(v) Any additional components required by the Regional Supervisor.
(2) Seal all bypass valves of gas royalty and allocation meters.
(3) Number and track the seals and keep the records at the field location for at least 2 years; and
(4) Make the records of seals available for MMS inspection.

Subpart M—Unitization


§250.1300 What is the purpose of this subpart?
This subpart explains how Outer Continental Shelf (OCS) leases are unitized. If you are an OCS lessee, use the regulations in this subpart for both competitive reservoir and unitization situations. The purpose of joint development and unitization is to:
(a) Conserve natural resources;
(b) Prevent waste; and/or
(c) Protect correlative rights, including Federal royalty interests.

§250.1301 What are the requirements for unitization?
(a) Voluntary unitization. You and other OCS lessees may ask the Regional Supervisor to approve a request for voluntary unitization. The Regional Supervisor may approve the request for voluntary unitization if unitized operations:
(1) Promote and expedite exploration and development; or
(2) Prevent waste, conserve natural resources, or protect correlative rights, including Federal royalty interests, of a reasonably delineated and productive reservoir.
(b) Compulsory unitization. The Regional Supervisor may require you and other lessees to unitize operations of a reasonably delineated and productive reservoir if unitized operations are necessary to:
(1) Prevent waste;
(2) Conserve natural resources; or
(3) Protect correlative rights, including Federal royalty interests.
(c) Unit area. The area that a unit includes is the minimum number of leases that will allow the lessees to minimize the number of platforms, facility installations, and wells necessary for efficient exploration, development, and production of mineral deposits, oil and gas reservoirs, or potential hydrocarbon accumulations common to two or more leases. A unit may include whole leases or portions of leases.
(d) Unit agreement. You, the other lessees, and the unit operator must enter into a unit agreement. The unit agreement must: allocate benefits to unitized leases, designate a unit operator, and specify the effective date of the unit agreement. The unit agreement must terminate when: the unit no longer produces unitized substances, and the unit operator no longer conducts drilling or well-workover operations (§250.180) under the unit agreement, unless the Regional Supervisor orders or approves a suspension of production under §250.170.
(e) Unit operating agreement. The unit operator and the owners of working interests in the unitized leases must enter into a unit operating agreement. The unit operating agreement must describe how all the unit participants will apportion all costs and liabilities incurred maintaining or conducting operations. When a unit involves one or more net-profit-share leases, the unit operating agreement must describe how to attribute costs and credits to the net-profit-share lease(s), and this part of the agreement must be approved by the Regional Supervisor. Otherwise, you must provide a copy of the unit operating agreement to the Regional Supervisor, but the Regional Supervisor does not need to approve the unit operating agreement.
(1) Extension of a lease covered by unit operations. If your unit agreement expires or terminates, or the unit area adjusts so that no part of your lease remains within the unit boundaries, your lease expires unless:
(1) Its initial term has not expired;
(2) You conduct drilling, production, or well-reworking operations on your lease consistent with applicable regulations; or
(3) MMS orders or approves a suspension of production or operations for your lease.
(g) Unit operations. If your lease, or any part of your lease, is subject to a unit agreement, the entire lease continues for the term provided in the lease, and as long thereafter as any portion of your lease remains part of the unit area, and as long as operations continue the unit in effect.

(1) If you drill, produce or perform well-workover operations on a lease within a unit, each lease, or part of a lease, in the unit will remain active in accordance with the unit agreement. Following a discovery, if your unit ceases drilling activities for a reasonable time period between the delineation of one or more reservoirs and the initiation of actual development drilling or production operations and that time period would extend beyond your lease's primary term or any extension under §250.180, the unit operator must request and obtain MMS approval of a suspension of production under §250.170 in order to keep the unit from terminating.

(2) When a lease in a unit agreement is beyond the primary term and the lease or unit is not producing, the lease will expire unless:

(i) You conduct a continuous drilling or well reworking program designed to develop or restore the lease or unit production; or

(ii) MMS orders or approves a suspension of operations under §250.170.


§ 250.1302 What if I have a competitive reservoir on a lease?

(a) The Regional Supervisor may request you to conduct development and production operations in a competitive reservoir under either a joint Development and Production Plan within the approved period of time, each lessee must submit a separate plan to the Regional Supervisor. The Regional Supervisor will hold a hearing to resolve differences in the separate plans. If the differences in the separate plans are not resolved at the hearing and the Regional Supervisor determines that unitization is necessary under §250.1301(b), MMS will initiate unitization under §250.1304.


§ 250.1303 How do I apply for voluntary unitization?

(a) You must file a request for a voluntary unit with the Regional Supervisor. Your request must include:

1. A draft of the proposed unit agreement;

2. A proposed initial plan of operation;

3. Supporting geological, geophysical, and engineering data; and

4. Other information that may be necessary to show that the unitization proposal meets the criteria of §250.1300.