

Bureau of Land Management, Interior

§3137.111

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

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