

§ 550.116 How do I determine producibility if my well is in the Gulf of Mexico?

If your well is in the GOM, you must follow either the procedures in §550.115 of this subpart or the procedures in this section to determine producibility.

- (a) You must write to the Regional Supervisor asking for permission to determine producibility.
- (b) You must provide or make available to the Regional Supervisor, as requested, the following log, core, analyses, and test criteria that BOEM will consider collectively:
 - (1) A log showing sufficient porosity in the producible section.
 - (2) Sidewall cores and core analyses that show that the section is capable of producing oil or gas.
 - (3) Wireline formation test and/or mud-logging analyses that show that the section is capable of producing oil or gas.
 - (4) A resistivity or induction electric log of the well showing a minimum of 15 feet (true vertical thickness except for horizontal wells) of producible sand in one section.
- (c) No section that you count as producible under paragraph (b)(4) of this section may include any interval that appears to be water saturated.
- (d) Each section you count as producible under paragraph (b)(4) of this section must exhibit:
 - (1) A minimum true resistivity ratio of the producible section to the nearest clean or water-bearing sand of at least 5:1; and
 - (2) One of the following:
 - (i) Electrical spontaneous potential exceeding 20-negative millivolts beyond the shale baseline; or
 - (ii) Gamma ray log deflection of at least 70 percent of the maximum gamma ray deflection in the nearest clean water-bearing sand—if mud conditions prevent a 20-negative millivolt reading beyond the shale baseline.

§ 550.117 How does a determination of well producibility affect royalty status?

A determination of well producibility invokes minimum royalty status on the lease as provided in 30 CFR 1202.53.

§ 550.125 Service fees.

(a) The table in this paragraph (a) shows the fees that you must pay to BOEM for the services listed. The fees will be adjusted periodically according to the Implicit Price Deflator for Gross Domestic Product by publication of a document in the Federal Register. If a significant adjustment is needed to arrive at the new actual cost for any reason other than inflation, then a proposed rule containing the new fees will be published in the Federal Register for comment.

Service—processing of the following:	Fee amount	30 CFR citation
(1) Change in Designation of Operator	\$164	§550.143(d).
(2) Right-of-Use and Easement for State lessee	\$2,569	§550.165.

(3) [Reserved]		
(4) Exploration Plan (EP)	\$3,442 for each surface location; no fee for revisions	\$550.211(d).
(5) Development and Production Plan (DPP) or Development Operations Coordination Document (DOCD)	\$3,971 for each well proposed; no fee for revisions	\$550.241(e).
(6) [Reserved]		
(7) Conservation Information Document	\$25,629	\$550.296(a).

(b) Payment of the fees listed in paragraph (a) of this section must accompany the submission of the document for approval or be sent to an office identified by the Regional Director. Once a fee is paid, it is nonrefundable, even if an application or other request is withdrawn. If your application is returned to you as incomplete, you are not required to submit a new fee when you submit the amended application.

(c) Verbal approvals are occasionally given in special circumstances. Any action that will be considered a verbal permit approval requires either a paper permit application to follow the verbal approval or an electronic application submittal within 72 hours. Payment must be made with the completed paper or electronic application.

§ 550.126 Electronic payment instructions.

You must file all payments electronically through *Pay.gov*. This includes, but is not limited to, all OCS applications or filing fee payments. The *Pay.gov* Web site may be accessed through a link on the BOEM Offshore Web site at: <http://www.boem.gov/offshore/homepage> or directly through *Pay.gov* at: <https://www.pay.gov/paygov/>.

(a) [Reserved]

(b) You must use credit card or automated clearing house (ACH) payments through the *Pay.gov* Web site, and you must include a copy of the *Pay.gov* confirmation receipt page with your application.

§ 550.135 What will BOEM do if my operating performance is unacceptable?

If your operating performance is unacceptable, BOEM may disapprove or revoke your designation as operator on a single facility or multiple facilities. We will give you adequate notice and opportunity for a review by BOEM officials before imposing a disqualification.

§ 550.143 How do I designate an operator?

(a) You must provide the Regional Supervisor an executed Designation of Operator form (Form BOEM–1123) unless you are the only lessee and are the only person conducting lease operations. When there is more than one lessee, each lessee must submit the Designation of Operator form and the Regional Supervisor must approve the designation before the designated operator may begin operations on the leasehold.

(b) This designation is authority for the designated operator to act on your behalf and to fulfill your obligations under the Act, the lease, and the regulations in this part.

(c) You, or your designated operator, must immediately provide the Regional Supervisor a written notification of any change of address.

(d) If you change the designated operator on your lease, you must pay the service fee listed in §550.125 of this subpart with your request for a change in designation of operator. Should there be multiple lessees, all designation of operator forms must be collected by one lessee and submitted to BOEM in a single submittal, which is subject to only one filing fee.

§ 550.144 How do I designate a new operator when a designation of operator terminates?

(a) When a Designation of Operator terminates, the Regional Supervisor must approve a new designated operator before you may continue operations. Each lessee must submit a new executed Designation of Operator form.

(b) If your Designation of Operator is terminated, or a controversy develops between you and your designated operator, you and your designated operator must protect the lessor's interests.

§ 550.146 Who is responsible for fulfilling leasehold obligations?

(a) When you are not the sole lessee, you and your co-lessee(s) are jointly and severally responsible for fulfilling your obligations under the provisions of 30 CFR parts 250 through 282 and 30 CFR parts 550 through 582 unless otherwise provided in these regulations.

(b) If your designated operator fails to fulfill any of your obligations under 30 CFR parts 250 through 282 and 30 CFR parts 550 through 582, the Regional Supervisor may require you or any or all of your co-lessees to fulfill those obligations or other operational obligations under the Act, the lease, or the regulations.

(c) Whenever the regulations in 30 CFR parts 250 through 282 and 30 CFR parts 550 through 582 require the lessee to meet a requirement or perform an action, the lessee, operator (if one has been designated), and the person actually performing the activity to which the requirement applies are jointly and severally responsible for complying with the regulation.

Right-of-Use and Easement

§ 550.160 When will BOEM grant me a right-of-use and easement, and what requirements must I meet?

BOEM may grant you a right-of-use and easement on leased and unleased lands on the OCS, if you meet these requirements:

(a) You must need the right-of-use and easement to construct and maintain platforms, artificial islands, and installations and other devices at an OCS site other than an OCS lease you own, that are:

(1) Permanently or temporarily attached to the seabed; and

(2) Used for conducting exploration, development, and production activities or other operations on or off lease; or

(3) Used for other purposes approved by BOEM.

(b) You must exercise the right-of-use and easement according to the regulations of this part;

(c) You must meet the requirements at 30 CFR 556.35 (Qualification of lessees); establish a regional Company File as required by BOEM; and must meet bonding requirements;

(d) If you apply for a right-of-use and easement on a leased area, you must notify the lessee and give her/him an opportunity to comment on your application; and

(e) You must receive BOEM approval for all platforms, artificial islands, and installations and other devices permanently or temporarily attached to the seabed.

(f) You must pay a rental amount as required by paragraph (g) of this section if:

(1) You obtain a right-of-use and easement after January 12, 2004; or

(2) You ask BOEM to modify your right-of-use and easement to change the footprint of the associated platform, artificial island, or installation or device.

(g) If you meet either of the conditions in paragraph (f) of this section, you must pay a rental amount to BOEM as shown in the following table:

If . . .	Then . . .
(1) Your right-of-use and easement site is located in water depths of less than 200 meters;	You must pay a rental of \$5 per acre per year with a minimum of \$450 per year. The area subject to annual rental includes the areal extent of anchor chains, pipeline risers, and other equipment associated with the platform, artificial island, installation or device.
(2) Your right-of-use and easement site is located in water depths of 200 meters or greater;	You must pay a rental of \$7.50 per acre per year with a minimum of \$675 per year. The area subject to annual rental includes the areal extent of anchor chains, pipeline risers, and other equipment associated with the platform, artificial island, or installation or device.

(h) You may make the rental payments required by paragraph (g)(1) and (g)(2) of this section on an annual basis, for a 5-year period, or for multiples of 5 years. You must make the first payment electronically through *Pay.gov* and you must include a copy of the *Pay.gov* confirmation receipt page with your right-of-use and easement application. You must make all subsequent payments before the respective time periods begin.

(i) *Late payments.* An interest charge will be assessed on unpaid and underpaid amounts from the date the amounts are due, in accordance with the provisions found in 30 CFR 1218.54. If you fail to make a payment that is late after written notice from BOEM, BOEM may initiate cancellation of the right-of-use grant and easement.

§ 550.161 What else must I submit with my application?

With your application, you must describe the proposed use giving:

(a) Details of the proposed uses and activities including access needs and special rights of use that you may need;

(b) A description of all facilities for which you are seeking authorization;

(c) A map or plat describing primary and alternate project locations; and

(d) A schedule for constructing any new facilities, drilling or completing any wells, anticipated production rates, and productive life of existing production facilities.

§ 550.162 May I continue my right-of-use and easement after the termination of any lease on which it is situated?

If your right-of-use and easement is on a lease, you may continue to exercise the right-of-use and easement after the lease on which it is situated terminates. You must only use the right-of-use and easement for the purpose that the grant specifies. All future lessees of that portion of the OCS on which your right-of-use and easement is situated must continue to recognize the right-of-use and easement for the purpose that the grant specifies.

§ 550.194 How must I protect archaeological resources?

(a) If the Regional Director has reason to believe that an archaeological resource may exist in the lease area, the Regional Director will require in writing that your EP, DOCD, or DPP be accompanied by an archaeological report. If the archaeological report suggests that an archaeological resource may be present, you must either:

(1) Locate the site of any operation so as not to adversely affect the area where the archaeological resource may be; or

(2) Establish to the satisfaction of the Regional Director that an archaeological resource does not exist or will not be adversely affected by operations. This requires further archaeological investigation, conducted by an archaeologist and a geophysicist, using survey equipment and techniques the Regional Director considers appropriate. You must submit the investigation report to the Regional Director for review.

(b) If the Regional Director determines that an archaeological resource is likely to be present in the lease area and may be adversely affected by operations, the Regional Director will notify you immediately. You must not take any action that may adversely affect the archaeological resource until the Regional Director has told you how to protect the resource.

(c) If you discover any archaeological resource while conducting operations in the lease or right-of-way area, you must immediately halt operations within the area of the discovery and report the discovery to the BOEM Regional Director. If investigations determine that the resource is significant, the Regional Director will tell you how to protect it.

§ 550.201 What plans and information must I submit before I conduct any activities on my lease or unit?

(a) *Plans and documents.* Before you conduct the activities on your lease or unit listed in the following table, you must submit, and BOEM must approve, the listed plans and documents. Your plans and documents may cover one or more leases or units.

You must submit a(n) . . .	Before you . . .
(1) Exploration Plan (EP),	Conduct any exploration activities on a lease or unit.
(2) Development and Production Plan (DPP),	Conduct any development and production activities on a lease or unit in any OCS area other than the Western Gulf of Mexico.
(3) Development Operations Coordination Document (DOCD),	Conduct any development and production activities on a lease or unit in the Western GOM.
(4) BSEE approved Deepwater Operations Plan (DWOP),	Conduct post-drilling installation activities in any water depth associated with a development project that will involve the use of a non-conventional production or completion technology.
(5) Conservation Information Document (CID),	Commence production from development projects in water depths greater than 1,312 feet (400 meters).
(6) EP, DPP, or DOCD,	Conduct geological or geophysical (G&G) exploration or a development G&G activity (see definitions under §550.105) on your lease or unit when:
	(i) It will result in a physical penetration of the seabed greater than

	500 feet (152 meters);
	(ii) It will involve the use of explosives;
	(iii) The Regional Director determines that it might have a significant adverse effect on the human, marine, or coastal environment; or
	(iv) The Regional Supervisor, after reviewing a notice under §550.209, determines that an EP, DPP, or DOCD is necessary.

(b) *Submitting additional information.* On a case-by-case basis, the Regional Supervisor may require you to submit additional information if the Regional Supervisor determines that it is necessary to evaluate your proposed plan or document.

(c) *Limiting information.* The Regional Director may limit the amount of information or analyses that you otherwise must provide in your proposed plan or document under this subpart when:

- (1) Sufficient applicable information or analysis is readily available to BOEM;
- (2) Other coastal or marine resources are not present or affected;
- (3) Other factors such as technological advances affect information needs; or
- (4) Information is not necessary or required for a State to determine consistency with their CZMA Plan.

(d) *Referencing.* In preparing your proposed plan or document, you may reference information and data discussed in other plans or documents you previously submitted or that are otherwise readily available to BOEM.

§ 550.202 What criteria must the Exploration Plan (EP), Development and Production Plan (DPP), or Development Operations Coordination Document (DOCD) meet?

Your EP, DPP, or DOCD must demonstrate that you have planned and are prepared to conduct the proposed activities in a manner that:

- (a) Conforms to the Outer Continental Shelf Lands Act as amended (Act), applicable implementing regulations, lease provisions and stipulations, and other Federal laws;
- (b) Is safe;
- (c) Conforms to sound conservation practices and protects the rights of the lessor;
- (d) Does not unreasonably interfere with other uses of the OCS, including those involved with National security or defense; and
- (e) Does not cause undue or serious harm or damage to the human, marine, or coastal environment.

§ 550.203 Where can wells be located under an EP, DPP, or DOCD?

The Regional Supervisor reviews and approves proposed well location and spacing under an EP, DPP, or DOCD. In deciding whether to approve a proposed well location and spacing, the Regional Supervisor will consider factors including, but not limited to, the following:

- (a) Protecting correlative rights;
- (b) Protecting Federal royalty interests;
- (c) Recovering optimum resources;
- (d) Number of wells that can be economically drilled for proper reservoir management;
- (e) Location of drilling units and platforms;
- (f) Extent and thickness of the reservoir;
- (g) Geologic and other reservoir characteristics;
- (h) Minimizing environmental risk;
- (i) Preventing unreasonable interference with other uses of the OCS; and
- (j) Drilling of unnecessary wells.

Contents of Exploration Plans (EP) (Skim this section)

[§ 550.211 What must the EP include?](#)

[§ 550.212 What information must accompany the EP?](#)

[§ 550.213 What general information must accompany the EP?](#)

[§ 550.214 What geological and geophysical \(G&G\) information must accompany the EP?](#)

[§ 550.215 What hydrogen sulfide \(H₂S\) information must accompany the EP?](#)

[§ 550.216 What biological, physical, and socioeconomic information must accompany the EP?](#)

[§ 550.217 What solid and liquid wastes and discharges information and cooling water intake information must accompany the EP?](#)

[§ 550.218 What air emissions information must accompany the EP?](#)

[§ 550.219 What oil and hazardous substance spills information must accompany the EP?](#)

[§ 550.220 If I propose activities in the Alaska OCS Region, what planning information must accompany the EP?](#)

[§ 550.221 What environmental monitoring information must accompany the EP?](#)

[§ 550.222 What lease stipulations information must accompany the EP?](#)

[§ 550.223 What mitigation measures information must accompany the EP?](#)

[§ 550.224 What information on support vessels, offshore vehicles, and aircraft you will use must accompany the EP?](#)

[§ 550.225 What information on the onshore support facilities you will use must accompany the EP?](#)

[§ 550.226 What Coastal Zone Management Act \(CZMA\) information must accompany the EP?](#)

[§ 550.227 What environmental impact analysis \(EIA\) information must accompany the EP?](#)

[§ 550.228 What administrative information must accompany the EP?](#)

§ 556.2 Policy.

The management of Outer Continental Shelf resources is to be conducted in accordance with the findings, purposes and policy directions provided by the Outer Continental Shelf Lands Act Amendments of 1978 (43 U.S.C. 1332, 1801, 1802), and other Executive, legislative, judicial and Departmental guidance. The Secretary of the Interior shall consider available environmental information in making decisions affecting Outer Continental Shelf resources.

§ 556.4 Authority.

The Outer Continental Shelf Lands Act (OCSLA) (43 U.S.C. 1331 *et seq.*) authorizes the Secretary of the Interior to issue, on a competitive basis, leases for oil and gas, and sulphur, in submerged lands of the outer Continental Shelf (OCS). The Act authorizes the Secretary to grant rights-of-way, rights-of-use and easements through the submerged lands of the OCS. The Energy Policy and Conservation Act of 1975 (42 U.S.C. 6213), prohibits joint bidding by major oil and gas producers.

§ 556.8 Leasing maps and diagrams.

(a) Any area of the OCS which has been appropriately platted as provided in paragraph (b) of this section, is subject to lease for any mineral not included in a subsisting lease issued under the act or meeting the requirements of subsection (a) of section 6 of the Act. Before any lease is offered or issued an area may be:

- (1) Withdrawn from disposition pursuant to section 12(a) of the Act; or
- (2) Designated as an area or part of an area restricted from operation under section 12(d) of the Act.

(b) BOEM shall prepare leasing maps and official protraction diagrams of areas of the OCS. The areas included in each mineral lease shall be in accordance with the appropriate leasing map or official protraction diagram.

§ 556.28 Tract size.

(a) A tract selected for oil and gas leasing shall consist of a compact area not exceeding 5,760 acres, unless the authorized officer finds that a larger area is necessary to comprise a reasonable economic production unit.

§ 556.32 Notice of sale.

(a) Upon approval of the Secretary, the Director shall publish the notice of lease sale in the Federal Register as the official publication, and may publish the notice in other publications. The publication in the Federal Register shall be at least 30 days prior to the date of the sale. The notice shall state the place and time at which bids shall be filed, and the place, date and hour at which bids shall be opened. The notice shall contain or reference a description of the areas to be offered for lease and any stipulations, terms and conditions of the sale.

(b) Tracts shall be offered for lease by competitive sealed bidding under conditions specified in the notice of lease sale and in accordance with all applicable laws and regulations. A suggested format for bidder submissions appears in the appendix to this part.

(c) The notice of lease sale shall contain a reference to the OCS lease form which shall be issued to successful bidders.

(d) With the approval of the Secretary, the Director may defer any part of the payment of the cash bonus according to a schedule announced at the time of the notice of lease sale. Payment shall be made no later than 5 years after the date of the lease sale. The schedule shall contain provisions for guaranteed payment of a deferred bonus.

§ 556.35 Qualifications of lessees.

(a) In accordance with section 8 of the Act, leases shall be awarded only to the highest responsible qualified bidder.

(b) Mineral leases issued pursuant to section 8 of the Act may be held only by:

- (1) Citizens and nationals of the United States;
- (2) Aliens lawfully admitted for permanent residence in the United States as defined in 8 U.S.C. 1101(a)(20);
- (3) Private, public or municipal corporations organized under the laws of the United States or of any State or of the District of Columbia or territory thereof; or

(4) Associations of such citizens, nationals, resident aliens, or private, public, or municipal corporations, States, or political subdivisions of States.

(c) BOEM may disqualify you from acquiring any new lease holdings or lease assignments if your operating performance is unacceptable according to 30 CFR 550.135.

§ 556.37 Lease term.

(a) (1) All oil and gas leases shall be issued for an initial period of 5 years, or not to exceed 10 years where the authorized officer finds that such longer period is necessary to encourage exploration and development in areas because of unusually deep water or other unusually adverse conditions.

(2) If your oil and gas lease is in water depths between 400 and 800 meters, it will have an initial lease term of 8 years unless BOEM establishes a different lease term under paragraph (a)(1) of this section.

(3) For leases issued with an initial term of 8 years, you must begin an exploratory well within the first 5 years of the term to avoid lease cancellation.

(b) An oil and gas lease shall continue after such initial period for as long as oil or gas is produced from the lease in paying quantities, or drilling or well reworking operations as approved by the Secretary are conducted. The term of an oil and gas lease is subject to further extension as provided in 30 CFR 556.73.

§ 556.41 Joint bidding requirements.

(a) Any person who submits a joint bid for any oil and gas lease during a 6-month bidding period, and who was chargeable for the prior production period with an average daily production in excess of 1.6 million barrels of crude oil, natural gas and liquefied petroleum products, shall have filed under oath with the Director, a Statement of Production of crude oil, natural gas and liquefied petroleum products, hereinafter referred to as a Statement of Production, no later than 45 days prior to the commencement of the applicable 6-month bidding period of May 1 through October 31, and November 1 through April 30. Statements of Production shall be submitted to the Director, BOEM (Attention: Offshore Leasing Management Division), Washington, DC 20240. The Statement of Production shall indicate that the person was chargeable, in accordance with §556.43 of this part, with an average daily production in excess of 1.6 million barrels of crude oil, natural gas and liquefied petroleum products for the prior production period. The Director shall publish semi-annually in the Federal Register a "List of Restricted Joint Bidders" to be effective immediately upon publication and to continue in force and effect until a subsequent list is published. The "List of Restricted Joint Bidders" shall consist of those persons, who in the judgment of the Director, based on information available to him, including, but not limited to, sworn Statements of Production, are chargeable under §556.43 of this part with an average daily production in excess of 1.6 million barrels of crude oil, natural gas and liquefied petroleum products for the prior production period.

(b) When a person is placed on the List of Restricted Joint Bidders the Director shall serve that person either personally or by certified mail, return receipt requested, with a copy of the Director's Order placing that person on the List of Restricted Joint Bidders. Any appeal from that Order or from an adverse effect of that Order shall be made in accordance with the provisions of 43 CFR part 4.

(c) The submission of a Statement of Production or of a detailed Report of Production under §556.46(g) of this part which misrepresents the chargeable production of the reporting person shall constitute failure to comply with these regulations and any lease awarded in reliance on that Statement or Report of Production may be canceled, pursuant to section 8(o) of the Act and regulations issued there under as having been obtained by fraud or misrepresentation.

(d) The Secretary may exempt a person from the provisions of §§556.41(a), 556.44, 556.46(g) and 556.62(b) of this part if it is found, on the record, after an opportunity for an agency hearing, that lands being offered have extremely high cost exploration and development problems and that exploration and development will not occur on such lands unless the exemption is granted.

§ 556.47 Award of leases.

(a) Sealed bids received in response to the notice of lease sale shall be opened at the place, date and hour specified in the notice. The opening of bids is for the sole purpose of publicly announcing and recording the bids received and no bids shall be accepted or rejected at that time.

(b) The United States reserves the right to reject any and all bids received for any tract, regardless of the amount offered.

Subpart I—Bonding

§ 556.52 Bond requirements for an oil and gas or sulphur lease.

This section establishes bond requirements for the lessee of an OCS oil and gas or sulphur lease.

(a) Before BOEM will issue a new lease or approve the assignment of an existing lease to you as lessee, you or another record title owner for the lease must:

(1) Maintain with the Regional Director a \$50,000 lease bond that guarantees compliance with all the terms and conditions of the lease; or

(2) Maintain a \$300,000 areawide bond that guarantees compliance with all the terms and conditions of all your oil and gas and sulphur leases in the area where the lease is located; or

(3) Maintain a lease or area wide bond in the amount required in §556.53(a) or (b) of this part

§ 556.53 Additional bonds.

(a) This paragraph explains what bonds the lessee must provide before lease exploration activities commence.

(1) (i) You must furnish the Regional Director a \$200,000 bond that guarantees compliance with all the terms and conditions of the lease by the earliest of:

(A) The date you submit a proposed Exploration Plan (EP) for approval;

(B) The date you submit a request for approval of the assignment of a lease on which an EP has been approved; or

(C) December 8, 1997, for any lease for which an EP has been approved.

(ii) The Regional Director may authorize you to submit the \$200,000 lease exploration bond after you submit an EP but before he/she approves drilling activities under the EP.

(iii) You may satisfy the bond requirement of this paragraph (a) by providing a new bond or by increasing the amount of your existing bond.

(2) A \$200,000 lease exploration bond pursuant to paragraph (a)(1) of this section need not be submitted and maintained if the lessee either:

(i) Furnishes and maintains an areawide bond in the sum of \$1 million issued by a qualified surety and conditioned on compliance with all the terms and conditions of oil and gas and sulphur leases held by the lease on the OCS for the area in which the lessee is situated; or

(ii) Furnishes and maintains a bond pursuant to paragraph (b)(2) of this section.

(b) This paragraph explains what bonds you (the lessee) must provide before lease development and production activities commence.

(1) (i) You must furnish the Regional Director a \$500,000 bond that guarantees compliance with all the terms and conditions of the lease by the earliest of:

(A) The date you submit a proposed Development and Production Plan (DPP) or Development Operations Coordination Document (DOCD) for approval;

(B) The date you submit a request for approval of the assignment of a lease on which a DPP or DOCD has been approved; or

(C) December 8, 1997, for any lease for which a DPP or DOCD has been approved.

(ii) The Regional Director may authorize you to submit the \$500,000 lease development bond after you submit a DPP or DOCD, but before he/she approves the installation of a platform or the commencement of drilling activities under the DPP or DOCD.

(iii) You may satisfy the bond requirement of this paragraph by providing a new bond or by increasing the amount of your existing bond.

(2) The lessee need not submit and maintain a \$500,000 lease development bond pursuant to paragraph (b)(1) of this section if the lessee furnishes and maintains an areawide bond in the sum of \$3 million issued by a qualified surety and conditioned on compliance with all the terms and conditions of oil and gas and sulphur leases held by the lessee on the OCS for the area in which the lease is situated.

§ 556.63 Service fees.

(a) The table in this paragraph (a) shows the fees that you must pay to BOEM for the services listed. The fees will be adjusted periodically according to the Implicit Price Deflator for Gross Domestic Product by publication of a document in the Federal Register. If a significant adjustment is needed to arrive at the new actual cost for any reason other than inflation, then a proposed rule containing the new fees will be published in the Federal Register for comment.

Service Fee Table

Service	Fee amount	30 CFR citation
(1) Record Title/Operating Rights (Transfer)	\$186	§556.64
(2) Non-required Document Filing	27	§556.64

(b) Once a fee is paid, it is nonrefundable, even if an application or other request is withdrawn. If your application is returned to you as incomplete, you are not required to submit a new fee with the amended application.

§ 556.68 Effect of assignment of a particular tract.

(a) When an assignment is made of all the record title to a portion of the acreage in a lease, the assigned and retained portions become segregated into separate and distinct leases. In such a case, the assignee becomes a lessee of the Government as to the segregated tract that is the subject of assignment, and is bound by the terms of the lease as though the lease had been obtained from the United States in the assignee's own name, and the assignment, after its approval, shall be the basis of a new record. Royalty, minimum royalty and rental provisions of the original lease shall apply separately to each segregated portion.

(b) For assignments of a portion of an oil and gas lease approved after the effective date of this section, each segregated lease shall continue in full force and effect for the primary term of the original lease and so long thereafter as oil or gas is produced from that segregated portion of the leased area in paying quantities or drilling or well reworking operations as approved by the Secretary are conducted.

§ 556.76 Relinquishment of leases or parts of leases.

A lease or any officially designated subdivision thereof may be surrendered by the record title holder by filing a written relinquishment, in triplicate, with the appropriate OCS office of the BOEM. No filing fee is required. A relinquishment shall take effect on the date it is filed subject to the continued obligation of the lessee and the surety to make all payments due, including any accrued rentals, royalties and deferred bonuses and to abandon all wells and condition or remove all platforms and other facilities on the land to be relinquished to the satisfaction of the Director.

§ 560.110 What bidding systems may BOEM use?

We will apply a single bidding system selected from those listed in this section to each tract included in an OCS lease sale. The following table lists bidding systems, the bid variables, and characteristics.

For the bidding system . . .	The bid variable is the . . .	And the characteristics are . . .
(a) Cash bonus bid with a fixed royalty rate of not less than 12.5 percent,	Cash bonus,	The highest responsible qualified bidder will pay a royalty rate of not less than 12.5 percent at the beginning of the lease period. We will specify the royalty rate for each tract offered in the Notice of OCS Lease Sale published in the Federal Register .
(b) Royalty rate bid with fixed cash bonus,	Royalty rate,	We will specify the fixed amount of cash bonus the highest responsible qualified bidder must pay in the Notice of OCS Lease Sale published in the Federal Register .
(c) Cash bonus bid with a sliding royalty rate of not less than 12.5 percent at the beginning of the lease period,	Cash bonus,	(1) We will calculate the royalty rate the highest responsible qualified bidder must pay using either: (i) A sliding-scale formula, which relates the royalty rate to the adjusted value or volume of production, or
		(ii) A schedule that establishes the royalty rate that we will apply to specified ranges of the adjusted value or volume of production.
		(2) We will determine the adjusted value of production by applying an inflation factor to the actual value of production.
		(3) If you are the successful high bidder, your lease will include the sliding-scale formula or schedule and will specify the lowest and highest royalty rates that will apply.
		(4) You will pay a royalty rate of not less than 12.5 percent at the beginning of the lease

		period.
		(5) We will include the sliding-scale royalty formula or schedule, inflation factor and procedures for making the inflation adjustment and determining the value or amount of production in the Notice of OCS Lease Sale published in the Federal Register .
(d) Cash bonus bid with fixed share of the net profits of no less than 30 percent,	Cash bonus,	(1) If we award you a lease as the highest responsible qualified bidder, you will determine the amount of the net profit share payment to the United States for each month by multiplying the net profit share base times the net profit share rate, according to 30 CFR 1220.022. You will calculate the net profit share base according to 30 CFR 1220.021.
		(2) You will pay a net profit share of not less than 30 percent.
		(3) We will specify the capital recovery factor, as described in 30 CFR 1220.020, and the net profit share rate, both of which may vary from tract to tract, in the Notice of OCS Lease Sale published in the Federal Register .
(e) Cash bonus with variable royalty rate(s) during one or more periods of production,	Cash bonus,	(1) We may suspend or defer royalty for a period, volume, or value of production. Notwithstanding suspensions or deferrals, we may impose a minimum royalty. The suspensions or deferrals may vary based on prices or price changes of oil and/or gas.
		(2) You may pay a royalty rate less than 12.5 percent on production but not less than zero percent.
		(3) We will specify the applicable royalty rates(s) and suspension or deferral magnitudes, formulas, or relationships in the Notice of OCS Lease Sale published in the Federal Register .
(f) Cash bonus with royalty rate(s) based on formula(s) or schedule(s) during one or more periods of production,	Cash bonus,	We will base the royalty rate on formula(s) or schedule(s) specified in the Notice of OCS Lease Sale published in the Federal Register .
(g) Cash bonus with a fixed royalty rate of not less than 12.5 percent, at	Cash bonus,	Except for periods of royalty suspension, you will pay a fixed royalty rate of not less than

the beginning of the lease period, suspension of royalties for a period, volume, or value of production, or depending upon selected characteristics of extraction, and with suspensions that may vary based on the price of production,	12.5 percent. If we award to you a lease under this system, you must calculate the royalty due during the designated period using the rate, formula, or schedule specified in the lease. We will specify the royalty rate, formula, or schedule in the Notice of OCS Lease Sale published in the Federal Register .
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§ 560.303 What are the joint bidding requirements?

(a) You must file a Statement of Production with the Director, according to the requirements of §§556.38 through 556.44 if:

(1) You submit a joint bid for any OCS oil and gas lease during a 6-month bidding period; and

(2) You were chargeable for the prior production period with an average daily production from all sources in excess of 1.6 million barrels of crude oil, natural gas equivalents, and liquefied petroleum products.

(b) The Statement of Production that you file under paragraph (a) of this section must state that you are chargeable for the prior production period with an average daily production in excess of the quantities listed in paragraph (a) of this section.

(c) If your average daily production in the prior production period met or exceeded the quantities specified in paragraph (a) of this section, you may not submit a joint bid for any OCS oil and gas lease during the applicable 6-month bidding period with any other person similarly chargeable. We will disqualify and reject these bids.

(d) If your average daily production in the prior production period met or exceeded the quantities specified in paragraph (a) of this section, you may not enter into an agreement prior to a lease sale that would result in two or more persons, similarly chargeable, acquiring or holding any interest in the tract for which the bid is submitted. We will disqualify and reject these bids.