

(c) For the bidding systems listed in this subpart, if the bid variable is a cash bonus bid, the highest bid by a qualified bidder determines the amount of cash bonus to be paid. We will include the minimum bid level(s) in the Notice of OCS Lease Sale published in the FEDERAL REGISTER.

(d) For the bidding systems listed in this subpart, if the bid variable is the royalty rate, the highest bid by a qualified bidder determines the royalty rate to be paid. We will include the minimum royalty rate(s) in the Notice of OCS Lease Sale published in the FEDERAL REGISTER.

(e) We may, by rule, add to or modify the bidding systems listed in §260.110, according to the procedural requirements of the OCSLA, 43 U.S.C. 1331 *et seq.*, as amended by Public Law 95-372, 92 Stat. 629.

ELIGIBLE LEASES

**§ 260.112 How do royalty suspension volumes apply to eligible leases?**

Royalty suspension volumes, as specified in section 304 of the Act, apply to eligible leases that meet the criteria in §260.113. For purposes of this section and §§260.113 through 260.117:

(a) Any volumes of production that are not normally royalty-bearing under the lease or the regulations (e.g., fuel gas) do not count against royalty suspension volumes; and

(b) Production includes volumes allocated to a lease under an approved unit agreement.

**§ 260.113 When does an eligible lease qualify for a royalty suspension volume?**

(a) Your eligible lease will receive a royalty suspension volume as specified in the Act. The bidding system in §260.110(g) applies.

(b) Your eligible lease may receive a royalty suspension volume only if your entire lease is west of 87 degrees, 30 minutes West longitude.

[73 FR 58473, Oct. 7, 2008]

**§ 260.114 How does MMS assign and monitor royalty suspension volumes for eligible leases?**

(a) We have specified the water depth category for each eligible lease in the

final Notice of OCS Lease Sale Package. The Final Notice of Sale is published in the FEDERAL REGISTER and the complete Final Notice of OCS Lease Sale Package is available on the MMS Web site. Our determination of water depth for each lease became final when we issued the lease.

(b) We have specified in the Notice of OCS Lease Sale the royalty suspension volume applicable to each water depth. The following table shows the royalty suspension volumes for each eligible lease in million barrels of oil equivalent (MMBOE):

Water depth	Minimum royalty suspension volume
(1) 200 to less than 400 meters .....	17.5 MMBOE.
(2) 400 to less than 800 meters .....	52.5 MMBOE.
(3) 800 meters or more .....	87.5 MMBOE.

[73 FR 58473, Oct. 7, 2008]

**§ 260.115 How long will a royalty suspension volume for an eligible lease be effective?**

A royalty suspension volume for an eligible lease will continue through the end of the month in which cumulative production from the leases in a field entitled to share the royalty suspension volume reaches that volume or the lease period ends.

**§ 260.116 How do I measure natural gas production on my eligible lease?**

You must measure natural gas production on your eligible lease subject to the royalty suspension volume as follows: 5.62 thousand cubic feet of natural gas, measured according to part 250, subpart L of this title, equals one barrel of oil equivalent.

ROYALTY SUSPENSION (RS) LEASES

**§ 260.120 How does royalty suspension apply to leases issued in a sale held after November 2000?**

We may issue leases with suspension of royalties for a period, volume or value of production, as authorized in section 303 of the Act. For purposes of this section and §§260.121 through 260.124:

(a) Any volumes of production that are not normally royalty-bearing under the lease or the regulations (e.g., fuel