§ 203.30

my chances for getting relief?” and 30 CFR 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, Bureau of Safety and Environmental Enforcement, 381 Elden Street, Herndon, VA 20170.

Subpart B—OCS Oil, Gas, and Sulfur General

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

§ 203.30 Which leases are eligible for royalty relief as a result of drilling a phase 2 or phase 3 ultra-deep well?

Your lease may receive a royalty suspension volume (RSV) under §§ 203.31 through 203.36 if the lease meets all the requirements of this section.

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

<table>
<thead>
<tr>
<th>Then your lease earns an RSV on this volume of gas production:</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) An original well, 35 BCF.</td>
</tr>
<tr>
<td>(2) A sidetrack with a sidetrack measured depth of at least 20,000 feet, 35 BCF.</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>
</tr>
<tr>
<td>(4) An ultra-deep short sidetrack that is a phase 3 ultra-deep well, 0 BCF.</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.

(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 billions of cubic feet (BCF) or in thousands of cubic feet (MCF) as prescribed in § 203.33:

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(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.

(4) 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:

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</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 exceed-ed.

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 under §203.31 because it has not yet produced from a deep well. Your lease earns an RSV of 35 BCF under this section when this well begins producing. According to §203.31(a), your 25,000 foot well qualifies your lease for this RSV because the well was drilled after the relief authorized here became effective (when the proposed version of this rule was published on May 18, 2007) and produced from an interval that meets the criteria for an ultra-deep well (i.e., is a phase 2 ultra-deep well as defined in §203.0). Then in 2014, you drill and produce from another ultra-deep well with a perforated interval the top of which is 29,000 feet TVD SS. Your lease earns no additional RSV under this section when this second ultra-deep well produces, because your lease no longer meets the condition in §203.30(b)) of no production from a deep well. However, any remaining RSV earned by the first ultra-deep well on your lease would be applied to production from both the first and the second ultra-deep wells as prescribed in §203.33(a)(2), or §203.33(b)(2) if your lease is part of a unit.

Example 2: In 2005, you spudded and began producing from an ultra-deep well with a perforated interval the top of which is 23,000 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 (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 (§203.38(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 an RSV of 25 BCF for your lease under §203.41 (that became effective May 3, 2004) because the 16,000-foot well was drilled before we offered any way to earn an 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, 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 35 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 (in §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 16,000 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 §203.43(a)(2), or §203.43(b)(2) if your lease is 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 2015 (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...
A) for your lease under 30 CFR 1210.102.

Gas Operations Report, Part A (OGOR–

May 18, 2007, reported on the Oil and

produced from qualified wells on or after

in §203.31(a) and (b) to gas volumes pro-

§203.33 To which production do I

(b) If your qualified ultra-deep well is

is a directional well (either an original

in §203.0, and the RSV earned by the ultra-

well that is not a qualified well, the

wellbore.

different RSV for your lease under

unqualified well.

your lease and not to other leases with-

production from the

you may not apply the RSV earned

RSV is not forfeited or terminated, but

RSV or

transfer to a suc-

no. 2 earns your lease an additional RSV of

because it begins production in time to be

classified as a phase 3 ultra-deep well and

under paragraph (b) of this section.

(b) If your qualified ultra-deep well?

(c) Any RSV earned under §203.31 is

in addition to any royalty suspension

supplement (RSS) for your lease under

in §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 al-

lowed under paragraphs (a) and (b) of

§203.31.

(f) Unused RSVs transfer to a suc-

cessor lessee and expire with the lease.

§203.33 To which production do I

apply the RSV earned by qualified

phase 2 and phase 3 ultra-deep

wells on my lease or in my unit?

(a) You must apply the RSV allowed

in §203.31(a) and (b) to gas volumes pro-

duced from qualified wells on or after

May 18, 2007, reported on the Oil and

Gas Operations Report, Part A (OGOR-

A) for your lease under 30 CFR 1210.102.

specified in the definition of a qualified well

in §203.0, and the RSV earned by the ultra-
depth 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 per-

forated 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

depth well (see §283.30(b)). Both the qualified

depth 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

203.43.

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 effec-
tive date for earning this RSV. Further, this

RSV applies to gas production from this and

any future qualified deep and qualified ultra-
depth wells on your lease, as prescribed in

§203.58. 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-exist-
ing relief in its water depth category) and an

ultra-deep short sidetrack in §203.3. How-
ever, if it does not begin producing until

2010, it earns no RSV because it is too short

to be classified as a phase 3 ultra-deep well.

Example 7: Your lease was issued in June

2004 and expressly incorporates the provi-
sions 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 in-
terval 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 per-

forated interval the top of which is 22,300

feet that begins producing in November 2008,
after well no. 1 has started production. Well

2011, it earns no RSV because it is too short

to be classified as a phase 3 ultra-deep well

and thus is not entitled to the exception under

paragraph (b) of this section.

Example 8:

In 2008, you spud 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 with-
in 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 in-
terval 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 al-

lowed under paragraphs (a) and (b) of

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(f) Unused RSVs transfer to a suc-

cessor lessee and expire with the lease.