

## Bureau of Land Management, Interior

## § 3211.17

which explain when MMS considers a payment as received. If less than a full year remains on a lease, you still must pay a full year's rent by the anniversary date of the lease.

### § 3211.12 How and where do I pay my rent?

(a) Pay BLM the first year's advance rent according to the instructions at 43 CFR 3204.12 or 3205.16. You may use a personal or cashier's check or money order made payable to the Department of the Interior—Bureau of Land Management. You may also make payments by credit card or electronic funds transfer with our prior approval.

(b) For all subsequent years make your rental payments to MMS. See MMS regulations at 30 CFR part 218.

### § 3211.13 Is there a different rental or minimum royalty amount for a fractional interest lease?

Yes, BLM will prorate rents and minimum royalties payable under leases for lands in which the United States owns only a fractional mineral interest. For example, if the United States owns 50% of a 640 acre lease, you pay rent based on 320 acres.

### § 3211.14 Will I always pay rent on my lease?

You are required to pay rent only until you achieve production in commercial quantities. At that time you begin paying royalties instead.

### § 3211.15 Must I pay rent if my lease is committed to an approved cooperative or unit plan?

(a) Before you begin production, if your lease is committed to an approved cooperative or unit plan, you must pay rent in accordance with 43 CFR 3211.10.

(b) Once you begin production, you do not have to pay rent if the lands included in an approved cooperative or unit plan are within the participating area. These lands are subject to royalties instead, under 43 CFR 3211.16. The only exception is for unitized lands outside the participating area, which

remain subject to rent under 43 CFR 3211.10.

### § 3211.16 What is the royalty rate for production from or attributable to my lease?

The royalty rate for production from or attributable to your lease is prescribed in your lease form. The chart at 43 CFR 3211.10 shows the minimum royalty rates. We will determine the royalty rate to include in your lease form based on the following:

(a) The royalty rate for heat or energy derived from lease production may range from 10 to 15 percent of the heat or energy value;

(b) Except for minerals discussed in paragraph (c) of this section, the royalty rate for the value of byproducts may not exceed five percent:

(1) If derived from production under the lease; and

(2) If sold or utilized or reasonably susceptible to sale or utilization.

(c) The royalty rate for minerals listed in section 1 of the Mineral Leasing Act will be the same as the royalty rate for those minerals provided under BLM regulations in this Title.

(d) The royalty rate for commercially demineralized water produced on a lease may not exceed 5 percent, except that BLM will not charge a royalty for water used in the operations of a utilization facility.

### § 3211.17 When do I owe minimum royalty?

You owe minimum royalty when BLM determines you have a well capable of commercial production but you have not begun actual production. You also owe minimum royalty when the value of actual production is so low that royalty you would pay under the scheduled rate is less than \$2.00 per acre. You should make your minimum royalty payment to MMS under the regulations in 30 CFR part 218.

**Subpart 3212—Lease Suspensions and Royalty Rate Reductions**

**§ 3212.10 What is the difference between a suspension of operations and production and a suspension of operations?**

A suspension of operations and production is a temporary relief from production obligations which you may request from BLM because economic conditions make it unjustifiable for you to continue operating. A suspension of operations is when we order you, on our own initiative, to temporarily stop production in order to protect the resource.

**§ 3212.11 How do I obtain a suspension of operations or operations and production on my lease?**

(a) If you are the operator, you may request in writing that BLM suspend your operations and production for a producing lease. Your request must fully describe why you need the suspension. We will determine if your suspension is approved.

(b) We may act on our own and suspend your operations on any lease in the interest of conservation.

(c) A suspension under this section may include leases committed to an approved unit agreement. Even if leases committed to the unit are suspended, the unit operator must still meet unit obligations.

**§ 3212.12 How long does a suspension of operations or operations and production last?**

(a) BLM will state in your suspension notice how long your suspension of operations or operations and production is effective.

(b) During a suspension, you may ask BLM in writing to terminate your suspension. The suspension will terminate when you resume production or drilling operations. If we terminate the suspension, you must resume paying rents and minimum royalty. See 43 CFR 3212.14.

(c) If we get information showing that you must resume operations to protect the interests of the United States, we will terminate your suspension and order you to resume production.

**§ 3212.13 How does a suspension affect my lease terms?**

If BLM approves your suspension of operations and production,

(a) Your lease term is extended by the length of time the suspension is in effect.

(b) You do not have to drill, produce geothermal resources, or pay rents or royalties during the suspension. We will suspend your obligation to pay lease rents or royalties beginning with the first day of the month following the date the suspension is effective. For a suspension of operations, we will not suspend your lease rental or royalty obligations.

**§ 3212.14 What happens when the suspension ends?**

You must resume rental or minimum royalty payments beginning on the first day of the lease month after BLM terminates the suspension. You must pay the full rental or minimum royalty amount due on or before the next lease anniversary date. If you do not, we will refund your balance and cancel the lease.

**§ 3212.15 May BLM reduce or suspend the royalty or rental rate of my lease?**

Yes. If you apply for a waiver, suspension or reduction of your rent or royalty, BLM may grant your request if we determine that:

- (a) It promotes conservation;
- (b) Doing so will encourage the greatest ultimate recovery of resources;
- (c) It is necessary to promote development; or
- (d) You cannot successfully operate the lease under its current terms.

**§ 3212.16 What information must I submit when I request that BLM suspend, reduce or waive my royalty or rental rate?**

(a) Your request for suspension, reduction or waiver of the royalty or rental rate must include all information BLM needs to determine if the lease can be operated under its current terms. We may ask you for:

- (1) The type of reduction you seek;
- (2) The serial number of your lease;
- (3) The names of the lessee and operator;

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- (4) The location and status of wells;
- (5) A summary of monthly production from your lease; and
- (6) A detailed statement of expenses and costs.

(b) If you are applying for a royalty reduction, suspension or waiver, you must also give us a list of names and amounts of royalties or payments out of production paid to each individual, and every effort you have made to reduce these payments. We will not approve a royalty reduction, suspension or waiver unless other royalty interest owners accept a similar reduction, suspension or waiver.

**Subpart 3213—Relinquishment, Termination, Cancellation, and Expiration**

**§ 3213.10 Who may relinquish a lease?**

The record title owner may relinquish a lease in full or in part. If there is more than one record title owner for a lease, all record title owners must sign the relinquishment.

**§ 3213.11 What must I do to relinquish a lease?**

Send BLM a written request that includes the serial number of each lease you are relinquishing. If you are relinquishing the entire lease, no legal description of the land is required. If you are relinquishing part of the lease, you must describe the lands relinquished.

**§ 3213.12 May BLM accept a partial relinquishment if it will reduce my lease to less than 640 acres?**

Your lease must remain at least 640 acres, or all of your leased lands in a section, whichever is less. Otherwise, we will not accept your partial relinquishment. We may only allow an exception if it will further development of the resource.

**§ 3213.13 When does my relinquishment take effect?**

If BLM determines you have submitted a complete relinquishment request which meets the requirements of 43 CFR 3213.11 and 3213.12, your relinquishment is effective the day we receive it. However, you and your surety must still:

- (a) Pay all rents and royalties due before relinquishment;
- (b) Plug and abandon all wells on the relinquished land;
- (c) Restore the surface and other resources; and,
- (d) Comply with the requirements of 43 CFR 3200.4.

**§ 3213.14 How can my lease automatically terminate?**

If you do not pay the rent on or before the anniversary date, your lease automatically terminates by operation of law.

**§ 3213.15 Will my lease automatically terminate if my rental payment is on time but for the wrong amount?**

(a) If MMS receives your rental payment on time, but it is deficient by a nominal amount, your lease will not automatically terminate. A nominal amount is not more than \$100 or five percent of the total payment due, whichever is less. MMS will notify you if your payment is deficient, and will set a date by which a further payment must be made. If you do not send this further payment in the time allowed, we will terminate your lease as of the anniversary date of the lease.

(b) If your rental payment is deficient by more than a nominal amount, your lease will automatically terminate on the anniversary date of the lease.

**§ 3213.16 Will BLM notify me if my lease terminates?**

Yes, we will send you a notice of the termination by certified mail, return receipt requested.

**§ 3213.17 May BLM reinstate my lease?**

Yes, if your lease was terminated for failure to pay your rents on time. You have 30 days from when you receive the termination notice to petition us for reinstatement.

**§ 3213.18 Who may petition to reinstate a lease?**

All record title owners must sign the petition, though any one record owner can submit it.