

§ 203.90

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- (4) Subsea well completion;
- (5) Production system (platform); and
- (6) Flowline fabrication and installation.

(c) Production costs based on historical costs, engineering estimates, or analogous projects. These costs cover:

- (1) Operation;
- (2) Equipment; and
- (3) Existing royalty overrides (we will not use the royalty overrides in evaluations).

(d) Transportation costs, based on historical costs, engineering estimates, or analogous projects. These costs cover:

- (1) Oil or gas tariffs from pipeline or tankerage;
- (2) Trunkline and tieback lines; and
- (3) Gas plant processing for natural gas liquids.

(e) Abandonment costs, based on historical costs, engineering estimates, or analogous projects. You should provide the costs to plug and abandon only wells and to remove only production systems for which you have not incurred costs as of the time of application submission. You should also include a point estimate or distribution of prospective salvage value for all potentially reusable facilities and materials, along with the source and an explanation of the figures provided.

(f) A set of cost estimates consistent with each one of up to three field-development scenarios and production profiles (conservative, most likely, optimistic). You should express costs in constant real dollar terms for the base year. You may also express the uncertainty of each cost estimate with a minimum and maximum percentage of the base value.

(g) A spending schedule. You should provide costs for each year (in real dollars) for each category in paragraphs (a) through (f) of this section.

(h) A summary of other costs which are ineligible for evaluating your need for relief. These costs cover:

- (1) Expenses before first discovery on the field;
- (2) Cash bonuses;
- (3) Fees for royalty relief applications;
- (4) Lease rentals, royalties, and payments of net profit share and net revenue share;

- (5) Legal expenses;
- (6) Damages and losses;
- (7) Taxes;
- (8) Interest or finance charges, including those embedded in equipment leases;
- (9) Fines or penalties; and
- (10) Money spent on previously existing obligations (e.g., royalty overrides or other forms of payment for acquiring a financial position in a lease, expenditures for plugging wells and removing and abandoning facilities that existed on the application submission date).

[63 FR 2618, Jan. 16, 1998, as amended at 67 FR 1880, Jan. 15, 2002]

§ 203.90 What is in a fabricator's confirmation report?

This report shows you have committed in a timely way to the approved system for production. This report must include the following (or its equivalent for unconventionally acquired systems):

- (a) A copy of the contract(s) under which the fabrication yard is building the approved system for you;
- (b) A letter from the contractor building the system to the MMS's GOM Regional Supervisor--Production and Development, certifying when construction started on your system; and
- (c) Evidence of an appropriate down payment or equal action that you've started acquiring the approved system.

§ 203.91 What is in a post-production development report?

For each cost category in the deep water cost report, you must compare actual costs up to the date when production starts to your planned pre-production costs. If your application included more than one development scenario, you need to compare actual costs with those in your scenario of most likely development. Also, you must have this report certified by an independent CPA according to § 203.81(c).

[63 FR 2618, Jan. 16, 1998, as amended at 67 FR 1880, Jan. 15, 2002]

**Subpart C--Federal and Indian Oil
[Reserved]**

Subpart D--Federal and Indian Gas [Reserved]

Subpart E--Solid Minerals, General [Reserved]

Subpart F--Coal

§ 203.250 Advance royalty.

Provisions for the payment of advance royalty in lieu of continued operation are contained at 43 CFR 3483.4.

[54 FR 1522, Jan. 13, 1989]

§ 203.251 Reduction in royalty rate or rental.

An application for reduction in coal royalty rate or rental shall be filed and processed in accordance with 43 CFR group 3400.

[54 FR 1522, Jan. 13, 1989]

Subpart G--Other Solid Minerals [Reserved]

Subpart H--Geothermal Resources [Reserved]

Subpart I--OCS Sulfur [Reserved]

PART 206--PRODUCT VALUATION

Subpart A--General Provisions

Sec.

206.10 Information collection.

Subpart B--Indian Oil

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- 206.51 Definitions.
- 206.52 Valuation standards.
- 206.53 Point of royalty settlement.
- 206.54 Transportation allowances--general.
- 206.55 Determination of transportation allowances.

Subpart C--Federal Oil

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- 206.104 What index price publications are acceptable to MMS?

- 206.105 What records must I keep to support my calculations of value under this subpart?
- 206.106 What are my responsibilities to place production into marketable condition and to market production?
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Subpart E--Indian Gas

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