

the Regional Supervisor for Production and Development has determined are necessary under 30 CFR 250, subpart L.

(d) If you commenced drilling a successful qualified deep well after March 26, 2003, and produced it before [EFFECTIVE DATE OF THE FINAL RULE], you must provide the information required by paragraph (b) of this section on or after [EFFECTIVE DATE OF THE FINAL RULE] and no later than [DATE 30 DAYS AFTER THE EFFECTIVE DATE OF THE FINAL RULE].

**§ 203.44 If I drill an unsuccessful certified well, what royalty relief could I receive?**

(a) If you drill an unsuccessful certified well, and satisfy the administrative requirements of § 203.46, you will receive a royalty suspension supplement of five BCF for your lease, to be applied to subsequent production of gas and oil, as reported in accordance with 30 CFR 216.53 (OGOR-A), on or allocated to your lease as provided in § 203.45. The conversion from oil to gas for using the royalty suspension supplement is specified in § 203.73.

(b) You may receive royalty suspension supplements for up to two unsuccessful certified wells per lease. You may not receive more than one royalty suspension supplement from a single wellbore.

(c)(1) If the same wellbore used to qualify for a royalty suspension supplement later produces from a perforated interval the top of which is 15,000 feet TVD SS or deeper no later than [DATE FIVE YEARS AFTER THE EFFECTIVE DATE OF THE FINAL RULE], it will become a successful qualified deep well. If the completion of this successful qualified deep well is on your lease, then you must subtract that portion of the royalty suspension supplement that has been applied to other production from the lease from the royalty suspension volume remaining for the lease. The difference represents the maximum royalty suspension volume for which you are eligible on the lease. If the completion of this successful qualified deep well is on another lease, then the royalty suspension volume earned by this other lease must be reduced by the full amount of the royalty suspension supplement applied on your lease. You may not use any remaining unused portion of the royalty suspension supplement earned for that wellbore.

(2) Notwithstanding any other provision of this part, the total amount of royalty relief earned from or applied to production from a single wellbore that originally qualified as an

unsuccessful certified well, but that later produces, cannot exceed 25 BCF.

(d) You must pay minimum royalties in accordance with your lease terms notwithstanding any royalty suspension supplements under this section.

**§ 203.45 To which production do I apply the royalty suspension supplements from drilling one or two unsuccessful certified wells on my lease?**

(a) Subject to the requirements of §§ 203.40, 203.42, 203.44, and 203.47 and beginning the first day of the month that you file the data and request under § 203.46, you must apply royalty suspension supplements stipulated in § 203.44 to production from, or allocated under an approved unit agreement to, the lease that was the target of your drilling, without restriction on the drilling depth of the well producing the gas or oil.

(b) If you have a royalty suspension volume for the lease under § 203.41, you must exhaust the royalty suspension volume before applying any unused royalty suspension supplement to deep gas production.

(c) If you have no production on which to apply the royalty suspension supplement allowed under § 203.44 when it is earned, your royalty suspension supplement applies to the earliest subsequent production on your lease. Unused royalty suspension supplements transfer to a successor lessee and expire with the lease.

(d) You may not apply the royalty suspension supplement allowed under § 203.44 to production from any other lease, except for production allocated to your lease from an approved unit agreement. If the unsuccessful certified well is on a lease subject to an MMS-approved unit agreement, the lessees of other leases in the unit may not use any portion of your royalty suspension supplement.

(e) You must begin or resume paying royalties when cumulative oil and gas production from or allocated to your lease (excluding any deep gas produced subject to a royalty suspension volume allowed under § 203.41) reaches the applicable royalty suspension supplement. For the month in which the cumulative production reaches this royalty suspension supplement, you owe royalties on the portion of gas or oil production that exceeds the amount of the royalty suspension supplement remaining at the beginning of that month.

**§ 203.46 What administrative steps must I take to obtain and use the royalty suspension supplement?**

(a) Before a deep well targeted to a reservoir on your lease commences

drilling, you must notify, in writing, the MMS Regional Supervisor for Production and Development of your intent to begin drilling operations; and

(b) After drilling the well you must:

(1) Provide MMS with data, including any well test data, that allows MMS to confirm that you drilled an unsuccessful certified well as defined under § 203.0. You must submit this data within 60 days after reaching the Total Depth (TD) in your well to be eligible for the royalty suspension supplement under § 203.45; and

(2) Request confirmation that the royalty suspension supplement applies to your lease.

(c) If you commenced drilling an unsuccessful certified well after March 26, 2003, and finished it before [EFFECTIVE DATE OF THE FINAL RULE], you must provide the information required by paragraph (b) on or after [EFFECTIVE DATE OF THE FINAL RULE] and no later than [DATE 60 DAYS AFTER THE EFFECTIVE DATE OF THE FINAL RULE].

**§ 203.47 Do I keep royalty relief if prices rise significantly?**

(a) You must pay royalties on all gas and oil production for which royalty suspension otherwise would be allowed under §§ 203.40 through 203.46 in any calendar year when the average NYMEX natural gas price exceeds the threshold of \$5 per million British thermal units (Btu), adjusted annually from year 2000 for inflation. The threshold price is adjusted by the percentage that the implicit price deflator for the gross domestic product changed during the preceding calendar year.

(b) You must pay any royalty due under this section, plus late payment interest under 30 CFR 218.54, no later than 90 days after the end of the calendar year for which you owe royalty.

(c) Production volumes on which you must pay royalty under this section count as part of your royalty suspension volume and royalty suspension supplements.

**§ 203.48 May I substitute the deep gas drilling provisions in § 203.0 and §§ 203.40 through 203.47 for the deep gas royalty relief provided in my lease terms?**

(a) You may exercise an option to replace the applicable lease terms for relief related to deep gas drilling with those in § 203.0 and §§ 203.40 through 203.47 if you have a lease issued:

(1) From a lease sale held after January 1, 2001, and before [EFFECTIVE DATE OF THE FINAL RULE]; and

(2) Wholly west of 87 degrees, 30 minutes West longitude in the Gulf of