reconsider its determination?

Under certain conditions, you may request a redetermination if we deny your application, if you want your approved royalty-suspension volume to change, after we withdraw approval, or after you renounce royalty relief. To be eligible for a redetermination, at least one of the following three conditions must occur.

(a) You have significant new G&G data and you previously have not either requested a redetermination or re-applied for relief after we withdrew approval or you relinquished royalty relief. "Significant" means that the new G&G data:

(1) Results from drilling new wells or getting new three-dimensional seismic data and information (but not reinterpreting old data);

(2) Did not exist at the time of the earlier application; and

(3) Changes your estimates of gross resource size, quality, or projected flow rates enough to materially affect the results of our earlier determination.

(b) Your current reference price decreases by more than 25 percent from your base reference price. For royalty relief on deep water expansion projects and pre-Act deep water leases:

(1) 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;

(2) Your base reference price is a weighted average of daily closing prices on the NYMEX for oil and gas

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for the most recent full 12-calendar months preceding the date of your most recent, complete application for this royalty relief; and

(3) The weighting factors are the proportions of the total production volume (in BOE) for oil and gas associated with the most likely scenario (identified in §§ 203.85 and 203.88) from your most recently approved application for this royalty relief.

(c) Before starting to build your development and production system, you have revised your estimated development costs, and they are more than 120 percent of the eligible development costs associated with the most likely scenario from your most recent, complete application for this royalty relief.

[63 FR 2618, Jan. 16, 1998; 63 FR 24747, May 5, 1998]

§ 203.75 What risk do I run if I request a redetermination?

If you request a redetermination after we have granted you a suspension volume, you could lose some or all of the previously granted relief. This can happen because you must file a new complete application and pay the required fee, as discussed in § 203.62. We will evaluate your application under § 203.67 using the conditions prevailing at the time of your redetermination request. In our evaluation, we may find that you should receive a larger, equivalent, smaller, or no suspension volume. This means we could find that you do not qualify for the amount of relief previously granted or for any relief at all.

§ 203.76 When might MMS withdraw or reduce the approved size of my relief?

We will withdraw approval of relief for any of the following reasons.

(a) You change the type of development system proposed in your application (e.g., change from a fixed platform to floating production system, tension leg platform to a moored catenary system such as a SPAR platform, an independent development and production system to one with subsea wells tied back to a host production facility, etc.).