or generation of electricity, ONRR will
allow free of royalty or direct use fees
geothermal resources that are:
(A) Unavoidably lost or re-injected be-
fore use on or off the lease, as deter-
mined by BLM;
(B) Reasonably necessary for the lea-
see to generate plant parasitic elec-
tricity or electricity for Federal lease
operations, as approved by BLM; or
(C) Otherwise used for Federal lease
operations related to commercial pro-
duction or generation of electricity, as
approved by BLM.
(iii) For Class II and Class III leases
where the lessee uses the geothermal
resources for a direct use or in a direct
use facility, as defined in §1206.351, re-
sources that are used to generate elec-
tricity for Federal lease operations or
that are otherwise used for Federal
lease operations are subject to direct
use fees, except for geothermal re-
sources that are unavoidably lost or re-
injected before use on or off the lease,
as determined by BLM.
(3) Royalties on byproducts are due
at the time the recovered byproduct is
used, sold, or otherwise finally disposed
of. Byproducts produced and added to
stockpiles or inventory do not require
payment of royalty until the byprod-
ucts are sold, utilized, or otherwise fi-
nally disposed of. The ONRR may ask
BLM to increase the lease bond to pro-
tect the lessor’s interest when BLM de-
termines that stockpiles or inventories
become excessive.
(c) If BLM determines that geo-
thermal resources (including byprod-
ucts) were avoidably lost or wasted
from the lease, or that geothermal re-
sources (including byproducts) were
drained from the lease for which com-
pen-satory royalty (or compensatory fees
in lieu of compensatory royalty) are
due, the value of those geothermal
resources, or the royalty or fees owed,
will be determined under 30 CFR part
1206, subpart H.
(d) If a lessee receives insurance or
other compensation for unavoidably
lost geothermal resources (including
byproducts), royalties at the rates
specified in the lease (or fees in lieu of
royalties) are due on the amount of, or
as a result of, that compensation. This
paragraph will not apply to compen-
sation through self-insurance.
§1202.352 Minimum royalty.
In no event shall the lessee’s annual
royalty payments for any producing
lease be less than the minimum roy-
alty established by the lease.
§1202.353 Measurement standards for
reporting and paying royalties and
direct use fees.
(a) For geothermal resources used to
generate electricity, you must report
the quantity on which royalty is due
on Form ONRR–2014 (Report of Sales
and Royalty Remittance) as follows:
(1) For geothermal resources for
which royalty is calculated under
§1206.352(a), you must report quantities
in:
(i) Thousands of pounds to the near-
est whole thousand pounds if the con-
tract for the geothermal resources
specifies delivery in terms of weight; or
(ii) Millions of Btu to the nearest
whole million Btu if the sales contract
for the geothermal resources specifies
delivery in terms of heat or thermal
energy.
(2) For geothermal resources for
which royalty is calculated under
§1206.352(b), you must report the quan-
tities in kilowatt-hours to the nearest
whole kilowatt-hour.
(b) For geothermal resources used in
direct use processes, you must report
the quantity on which a royalty or di-
rect use fee is due on Form ONRR–2014
in:
(1) Millions of Btu to the nearest
whole million Btu if the sales contract
for the geothermal resources specifies
delivery in terms of heat or thermal
energy;
(2) Millions of gallons to the nearest
million gallons of geothermal fluid pro-
duced if valuation or fee calculation is
in terms of volume;
(3) Millions of pounds to the nearest
million pounds of geothermal fluid pro-
duced if valuation or fee calculation is
in terms of mass; or
(4) Any other measurement unit
ONRR approves for valuation and re-
porting purposes.
(c) For byproducts, you must report
the quantity on which royalty is due

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