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U.S. DEPARTMENT OF THE INTERIOR
**BUREAU OF LAND
MANAGEMENT (/)**

OIL AND GAS (/PROGRAMS/ENERGY-AND-MINERALS/OIL-AND-GAS)

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REGULATORY AND PROCESS INFORMATION FOR ONSHORE OIL AND NATURAL GAS SUSPENSIONS AND ROYALTY RATE REDUCTION APPLICATIONS DUE TO COVID-19 IMPACTS

Steps for Operator to Apply for Temporary Oil and Natural Royalty Rate Reduction (RRR) due to COVID-19

- An operator/payor must submit an application for a temporary royalty rate reduction through the appropriate BLM State Office that complies with the requirements of 43 CFR 3103.4-1(b)(1)-(3). In order to encourage the greatest ultimate recovery of oil and in the interest of conservation and upon a determination that it is necessary to promote development or that the lease cannot be successfully operated under terms provided therein, the BLM may reduce minimum royalty on an entire leasehold because of the COVID-19 pandemic. The operator or payor must include the following (as required by regulations):
 - A self-certification statement with supporting documentation from the operator that the lease(s) would be capable of

production in paying quantities were it not for the extreme circumstances presented due to the COVID-19 pandemic.

- A simple economic analysis table that shows the lease(s) that are uneconomic at the current royalty rate. This table needs to include the relevant market oil price (*i.e.*, West Texas Intermediate spot price or basin level price), the royalty rate, the production capability, and the operating costs (summarized for the lease).
- A temporary determined royalty rate may be reduced to no lower than 0.5 percent.
- Leases within an approved unit agreement or cooperative plan of development and operations may be granted royalty rate reductions in the same manner.
- The operator or payor should mark trade secrets or other proprietary data as “confidential/proprietary” as provided in 43 CFR 2.26. Such information includes operating costs and related data.
- Operators or payors may also apply for temporary royalty rate reductions for Class II reinstated leases, as provided for in 43 CFR 3103.4-1(c) and 3108.2-3(f). To demonstrate economic hardship, or that production would be terminated prematurely, the operator or payor must submit an application complying with 43 CFR 3103.4-1(b)(1)-(3), as described above.

Termination of Royalty Relief

In the absence of any action by the BLM to extend this temporary royalty rate relief, the relief will terminate 60 days from the date that BLM approves an application for temporary royalty rate reduction and the lease will thereafter revert to the original royalty rate stipulated in the lease instrument. If the applicant seeks to extend the royalty rate reduction beyond the 60 days, the applicant must file another application.

Steps for BLM Approval for Temporary Royalty Rate Reduction due to COVID-19

- For those complete applications timely filed, the BLM SO AO will review and evaluate the documentation in the royalty relief application and

verify the application information within five business days.

- If the application is approved, the BLM SO AO will notify the operator in writing of the date on which the royalty rate reduction is effective and the sunset date of the temporary royalty rate.
- Copies of the approval letter must be sent to the ONRR within five business days after approval.
- If an application is not approved, the applicant has the right to request a review and appeal, in accordance with 43 CFR 3165.
- The BLM SO AO will notify the operator and the ONRR of the date on which the temporary royalty rate will end, including if the relief timeframe is extended.