

**§ 3103.4-2**

average above \$28 per barrel, based on West Texas Intermediate crude average posted price for a period of 6 consecutive months, the benefits of the royalty rate reduction under this section may be terminated upon 6 months' notice, published in the FEDERAL REGISTER.

(5) The Secretary will evaluate the effectiveness of the stripper well royalty reduction program and may at any time after September 10, 1997, terminate any or all royalty reductions granted under this section upon 6 months notice.

**43 CFR Ch. II (10-1-99 Edition)**

(6) The stripper well property royalty rate reduction benefits shall apply to all oil produced from the property.

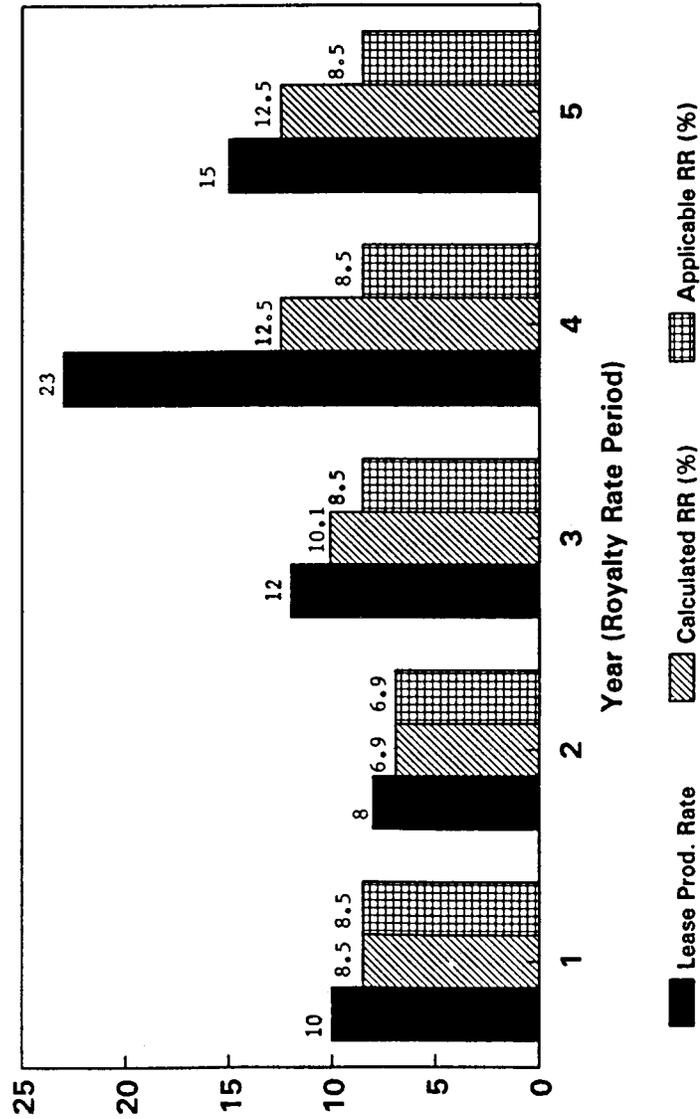
(7) The royalty for gas production (including liquids produced in association with gas) for oil completions shall be calculated separately using the lease royalty rate.

(8) If the lease royalty rate is lower than the benefits provided in this stripper oil property royalty rate reduction program, the lease rate prevails.

(9) The minimum royalty provisions of § 3103.3-2 apply.

(10) Examples.

## Royalty Rate (RR) Reduction Example 1: Immediate Qualification



BILLING CODE 4310-84-C

*Explanation, Example 1*

1. Property production rate per well for qualifying period (August 1, 1990-July 31, 1991) is 10 barrels of oil per day (BOPD).

2. Using the formula, the royalty rate for the first year is calculated to be 8.5 percent. This rate is also the maximum royalty rate for the life of the program.

$$8.5\% = 0.5 + (0.8 \times 10)$$

3. Production rate for the first year is 8 BOPD.

4. Using the formula, the royalty rate is calculated at 6.9 percent. Since 6.9 percent is less than the first year rate of 8.5 percent, 6.9 percent is the applicable royalty rate for the second year.

$$6.9\% = 0.5 + (0.8 \times 8)$$