

§ 3137.90

as provided in paragraph (a) of this section.

§ 3137.90 Who must operate wells that do not meet the productivity criteria?

(a) If a well not meeting the productivity criteria was drilled before the unit was formed and is not included in the participating area, the operator of the well at the time the unit was formed may continue as operator.

(b) As unit operator, you must continue to operate wells drilled after unit formation not meeting the productivity criteria unless BLM approves a change in the designation of operator for those wells.

§ 3137.91 When will BLM allow a well previously determined to be a non-unit well to be used in establishing or modifying a PA?

If you, as the unit operator, complete sufficient work so that a well BLM previously determined to be a non-unit well now meets the productivity criteria, you must demonstrate this to BLM within 60 calendar days after you determine that the well meets the productivity criteria. You must then modify an existing participating area or establish a new participating area (see § 3137.84 of this subpart).

§ 3137.92 When does a participating area terminate?

(a) After contraction under § 3137.76 of this subpart, a participating area terminates 60 calendar days after BLM notifies you that there is insufficient production to meet the operating costs of that production, unless you show that within 60 calendar days after BLM's notification—

(1) Your operations to restore or establish new production are in progress; and

(2) You are diligently pursuing oil or gas production.

(b) If you demonstrate to BLM that reasons beyond your control prevent you, despite reasonable diligence, from meeting the requirements in paragraphs (a)(1) and (a)(2) of this section within 60 calendar days after BLM notifies you that there is insufficient production to meet the operating costs of that production, BLM will extend the

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period of time to start those operations.

PRODUCTION ALLOCATION

§ 3137.100 How must I allocate production to the United States when a participating area includes unleased Federal lands?

(a) When a participating area includes unleased Federal lands, you must allocate production as if the unleased Federal lands were leased and committed to the unit agreement (see §§ 3137.80 and 3137.81 of this subpart). The obligation to pay royalty for production attributable to unleased Federal lands accrues from the later of the date the—

(1) Committed leases in the participating area that includes unleased Federal lands receive a production allocation; or

(2) Previously leased tracts within the participating area become unleased.

(b) The royalty rate applicable to production allocated to unleased Federal lands is the greater of 12½ percent or the highest royalty rate for any lease committed to the unit.

(c) The value of the production must be determined under the Minerals Management Service's oil and gas product value regulations at 30 CFR part 206.

OBLIGATIONS AND EXTENSIONS

§ 3137.110 Do the terms and conditions of a unit agreement modify Federal lease stipulations?

A unit agreement does not modify Federal lease stipulations.

§ 3137.111 When will BLM extend the primary term of all leases committed to a unit agreement?

(a) If the unit operator requests it, BLM will extend the primary term of all NPR–A leases committed to a unit agreement if, from anywhere in the unit area, there is—

(1) Actual production from a well that meets the productivity criteria;

(2) Actual or constructive drilling operations; or

(3) Actual or constructive reworking operations.

(b) BLM will extend all NPR–A leases committed to the unit, as provided in

the following table, for the following types of operations from any lease committed to the unit—

Type of operations	Length of extension	Additional extension
(1) Actual production	As long as there is production from a well in the unit that meets the productivity criteria.	Does not apply.
(2) Actual or constructive drilling operations.	Up to three years for an initial extension	Up to three more years if you demonstrate reasonable diligence and reasonable monetary expenditures in carrying out the approved drilling or reworking operations during the initial extension.
(3) Actual or constructive reworking operations.	Up to three years for an initial extension	Up to three more years if you demonstrate reasonable diligence and reasonable monetary expenditures in carrying out the approved drilling or reworking operations during the initial extension.

§ 3137.112 What happens if I am prevented from performing actual or constructive drilling or reworking operations?

(a) If you demonstrate to BLM that reasons beyond your control prevent you, despite reasonable diligence, from starting actual or constructive drilling, reworking, or completing operations, BLM will extend all committed NPR-A leases as if you were performing constructive or actual drilling or reworking operations. You are limited to two extensions under this section.

(b) You must resume actual or constructive drilling or reworking operations when conditions permit. If you do not resume operations—

- (1) BLM will cancel the extension; and
- (2) The unit terminates (see § 3137.131 of this subpart).

CHANGE IN OWNERSHIP

§ 3137.120 As a transferee of an interest in a unitized NPR-A lease, am I subject to the terms and conditions of the unit agreement?

As a transferee of an interest in an NPR-A lease that is included in a unit agreement, you are subject to the terms and conditions of the unit agreement.

UNIT TERMINATION

§ 3137.130 Under what circumstances will BLM approve a voluntary termination of the unit?

BLM will approve the voluntary termination of the unit at any time—

- (a) Before the unit operator discovers production sufficient to establish a participating area; and
- (b) The unit operator submits to BLM certification that at least 75 percent of the operating rights owners in the unit agreement, on a surface acreage basis, agree to the termination.

§ 3137.131 What happens if the unit terminated before the unit operator met the initial development obligations?

If the unit terminated before the unit operator met the initial development obligations, BLM's approval of the unit agreement is revoked. You, as lessee, forfeit all further benefits, including extensions and suspensions, granted any NPR-A lease as a result of having been committed to the unit. Any lease that BLM extended as a result of being committed to the unit would expire unless it qualified for an extension under § 3135.1-5 of this part.

§ 3137.132 What if I do not meet a continuing development obligation before I establish any participating area in the unit?

If you do not meet a continuing development obligation before you establish any participating area, the unit