

Minerals Management Service, Interior

§ 202.550

(d) If a lessee receives insurance or other compensation for unavoidably lost geothermal resources (including byproducts), royalties at the rates specified in the lease are due on the amount of that compensation. This paragraph shall not apply to compensation through self-insurance.

§ 202.352 Minimum royalty.

In no event shall the lessee's annual royalty payments for any producing lease be less than the minimum royalty established by the lease.

§ 202.353 Measurement standards for reporting and paying royalties.

(a) For geothermal resources used to generate electricity, the quantity on which royalty is due shall be reported on Form MMS-2014 (Report of Sales and Royalty Remittance) as follows:

(1) For geothermal resources valued under arm's-length or non-arm's-length contracts, quantities shall be reported in:

(i) Kilowatthours to the nearest whole kilowatthour if the contract specifies payment in terms of generated electricity,

(ii) Thousands of pounds to the nearest whole thousand pounds if the contract specifies payment in terms of weight, or

(iii) Millions of Btu's to the nearest whole million Btu if the contract specifies payment in terms of heat or thermal energy.

(2) For geothermal resources valued by the netback procedure pursuant to 30 CFR 206.352(c)(1)(ii) or (d)(1)(ii), the quantities shall be reported in kilowatthours to the nearest whole kilowatthour.

(b) For geothermal resources used in direct utilization processes, the quantity on which royalty is due shall be reported on Form MMS-2014 in:

(1) Millions of Btu's to the nearest whole million Btu if valuation is in terms of thermal energy used or displaced,

(2) Hundreds of gallons to the nearest hundred gallons of geothermal fluid produced if valuation is in terms of volume, or

(3) Other measurement unit approved by MMS for valuation and reporting purposes.

(c) For byproduct minerals, the quantity on which royalty is due shall be reported on Form MMS-2014 consistent with MMS-established reporting standards.

(d) For commercially demineralized water, the quantity on which royalty is due shall be reported on Form MMS-2014 in hundreds of gallons to the nearest hundred gallons.

(e) Lessees are not required to report the quality of geothermal resources, including byproducts, to MMS. The lessee must maintain quality measurements for audit and valuation purposes. Quality measurements include, but are not limited to, temperatures and chemical analyses for fluid geothermal resources and chemical analyses, weight percent, or other purity measurements for byproducts.

Subpart I—OCS Sulfur [Reserved]

Subpart J— Gas Production From Indian Leases

SOURCE: 64 FR 43514, Aug. 10, 1999, unless otherwise noted.

§ 202.550 How do I determine the royalty due on gas production?

If you produce gas from an Indian lease subject to this subpart, you must determine and pay royalties on gas production as specified in this section.

(a) *Royalty rate.* You must calculate your royalty using the royalty rate in the lease.

(b) *Payment in value or in kind.* You must pay royalty in value unless:

(1) The Tribal lessor requires payment in kind; or

(2) You have a lease on allotted lands and MMS requires payment in kind.

(c) *Royalty calculation.* You must use the following calculations to determine royalty due on the production from or attributable to your lease.

(1) When paid in value, the royalty due is the unit value of production for royalty purposes, determined under 30 CFR part 206, multiplied by the volume of production multiplied by the royalty rate in the lease.

(2) When paid in kind, the royalty due is the volume of production multiplied by the royalty rate.