§ 203.42
30 CFR Ch. II (7–1–14 Edition)

gas production from qualified wells on your
lease, as prescribed in §§203.43 and 203.48; or
(iii) A qualified deep well that is a sidetrack with a perforated interval the top of
which is 18,000 feet TVD SS, that has a sidetrack measured depth of 7,000 feet, your lease
earns an RSV of 8.2 BCF under paragraph (c)(3) of this section. This RSV would be ap-
plicated to gas production from qualified wells on your lease, as prescribed in §§203.43 and
203.48.

Example 5: If you have a qualified deep well
that is an original well with a perforated in-
terval the top of which is 16,000 feet TVD SS,
and later drill a second qualified well that is an
original well with a perforated interval the
top of which is 19,000 feet TVD SS, we in-
crease the total RSV for your lease from 15
BCF to 25 BCF under paragraph (c)(2) of this
section. We will apply that RSV to gas pro-
duction from all qualified wells on your
lease, as prescribed in §§203.43 and 203.48.
If the second well has a perforated interval
the top of which is 22,000 feet TVD SS (instead
of 19,000 feet), the total RSV for your lease
would increase to 25 BCF only in 2 situa-
tions: (1) If the second well was a phase 1
ultra-deep well, i.e., if drilling began before
May 13, 2009, or (2) the exception in §203.31(b)
applies. In both situations, your lease must
be partly or entirely in less than 200 meters
of water and production must begin on this
well before May 3, 2009. If drilling of the sec-
ond well began on or after May 18, 2007, the
second well would be qualified as a phase 2 or
phase 3 ultra-deep well and, unless the excep-
tion in §203.31(b) applies, would not earn any
additional RSV (as prescribed in §203.30), so
the total RSV for your lease would remain at
15 BCF.

Example 6: If you have a qualified deep well
that is a sidetrack with a perforated inter-
val the top of which is 16,000 feet TVD SS
and a sidetrack measured depth of 8,000 feet,
and later drill a second qualified well that is a
sidetrack, with a perforated interval the
top of which is 19,000 feet TVD SS and a side-
track measured depth of 4,000 feet, we in-
crease the total RSV for your lease from 6.4
BCF [4 + (600 * 4,000)/1,000,000] to 15.2 BCF [6.4
+ (4 + (600 * 8,000)/1,000,000)] under para-
graphs (b)(2) and (c)(3) of this section. We
would apply that RSV to gas production from
all qualified wells on your lease, as pre-
scribed in §§203.43 and 203.48. The difference
of 8.8 BCF represents the RSV earned by the
second sidetrack that has a perforated inter-
val the top of which is deeper than 18,000 feet
TVD SS.

§ 203.42 What conditions and limitations
apply to royalty relief for
deep wells and phase 1 ultra-deep
wells?

The conditions and limitations in the
following table apply to royalty relief
under §203.41.

<table>
<thead>
<tr>
<th>If...</th>
<th>Then...</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Your lease has produced gas or oil from a well with a perforated interval the top of which is 18,000 feet TVD SS or deeper,</td>
<td>your lease cannot earn an RSV under §203.41 as a result of drilling any subsequent deep wells or phase 1 ultra-deep wells.</td>
</tr>
<tr>
<td>(b) You determine RSV under §203.41 for the first qualified deep well or qualified phase 1 ultra-deep well on your lease (whether an original well or a sidetrack) because you drilled and produced it within the time intervals set forth in the definitions for qualified wells,</td>
<td>that determination establishes the total RSV available for that drilling depth interval on your lease (i.e., either 15,000–18,000 feet TVD SS, or 18,000 feet TVD SS and deeper), regardless of the number of subsequent qualified wells you drill to that depth interval.</td>
</tr>
<tr>
<td>(c) A qualified deep well or qualified phase 1 ultra-deep well on your lease is within a unitized portion of your lease,</td>
<td>the RSV earned by that well under §203.41 applies only to production from qualified wells on or allocated to your lease and not to other leases within the unit.</td>
</tr>
<tr>
<td>(d) Your qualified deep well or qualified phase 1 ultra-deep well is a directional well (either an original well or a sidetrack) drilled across a lease line,</td>
<td>the lease with the perforated interval that initially produces earns the RSV. However, if the perforated interval crosses a lease line, the lease where the surface of the well is located earns the RSV.</td>
</tr>
<tr>
<td>(e) You earn an RSV under §203.41,</td>
<td>that RSV is in addition to any RSS for your lease under §203.45 that results from a different wellbore.</td>
</tr>
<tr>
<td>(f) Your lease earns an RSV under §203.41 and later produces from a well that is not a qualified well,</td>
<td>the RSV is not forfeited or terminated, but you may not apply the RSV under §203.41 to production from the non-qualified well.</td>
</tr>
<tr>
<td>(g) You qualify for an RSV under paragraphs (b) or (c) of §203.41,</td>
<td>you still owe minimum royalties or rentals in accordance with your lease terms.</td>
</tr>
<tr>
<td>(h) You transfer your lease,</td>
<td>unused RSVs transfer to a successor lessee and expire with the lease.</td>
</tr>
</tbody>
</table>

Example to paragraph (b): If your first qual-
ified deep well is a sidetrack with a perforated interval whose top is 16,000 feet TVD SS
and earns an RSV of 12.5 BCF, and you
later drill a qualified original deep well to
17,000 feet TVD SS, the RSV for your lease
remains at 12.5 BCF and does not increase to
15 BCF. However, under paragraph (c) of
§203.41, if you subsequently drill a qualified
deep well to a depth of 18,000 feet or greater
TVD SS, you may earn an additional RSV.