

## § 250.1302

longer produces unitized substances, and the unit operator no longer conducts drilling or well-workover operations (§250.180) under the unit agreement, unless the Regional Supervisor orders or approves a suspension of production under §250.170.

(e) *Unit operating agreement.* The unit operator and the owners of working interests in the unitized leases must enter into a unit operating agreement. The unit operating agreement must describe how all the unit participants will apportion all costs and liabilities incurred maintaining or conducting operations. When a unit involves one or more net-profit-share leases, the unit operating agreement must describe how to attribute costs and credits to the net-profit-share lease(s), and this part of the agreement must be approved by the Regional Supervisor. Otherwise, you must provide a copy of the unit operating agreement to the Regional Supervisor, but the Regional Supervisor does not need to approve the unit operating agreement.

(f) *Extension of a lease covered by unit operations.* If your unit agreement expires or terminates, or the unit area adjusts so that no part of your lease remains within the unit boundaries, your lease expires unless:

- (1) Its initial term has not expired;
- (2) You conduct drilling, production, or well-reworking operations on your lease consistent with applicable regulations; or
- (3) MMS orders or approves a suspension of production or operations for your lease.

(g) *Unit operations.* If your lease, or any part of your lease, is subject to a unit agreement, the entire lease continues for the term provided in the lease, and as long thereafter as any portion of your lease remains part of the unit area, and as long as operations continue the unit in effect.

(1) If you drill, produce or perform well-workover operations on a lease within a unit, each lease, or part of a lease, in the unit will remain active in accordance with the unit agreement. Following a discovery, if your unit ceases drilling activities for a reasonable time period between the delineation of one or more reservoirs and the initiation of actual development drill-

## 30 CFR Ch. II (7-1-03 Edition)

ing or production operations and that time period would extend beyond your lease's primary term or any extension under §250.180, the unit operator must request and obtain MMS approval of a suspension of production under §250.170 in order to keep the unit from terminating.

(2) When a lease in a unit agreement is beyond the primary term and the lease or unit is not producing, the lease will expire unless:

- (i) You conduct a continuous drilling or well reworking program designed to develop or restore the lease or unit production; or
- (ii) MMS orders or approves a suspension of operations under §250.170.

[62 FR 5331, Feb. 5, 1997, Redesignated and amended at 63 FR 29479, 29486, May 29, 1998; 64 FR 72794, Dec. 28, 1999]

### § 250.1302 What if I have a competitive reservoir on a lease?

(a) The Regional Supervisor may require you to conduct development and production operations in a competitive reservoir under either a joint Development and Production Plan or a unitization agreement. A competitive reservoir has one or more producing or producible well completions on each of two or more leases, or portions of leases, with different lease operating interests. For purposes of this paragraph, a producible well completion is a well which is capable of production and which is shut in at the well head or at the surface but not necessarily connected to production facilities and from which the operator plans future production.

(b) You may request that the Regional Supervisor make a preliminary determination whether a reservoir is competitive. When you receive the preliminary determination, you have 30 days (or longer if the Regional Supervisor allows additional time) to concur or to submit an objection with supporting evidence if you do not concur. The Regional Supervisor will make a final determination and notify you and the other lessees.

(c) If you conduct drilling or production operations in a reservoir determined competitive by the Regional Supervisor, you and the other affected lessees must submit for approval a

joint plan of operations. You must submit the joint plan within 90 days after the Regional Supervisor makes a final determination that the reservoir is competitive. The joint plan must provide for the development and/or production of the reservoir. You may submit supplemental plans for the Regional Supervisor's approval.

(d) If you and the other affected lessees cannot reach an agreement on a joint Development and Production Plan within the approved period of time, each lessee must submit a separate plan to the Regional Supervisor. The Regional Supervisor will hold a hearing to resolve differences in the separate plans. If the differences in the separate plans are not resolved at the hearing and the Regional Supervisor determines that unitization is necessary under § 250.1301(b), MMS will initiate unitization under § 250.1304.

[62 FR 5331, Feb. 5, 1997. Redesignated and amended at 63 FR 29479, 29486, May 29, 1998]

**§ 250.1303 How do I apply for voluntary unitization?**

(a) You must file a request for a voluntary unit with the Regional Supervisor. Your request must include:

- (1) A draft of the proposed unit agreement;
- (2) A proposed initial plan of operation;
- (3) Supporting geological, geophysical, and engineering data; and
- (4) Other information that may be necessary to show that the unitization proposal meets the criteria of § 250.1300.

(b) The unit agreement must comply with the requirements of this part. MMS will maintain and provide a model unit agreement for you to follow. If MMS revises the model, MMS will publish the revised model in the FEDERAL REGISTER. If you vary your unit agreement from the model agreement, you must obtain the approval of the Regional Supervisor.

(c) After the Regional Supervisor accepts your unitization proposal, you, the other lessees, and the unit operator must sign and file copies of the unit agreement, the unit operating agreement, and the initial plan of operation

with the Regional Supervisor for approval.

[62 FR 5331, Feb. 5, 1997. Redesignated and amended at 63 FR 29479, 29487, May 29, 1998]

**§ 250.1304 How will MMS require unitization?**

(a) If the Regional Supervisor determines that unitization of operations within a proposed unit area is necessary to prevent waste, conserve natural resources of the OCS, or protect correlative rights, including Federal royalty interests, the Regional Supervisor may require unitization.

(b) If you ask MMS to require unitization, you must file a request with the Regional Supervisor. You must include a proposed unit agreement as described in §§ 250.1301(d) and 250.1303(b); a proposed unit operating agreement; a proposed initial plan of operation; supporting geological, geophysical, and engineering data; and any other information that may be necessary to show that unitization meets the criteria of § 250.1300. The proposed unit agreement must include a counterpart executed by each lessee seeking compulsory unitization. Lessees who seek compulsory unitization must simultaneously serve on the nonconsenting lessees copies of:

- (1) The request;
- (2) The proposed unit agreement with executed counterparts;
- (3) The proposed unit operating agreement; and
- (4) The proposed initial plan of operation.

(c) If the Regional Supervisor initiates compulsory unitization, MMS will serve all lessees of the proposed unit area with a proposed unitization plan and a statement of reasons for the proposed unitization.

(d) The Regional Supervisor will not require unitization until MMS provides all lessees of the proposed unit area written notice and an opportunity for a hearing. If you want MMS to hold a hearing, you must request it within 30 days after you receive written notice from the Regional Supervisor or after you are served with a request for compulsory unitization from another lessee.

(e) MMS will not hold a hearing under this paragraph until at least 30