Minerals Management Service, Interior

§ 256.37 Lease term.

(a)(1) All oil and gas leases shall be issued for an initial period of 5 years, or not to exceed 10 years where the authorized officer finds that such longer period is necessary to encourage exploration and development in areas because of unusually deep water or other unusually adverse conditions.

(2) If your oil and gas lease is in water depths between 400 and 800 meters, it will have an initial lease term of 8 years unless MMS establishes a different lease term under paragraph (a)(1) of this section.

(3) For leases issued with an initial term of 8 years, you must begin an exploratory well within the first 5 years of the term to avoid lease cancellation.

(b) An oil and gas lease shall continue after such initial period for as long as oil or gas is produced from the lease in paying quantities, or drilling or well reworking operations as approved by the Secretary are conducted. The term of an oil and gas lease is subject to further extension as provided in § 256.73 of this part.

(c) Sulphur leases shall be issued for a term not to exceed 10 years and so long thereafter as sulphur is produced from the leasehold in paying quantities, or drilling, well reworking, plant construction, or other operations for the production of sulphur, as approved by the Secretary, are conducted thereon.

§ 256.38 Joint bidding provisions.

§ 256.40 Definitions.

The following definitions apply to §§256.38 through 256.44 of this part.

(a) Single bid means a bid submitted by one person for an oil and gas lease under section 8(a) of the Act.

(b) Joint bid means a bid submitted by two or more persons for an oil and gas lease under section 8(a) of the Act.

(c) Average daily production is the total of all production in an applicable production period which is chargeable under §256.43 of this title divided by the exact number of calendar days in the applicable production period.

(d) Barrel means 42 U.S. gallons.

(e) Crude oil means a mixture of liquid hydrocarbons including condensate that exists in natural underground reservoirs and remains liquid at atmospheric pressure after passing through surface separating facilities, but does not include liquid hydrocarbons produced from tar sand, gilsonite, oil shale, or coal.

(f) An economic interest means any right to, or any right dependent upon, production of crude oil, natural gas, or liquefied petroleum products and shall include, but not be limited to, a royalty interest, or overriding royalty interest, whether payable in cash or in kind, a working interest, a production payment, or a carried interest.

(g) Liquefied petroleum products means natural gas liquid products including the following: ethane, propane, butane, pentane, natural gasoline, and other natural gas products recovered by a process of absorption, adsorption, compression, or refrigeration cycling, or a combination of such processes.

(h) Natural gas means a mixture of hydrocarbons and varying quantities of nonhydrocarbons that exist in the gaseous phase.

(1) Oil and gas lease means an oil and gas lease either offered or issued pursuant to the provisions of the Act.

(j) Owned means:

(1) With respect to crude oil—having either an economic interest in or a power of disposition over the production of crude oil;

(2) With respect to natural gas—having either an economic interest in or a
§ 256.41 Joint bidding requirements.

(a) Any person who submits a joint bid for any oil and gas lease during a 6-month bidding period, and who was chargeable for the prior production period with an average daily production in excess of 1.6 million barrels of crude oil, natural gas and liquified petroleum products, shall have filed under oath with the Director, a Statement of Production, hereinafter referred to as a Statement of Production, no later than 45 days prior to the commencement of the applicable 6-month bidding period of May 1 through October 31, and November 1 through April 30, respectively.