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seq. The MMS will protect information considered proprietary under applicable law and under regulations at 30 CFR 203.63, “How do I assess my chances for getting relief?” and 250.197, “Data and information to be made available to the public or for limited inspection.”

(c) An agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a currently valid OMB control number.

(d) Send comments regarding any aspect of the collection of information under this part, including suggestions for reducing the burden, to the Information Collection Clearance Officer, Minerals Management Service, Mall Stop 5438, 1849 C Street, NW., Washington, DC 20240.

[74 FR 46907, Sept. 14, 2009]

Subpart B—OCS Oil, Gas, and Sulfur General

SOURCE: 63 FR 2618, Jan. 16, 1998, unless otherwise noted.

ROYALTY RELIEF FOR DRILLING ULTRA-DEEP WELLS ON LEASES NOT SUBJECT TO DEEP WATER ROYALTY RELIEF

SOURCE: 73 FR 69506, Nov. 18, 2008, unless otherwise noted.

If you have a qualified phase 2 or qualified phase 3 ultra-deep well that is:

<table>
<thead>
<tr>
<th>Description of Well</th>
<th>RSV in Billions of Cubic Feet (BCF)</th>
<th>RSV in Thousands of Cubic Feet (MCF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) An original well, 35 BCF</td>
<td>35 BCF</td>
<td></td>
</tr>
<tr>
<td>(2) A sidetrack with a sidetrack measured depth of at least 20,000 feet, 35 BCF</td>
<td>35 BCF</td>
<td></td>
</tr>
<tr>
<td>(3) An ultra-deep short sidetrack that is a phase 2 ultra-deep well, 4 BCF plus 600 MCF times sidetrack measured depth (rounded to the nearest 100 feet) but no more than 25 BCF</td>
<td>0 BCF</td>
<td></td>
</tr>
<tr>
<td>(4) An ultra-deep short sidetrack that is a phase 3 ultra-deep well, 0 BCF</td>
<td>0 BCF</td>
<td></td>
</tr>
</tbody>
</table>

(b)(1) This paragraph applies if your lease:

(i) Has produced gas or oil from a deep well with a perforated interval the top of which is less than 18,000 feet TVD SS;

(ii) Was issued in a lease sale held between January 1, 2004, and December 31, 2005; and

(iii) The terms of your lease expressly incorporate the provisions of §§ 203.41 through 203.47 as they existed at the time the lease was issued.
Ocean Energy Bureau, Interior § 203.31

(2) Subject to the administrative requirements of §203.35 and the price conditions in §203.36, your qualified well earns your lease an RSV shown in the following table in BCF or MCF as prescribed in §203.33:

<table>
<thead>
<tr>
<th>Description</th>
<th>RSV in BCF</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) An original well or a sidetrack with a sidetrack measured depth of at least 20,000 feet TVD SS, or an ultra-deep short sidetrack,</td>
<td>10 BCF</td>
</tr>
<tr>
<td>(ii) An ultra-deep well producing from a deep or ultra-deep well with a perforated interval the top of which is 25,000 feet TVD SS, or an ultra-deep short sidetrack,</td>
<td>4 BCF plus 600 MCF times sidetrack measured depth (rounded to the nearest 100 feet) but no more than 10 BCF.</td>
</tr>
</tbody>
</table>

(c) Lessees may request a refund of or recoup royalties paid on production from qualified phase 2 or phase 3 ultra-deep wells that:

(1) Occurs before December 18, 2008 and

(2) Is subject to application of an RSV under either §203.31 or §203.41.

(d) The following examples illustrate how this section applies. These examples assume that your lease is located in the GOM west of 87 degrees, 30 minutes West longitude and in water less than 400 meters deep (see §203.30(a)), has no existing deep or ultra-deep wells and that the price thresholds prescribed in §203.36 have not been exceeded.

Example 1: In 2008, you drill and begin producing from an ultra-deep well with a perforated interval the top of which is 25,000 feet TVD SS, and your lease has had no prior production from a deep or ultra-deep well. Assuming your lease has no deepwater royalty relief (see §203.30(c)), your lease is eligible (according to §203.30(b)) to earn an RSV from a deep well. Your lease earns an RSV of 35 BCF for your lease under §203.31(a) because it has not yet produced from a deep well. Your lease earns an RSV of 25 BCF for your lease under §203.41 (that became effective May 3, 2004), if the lease is located in water depths partly or entirely less than 200 meters and has not previously produced from a deep well (§203.30(b)).

Example 2: In 2005, you spudded and began producing from an ultra-deep well with a perforated interval the top of which is 22,000 feet TVD SS. Your lease earns no RSV under this section from this phase 1 ultra-deep well (as defined in §203.0) because you spudded the well before the publication date (May 18, 2007) of the proposed rule when royalty relief under §203.31(a) became effective. However, this ultra-deep well may earn an RSV of 25 BCF for your lease under §203.41 because it became effective May 3, 2004, if the lease is located in water depths partly or entirely less than 200 meters and has not previously produced from a deep well (§203.30(b)).

Example 3: In 2000, you began producing from a deep well with a perforated interval the top of which is 16,000 feet TVD SS and your lease is located in water 100 meters deep. Then in 2008, you drill and produce from a new ultra-deep well with a perforated interval the top of which is 24,000 feet TVD SS. Your lease earns no RSV under either this section or §203.41 because the 16,000-foot well was drilled before we offered any way to earn RSV for producing from a deep well (see dates in the definition of qualified well in §203.0) and because the existence of the 16,000-foot well means the lease is not eligible (see §203.30(b)) to earn an RSV for the 24,000-foot well. Because the lease existed in the year 2000, it cannot be eligible for the exception to this eligibility condition provided in §203.31(b).

Example 4: In 2008, you spud and produce from an ultra-deep well with a perforated interval the top of which is 22,000 feet TVD SS, and your lease is located in water 300 meters deep, and your lease has had no previous production from a deep or ultra-deep well. Your lease earns an RSV of 25 BCF under this section when this well begins producing because your lease meets the conditions in §203.30 and the well fits the definition of a phase 2 ultra-deep well (§203.0). Then in 2010, you spud and produce from a deep well with a perforated interval the top of which is 16,000 feet TVD SS. Your 16,000-foot well earns no RSV because it is on a lease that already has a producing well at least 18,000 feet subsea (see §203.42(a)), but any remaining RSV earned by the ultra-deep well would also be applied to production from the deep well as prescribed in §§203.35(a)(3), or §203.35(b)(2).
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your lease is a part of a unit and §203.43(a)(2), or §203.43(b)(2) if your lease is part of a unit. However, if the 16,000-foot deep well does not begin production until 2016 (or if your lease were located in water less than 200 meters deep), then the 16,000-foot well would not be a qualified deep well because this well does not begin production within the interval specified in §203.0. The RSV earned by the ultra-deep well would not be applied to production from this (unqualified) deep well.

Example 5: In 2008, you spud a deep well with a perforated interval the top of which is 17,000 feet TVD SS that becomes a qualified well and earns an RSV of 15 BCF under §203.41 when it begins producing. Then in 2011, you spud an ultra-deep well with a perforated interval the top of which is 26,000 feet TVD SS. Your 26,000-foot well becomes a qualified ultra-deep well because it meets the date and depth conditions in this definition under §203.0 when it begins producing, but your lease earns no additional RSV under this section or §203.41 because it is on a lease that already has production from a deep well (see §203.30(b)). Both the qualified deep well and the qualified ultra-deep well would share your lease’s total RSV of 15 BCF in the manner prescribed in §§203.33 and 203.41.

Example 6: In 2008, you spud a qualified ultra-deep well that is a sidetrack with a sidetrack measured depth of 21,000 feet and a perforated interval the top of which is 25,000 feet TVD SS. This well meets the definition of an ultra-deep well but is too long to be classified an ultra-deep short sidetrack in §203.0. If your lease is located in 150 meters of water and has not previously produced from a deep well, your lease earns an RSV of 35 BCF because it was drilled after the effective date for earning this RSV. Further, this RSV applies to gas production from this and any future qualified deep and qualified ultra-deep wells on your lease, as prescribed in §203.33. The absence of an expiration date for earning an RSV on an ultra-deep well means this long sidetrack well becomes a qualified well whenever it starts production. If your sidetrack has a sidetrack measured depth of 14,000 feet and begins production in March 2009, it earns an RSV of 12.4 BCF under this section because it meets the definitions of a phase 2 ultra-deep well (production begins before the expiration date for the pre-existing relief in its water depth category) and an ultra-deep short sidetrack in §203.0. However, if it does not begin production until 2010, it earns no RSV because it is too short as a phase 3 ultra-deep well to be a qualified ultra-deep well.

Example 7: Your lease was issued in June 2004 and expressly incorporates the provisions of §§203.41 through 203.47 as they existed at that time. In January 2005, you spud a deep well (well no. 1) with a perforated interval the top of which is 16,800 feet TVD SS that becomes a qualified well and earns an RSV of 15 BCF under §203.41 when it begins producing. Then in February 2008, you spud an ultra-deep well (well no. 2) with a perforated interval the top of which is 22,300 feet that begins producing in November 2008, after well no. 1 has started production. Well no. 2 earns your lease an additional RSV of 10 BCF under paragraph (b) of this section because it begins production in time to be classified as a phase 2 ultra-deep well. If, on the other hand, well no. 2 had begun producing in June 2009, it would earn no additional RSV for the lease because it would be classified as a phase 3 ultra-deep well and thus is not entitled to the exception under paragraph (b) of this section.

§ 203.32 What other requirements or restrictions apply to royalty relief for a qualified phase 2 or phase 3 ultra-deep well?

(a) If a qualified ultra-deep well on your lease is within a unitized portion of your lease, the RSV earned by that well under this section applies only to your lease and not to other leases within the unit or to the unit as a whole.

(b) If your qualified ultra-deep well is a directional well (either an original well or a sidetrack) drilled across a lease line, then either:

(1) The lease with the perforated interval that initially produces earns the RSV or

(2) If the perforated interval crosses a lease line, the lease where the surface of the well is located earns the RSV.

(c) Any RSV earned under §203.31 is in addition to any royalty suspension supplement (RSS) for your lease under §203.45 that results from a different wellbore.

(d) If your lease earns an RSV under §203.31 and later produces from a deep well that is not a qualified well, the RSV is not forfeited or terminated, but you may not apply the RSV earned under §203.31 to production from the non-qualified well.

(e) You owe minimum royalties or rentals in accordance with your lease terms notwithstanding any RSVs allowed under paragraphs (a) and (b) of §203.31.

(f) Unused RSVs transfer to a successor lessee and expire with the lease.