production, and lease issuance conditions in §203.40 and paragraph (a) of this section:

**Example 1:** If you have a qualified deep well that is an original well with a perforated interval the top of which is 16,000 feet TVD SS, your lease earns an RSV of 15 BCF under paragraph (b)(1) of this section. This RSV must be applied to gas production from all qualified wells on your lease, as prescribed in §§203.43 and 203.48. However, if the top of the perforated interval is 18,500 feet TVD SS, the RSV is 25 BCF according to paragraph (b)(3) of this section.

**Example 2:** If you have a qualified deep well that is a sidetrack, with a perforated interval the top of which is 16,000 feet TVD SS and a sidetrack measured depth of 6,800 feet, your lease earns an RSV of 8.2 BCF under paragraph (c)(3) of this section. This RSV would be applied to gas production from all qualified wells on your lease, as prescribed in §§203.43 and 203.48.

**Example 3:** If you have a qualified deep well that is a sidetrack, with a perforated interval the top of which is 16,000 feet TVD SS and a sidetrack measured depth of 19,500 feet, your lease earns an RSV of 15 BCF. This RSV would be applied to gas production from all qualified wells on your lease, as prescribed in §§203.43 and 203.48.

**Example 4:** If you have drilled and produced a deep well with a perforated interval the top of which is 16,000 feet TVD SS before March 26, 2003 (and the well therefore is not a qualified well), and you later drill a second qualified well that is a sidetrack, with a perforated interval the top of which is 16,000 feet TVD SS, that has a sidetrack measured depth of 6,789 feet, your lease earns an RSV of 15.7 BCF because paragraph (b)(2) of this section limits the RSV for a sidetrack at the amount an original well to the same depth would earn.

**Example 5:** If you have a qualified deep well that is an original well with a perforated interval the top of which is 19,000 feet TVD SS, and later drill a second qualified well that is an original well with a perforated interval the top of which is 19,000 feet TVD SS, we increase the total RSV for your lease from 15 BCF to 25 BCF under paragraph (c)(2) of this section. We will apply that RSV to gas production from all qualified wells on your lease, as prescribed in §§203.43 and 203.46. The difference in §203.41.

**Example 6:** If you have a qualified deep well that is a sidetrack, with a perforated interval the top of which is 19,000 feet TVD SS and a sidetrack measured depth of 4,000 feet, and later drill a second qualified well that is a sidetrack, with a perforated interval the top of which is 19,000 feet TVD SS and a sidetrack measured depth of 4,000 feet, we increase the total RSV for your lease from 15 BCF to 25 BCF under paragraph (c)(2) of this section. We will apply that RSV to gas production from all qualified wells on your lease, as prescribed in §§203.43 and 203.48. The difference in §203.41.
Example to paragraph (b): If your first qualified deep well is a sidetrack with a perforated interval whose top is 16,000 feet TVD SS and earns an RSV of 12.5 BCF, and you later drill a qualified original deep well to 17,000 feet TVD SS, the RSV for your lease remains at 12.5 BCF and does not increase to 15 BCF. However, under paragraph (c) of §203.41, if you subsequently drill a qualified deep well to a depth of 18,000 feet or greater TVD SS, you may earn an additional RSV.

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$203.43 To which production do I apply the RSV earned from qualified deep wells or qualified phase 1 ultra-deep wells on my lease?

(a) You must apply the RSV prescribed in §203.41(b) and (c) to gas volumes produced from qualified wells on or after May 3, 2004, reported on the OGOR–A for your lease under §216.53, and to the extent prescribed in §§203.43 and 203.48.

(1) Except as provided in paragraph (a)(2) of this section, all gas production from qualified wells reported on the OGOR–A, including production that is not subject to royalty, counts toward the lease RSV.

(2) Production to which an RFS applies under §§203.45 and 203.46 does not count toward the lease RSV.

(b) This paragraph applies to any lease with a qualified deep well or qualified phase 1 ultra-deep well when no part of the lease is within an MMS-approved unit. Subject to the price conditions in §203.48, you must apply the RSV prescribed in §203.41 as required under the following paragraphs (b)(1) and (b)(2) of this section.

(1) You must apply the RSV to the earliest gas production occurring on and after the later of:

(i) May 3, 2004, for an RSV earned by a qualified deep well or qualified phase 1 ultra-deep well on a lease that is located entirely or partly in water less than 200 meters deep;

(ii) May 18, 2007, for an RSV earned by a qualified deep well on a lease that is located entirely in water more than 200 meters deep; or

(iii) The date that the first qualified well that earns your lease the RSV begins production (other than test production).

(2) You must apply the RSV to only gas production from qualified wells on your lease, regardless of their depth, for which you have met the requirements in §203.35 or §203.44.

Example 1: On a lease in water less than 200 meters deep, you began drilling an original deep well with a perforated interval the top of which is 18,000 feet TVD SS in September 2003, that became a qualified deep well in July 2004, when it began producing and using the RSV that it earned. You subsequently drill another original deep well with a perforated interval the top of which is 16,600 feet TVD SS, which becomes a qualified deep well when production begins in August 2008.