

§ 203.73

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.).

(b) You do not start building the proposed development and production system within 1 year of the date we approved your application—unless the MMS Director grants you an extension under § 203.79(c).

(c) You do not tell us in your post-production development report (§ 203.70), and we find out your actual development costs are less than 80 percent of the eligible development costs estimated in your application's most likely scenario. Development costs are those incurred between the application submission date and start of production. If you tell us about this result in the post-production development report, you may retain 50 percent of the original royalty-suspension volume.

(d) We granted you a royalty-suspension volume after you qualified for a redetermination under § 203.74(c), and we find out your actual development costs are less than 90 percent of the eligible development costs associated with your application's most likely scenario. Development costs are those expenditures defined in § 203.89(b) incurred between your application submission date and start of production.

(e) You do not send us the fabrication confirmation report or the post-production development report, or you provide false or intentionally inaccurate information that was material to our granting royalty relief under this section. You must pay royalties and late-payment interest determined under 30 U.S.C. 1721 and § 218.54 of this chapter on all volumes for which you used the royalty suspension. You also may be subject to penalties under other provisions of law.

§ 203.77 May I voluntarily give up relief if conditions change?

You may renounce approved royalty-suspension volumes as soon as you anticipate violating one of the withdrawal conditions, or for any other reason, before you start production.

§ 203.78 Do I keep relief if prices rise significantly?

No, you must pay full royalties if prices rise above the statutory base price for light sweet crude oil or natural gas.

(a) Suppose the arithmetic average of the daily closing NYMEX light sweet crude oil prices for the previous calendar year exceeds \$28.00 per barrel, as adjusted in paragraph (f) of this section. In this case, we retract the royalty relief authorized in this section and you must:

(1) Pay royalties on all oil production for the previous year at the lease stipulated royalty rate plus interest (under 30 U.S.C. 1721 and § 218.54 of this chapter) by April 30 of the current calendar year, and

(2) Pay royalties on all your oil production in the current year.

(b) Suppose the arithmetic average of the daily closing NYMEX natural gas prices for the previous calendar year exceeds \$3.50 per million British thermal units (Btu), as adjusted in paragraph (f) of this section. In this case, we retract the royalty relief authorized in this section and you must:

(1) Pay royalties on all natural gas production for the previous year at the lease stipulated royalty rate plus interest (under 30 U.S.C. 1721 and § 218.54 of this chapter) by April 30 of the current calendar year, and

(2) Pay royalties on all your natural gas production in the current year.

(c) Production under both paragraphs (a) and (b) of this section counts as part of the royalty-suspension volume.

(d) You are entitled to a refund or credit, with interest, of royalties paid on any production (that counts as part of the royalty-suspension volume):

(1) Of oil if the arithmetic average of the closing oil prices for the current calendar year is \$28.00 per barrel or less, as adjusted in paragraph (f) of this section, and

(2) Of gas if the arithmetic average of the closing natural gas prices for the current calendar year is \$3.50 per million Btu or less, as adjusted in paragraph (f) of this section.

(e) You must follow our regulations in part 230 of this chapter for receiving refunds or credits.

(f) We change the prices referred to in paragraphs (a), (b) and (d) of this section during each calendar year after 1994. These prices change by the percentage the implicit price deflator for the gross domestic product changed during the preceding calendar year.