§ 203.40

deep well (see definition in §203.0), and would earn the lease an RSV of 35 BCF under §§203.30 and 203.31. Further assume that the average daily closing NYMEX natural gas price exceeds $4.55 per MMBtu (adjusted for inflation after 2007) but does not exceed $10.15 per MMBtu (adjusted for inflation after 2007) during 2010. Because the lease is located in more than 200 but less than 400 meters of water, the $4.55 per MMBtu price threshold applies to the whole RSV (see paragraph (a)(2)(v) of this section), and the lessee will owe royalty on all gas produced from the ultra-deep well in 2010.

(d) You must pay any royalty due under this section no later than March 31 of the year following the calendar year for which you owe royalty. If you do not pay by that date, you must pay late payment interest under 30 CFR 1218.54 from April 1 until the date of payment.

(e) Production volumes on which you must pay royalty under this section count as part of your RSV.

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

§ 203.41 If I have a qualified deep well or a qualified phase 1 ultra-deep well, what royalty relief would my lease earn?

(a) To qualify for a suspension volume under paragraphs (b) or (c) of this section, your lease must meet the requirements in §203.40 and the requirements in the following table.

If your lease has not . . . And if it later . . . Then your lease . . .

| (1) produced gas or oil from any deep well or ultra-deep well, | Has a qualified deep well or qualified phase 1 ultra-deep well, | earns an RSV specified in paragraph (b) of this section. |
| (2) produced gas or oil from a well with a perforated interval whose top is 18,000 feet TVD SS or deeper, | Has a qualified deep well with a perforated interval whose top is 18,000 feet TVD SS or deeper, | earns an RSV specified in paragraph (c) of this section. |

(2) Before May 18, 2007, on a lease that is located in water entirely more than 200 meters and entirely less than 400 meters deep.

(c) In the case of a lease located partly or entirely in water less than 200 meters deep, the lease was issued in a lease sale held either:

(1) Before January 1, 2001;

(2) On or after January 1, 2001, and before January 1, 2004, and, in cases where the original lease terms provided for an RSV for deep gas production, the lessee has exercised the option provided for in §203.49; or

(3) On or after January 1, 2004, and the lease terms provide for royalty relief under §§203.41 through 203.47. (Note: Because the original §203.41 has been divided into new §§203.41 and 203.42 and subsequent sections have been redesignated as §§203.43 through 203.48, royalty relief in lease terms for leases issued on or after January 1, 2004, should be read as referring to §§203.41 through 203.48.)

(d) If the lease is located entirely in water between more than 200 meters and less than 400 meters deep, it must either:

(1) Have been issued before November 28, 1995, and not been granted deep water royalty relief under 43 U.S.C. 1337(a)(3)(C), added by section 302 of the Deep Water Royalty Relief Act; or

(2) Have been issued after November 28, 2000, and not been granted deep water royalty relief under §§203.60 through 203.79.

§ 203.42 If I have a qualified phase 1 ultra-deep well, what royalty relief would my lease earn?

(a) To qualify for a suspension volume under paragraphs (b) or (c) of this section, your lease must meet the requirements in §203.40 and the requirements in the following table.

If your lease has not . . . And if it later . . . Then your lease . . .

| (1) produced gas or oil from any deep well or ultra-deep well, | Has a qualified phase 1 ultra-deep well, | earns an RSV specified in paragraph (b) of this section. |
| (2) produced gas or oil from a well with a perforated interval whose top is 18,000 feet TVD SS or deeper, | Has a qualified phase 1 ultra-deep well, | earns an RSV specified in paragraph (c) of this section. |

(2) Before May 18, 2007, on a lease that is located in water entirely more than 200 meters and entirely less than 400 meters deep.

(c) In the case of a lease located partly or entirely in water less than 200 meters deep, the lease was issued in a lease sale held either:

(1) Before January 1, 2001;

(2) On or after January 1, 2001, and before January 1, 2004, and, in cases where the original lease terms provided for an RSV for deep gas production, the lessee has exercised the option provided for in §203.49; or

(3) On or after January 1, 2004, and the lease terms provide for royalty relief under §§203.41 through 203.47. (Note: Because the original §203.41 has been divided into new §§203.41 and 203.42 and subsequent sections have been redesignated as §§203.43 through 203.48, royalty relief in lease terms for leases issued on or after January 1, 2004, should be read as referring to §§203.41 through 203.48.)

(d) If the lease is located entirely in water between more than 200 meters and less than 400 meters deep, it must either:

(1) Have been issued before November 28, 1995, and not been granted deep water royalty relief under 43 U.S.C. 1337(a)(3)(C), added by section 302 of the Deep Water Royalty Relief Act; or

(2) Have been issued after November 28, 2000, and not been granted deep water royalty relief under §§203.60 through 203.79.
(b) If your lease meets the requirements in paragraph (a)(1) of this section, it earns the RSV prescribed in the following table:

<table>
<thead>
<tr>
<th>If you have a qualified deep well or a qualified phase 1 ultra-deep well that is:</th>
<th>Then your lease earns an RSV on this volume of gas production:</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) An original well with a perforated interval the top of which is from 15,000 to less than 18,000 feet TVD SS,</td>
<td>15 BCF.</td>
</tr>
<tr>
<td>(2) A sidetrack with a perforated interval the top of which is from 15,000 to less than 18,000 feet TVD SS,</td>
<td>4 BCF plus 600 MCF times sidetrack measured depth (rounded to the nearest 100 feet) but no more than 15 BCF.</td>
</tr>
<tr>
<td>(3) An original well with a perforated interval the top of which is at least 18,000 feet TVD SS,</td>
<td>25 BCF.</td>
</tr>
<tr>
<td>(4) A sidetrack with a perforated interval the top of which is at least 18,000 feet TVD SS,</td>
<td>4 BCF plus 600 MCF times sidetrack measured depth (rounded to the nearest 100 feet) but no more than 25 BCF.</td>
</tr>
</tbody>
</table>

(c) If your lease meets the requirements in paragraph (a)(2) of this section, it earns the RSV prescribed in the following table. The RSV specified in this paragraph is in addition to any RSV your lease already may have earned from a qualified deep well with a perforated interval whose top is from 15,000 feet to less than 18,000 feet TVD SS.

<table>
<thead>
<tr>
<th>If you have a qualified deep well or a qualified phase 1 ultra-deep well that is . . .</th>
<th>Then you earn an RSV on this amount of gas production:</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) An original well or a sidetrack with a perforated interval the top of which is from 15,000 to less than 18,000 feet TVD SS,</td>
<td>0 BCF.</td>
</tr>
<tr>
<td>(2) An original well with a perforated interval the top of which is 18,000 feet TVD SS or deeper,</td>
<td>10 BCF.</td>
</tr>
<tr>
<td>(3) A sidetrack with a perforated interval the top of which is 18,000 feet TVD SS or deeper,</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>

(d) Lessees may request a refund of or recoup royalties paid on production from qualified wells on a lease that is located in water entirely deeper than 200 meters but entirely less than 400 meters deep that:

1. Occurs before December 18, 2008; and
2. Is subject to application of an RSV under either §203.31 or §203.41.

(e) The following examples illustrate how this section applies, assuming your lease meets the location, prior production, and lease issuance conditions in §203.40 and paragraph (a) of this section:

**Example 1:** If you have a qualified deep well that is an original well with a perforated interval the top of which is 16,000 feet TVD SS, your lease earns an RSV of 15 BCF under paragraph (b)(1) of this section. This RSV must be applied to gas production from all qualified wells on your lease, as prescribed in §§203.43 and 203.48. However, if the top of the perforated interval is 18,500 feet TVD SS, the RSV is 25 BCF according to paragraph (b)(3) of this section.

**Example 2:** If you have drilled and produced a deep well with a perforated interval the top of which is 16,000 feet TVD SS before March 26, 2003 (and the well therefore is not a qualified well and has earned no RSV under this section), and later drill:

1. A deep well with a perforated interval the top of which is 17,000 feet TVD SS, your lease earns no RSV (see paragraph (c)(1) of this section); and
2. A qualified deep well that is an original well with a perforated interval the top of which is 19,000 feet TVD SS, your lease earns an RSV of 10 BCF. This RSV would be applied to gas production from all qualified wells on your lease, as prescribed in §§203.43 and 203.48, even though 4 BCF plus 600 MCF per foot of sidetrack measured depth equals 15.7 BCF because paragraph (b)(2) of this section limits the RSV for a sidetrack at the amount an original well to the same depth would earn.

**Example 3:** If you have a qualified deep well that is a sidetrack, with a perforated interval the top of which is 16,000 feet TVD SS before March 26, 2003 (and the well therefore is not a qualified well and has earned no RSV under this section), and later drill:

1. A deep well with a perforated interval the top of which is 17,000 feet TVD SS, your lease earns no RSV (see paragraph (c)(1) of this section); and
2. A qualified deep well that is a sidetrack, with a perforated interval the top of which is 19,000 feet TVD SS, your lease earns an RSV of 10 BCF. This RSV would be applied to
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