Surface Mining Reclamation and Enforcement, Interior § 1202.152

§ 1202.152 Standards for reporting and paying royalties on gas.

(a)(1) If you are responsible for reporting production or royalties, you must:
   (i) Report gas volumes and British thermal unit (Btu) heating values, if applicable, under the same degree of water saturation;
   (ii) Report gas volumes in units of 1,000 cubic feet (mcf); and
   (iii) Report gas volumes and Btu heating value at a standard pressure base of 14.73 pounds per square inch absolute (psia) and a standard temperature base of 60 °F.

(b)(A) A reasonable amount of residue gas shall be allowed royalty free for operation of the processing plant, but no allowance shall be made for boosting residue gas or other expenses incidental to marketing, except as provided for in 30 CFR part 1206. In those situations where a processing plant processes gas from more than one lease, only that proportionate share of each lease’s residue gas necessary for the operation of the processing plant shall be allowed royalty free.

(c) No royalty is due on residue gas, or any gas plant product resulting from processing gas, which is reinjected into a reservoir within the same lease, unit area, or communitized area, when the reinjection is included in a plan of development or operations and the plan has received BLM or BOEMRE approval for onshore or offshore operations, respectively, until such time as they are finally produced from the reservoir for sale or other disposition off-lease.


§ 1202.151 Royalty on processed gas.

(a)(1) A royalty, as provided in the lease, shall be paid on the value of:
   (i) Any condensate recovered downstream of the point of royalty settlement without resorting to processing; and
   (ii) Residue gas and all gas plant products resulting from processing the gas produced from a lease subject to this subpart.
   (2) ONRR shall authorize a processing allowance for the reasonable, actual costs of processing the gas produced from Federal leases. Processing allowances shall be determined in accordance with 30 CFR part 1206 subpart D for gas production from Federal leases and 30 CFR part 1206 subpart E for gas production from Indian leases.

(b) A reasonable amount of residue gas shall be allowed royalty free for operation of the processing plant, but no allowance shall be made for boosting residue gas or other expenses incidental to marketing, except as provided in 30 CFR part 1206. In those situations where a processing plant processes gas from more than one lease, only that proportionate share of each lease’s residue gas necessary for the operation of the processing plant shall be allowed royalty free.

(c) No royalty is due on residue gas, or any gas plant product resulting from processing gas, which is reinjected into a reservoir within the same lease, unit area, or communitized area, when the reinjection is included in a plan of development or operations and the plan has received BLM or BOEMRE approval for onshore or offshore operations, respectively, until such time as they are finally produced from the reservoir for sale or other disposition off-lease.