

Minerals Management Service, Interior

§ 203.69

If you apply for royalty relief for	And we do not decide within the time specified	As long as you
(a) An authorized field	You get the minimum suspension volumes specified in § 203.69.	Abide by §§ 203.70 and 203.76.
(b) An expansion project	You get a royalty suspension for the first year of production.	Abide by §§ 203.70 and 203.76.
(c) A development project	You get a royalty suspension for initial production for the number of months that a decision is delayed beyond the stipulated timeframes set by § 203.65, plus all the royalty suspension volume for which you qualify.	Abide by §§ 203.70 and 203.76.

[67 FR 1875, Jan. 15, 2002]

§ 203.67 What economic criteria must I meet to get royalty relief on an authorized field or project?

We will not approve applications if we determine that royalty relief cannot make the field, development project, or expansion project economically viable. Your field or project must be uneconomic while you are paying

royalties and must become economic with royalty relief.

[67 FR 1876, Jan. 15, 2002]

§ 203.68 What pre-application costs will MMS consider in determining economic viability?

(a) We will not consider ineligible costs as set forth in § 203.89(h) in determining economic viability for purposes of royalty relief.

(b) We will consider sunk costs according to the following table.

We will	When determining
(1) Include sunk costs	Whether a field that includes a pre-Act lease which has not produced, other than test production, before the application or redetermination submission date needs relief to become economic.
(2) Not include sunk costs	Whether an authorized field, a development project, or an expansion project can become economic with full relief (see § 203.67).
(3) Not include sunk costs	How much suspension volume is necessary to make the field, a development project, or an expansion project economic (see § 203.69(c)).
(4) Include sunk costs for the project discovery well on each lease.	Whether a development project or an expansion project needs relief to become economic.

[63 FR 2618, Jan. 16, 1998, as amended at 67 FR 1876, Jan. 15, 2002]

§ 203.69 If my application is approved, what royalty relief will I receive?

If we approve your application, subject to certain conditions, we will not collect royalties on a specified suspension volume for your field, development project, or expansion project. Suspension volumes include volumes allocated to a lease under an approved unit agreement, but exclude any volumes of production that are not normally royalty-bearing under the lease or the regulations of this chapter (e.g., fuel gas).

(a) For authorized fields, the minimum royalty-suspension volumes are:

- (1) 17.5 million barrels of oil equivalent (MMBOE) for fields in 200 to 400 meters of water;
- (2) 52.5 MMBOE for fields in 400 to 800 meters of water; and
- (3) 87.5 MMBOE for fields in more than 800 meters of water.

(b) For development projects, any relief we grant applies only to project wells and replaces the royalty suspension volume with which we issued your lease. If your project is economic given the royalty suspension volume with which we issued your lease, we will reject the application. Otherwise, the *minimum* royalty suspension volumes are as shown in the following table: