

**ROYALTY POLICY  
COMMITTEE**

**MARGINAL PROPERTY  
SUBCOMMITTEE**

## **Subcommittee Report Sections**

- Why Subcommittee Formed
- Subcommittee Members and Procedures
- MMS Proposed Rule and Public Comments
- Subcommittee Deliberations and Recommendations
- Draft Proposed Rule

### **WHY SUBCOMMITTEE FORMED**

On August 13, 1996, the President signed the Federal Oil and Gas Royalty Simplification and Fairness Act of 1996 (RSFA). Section 7 of RSFA provides for "Alternatives For Marginal Properties" either through a prepayment in subsection (b) or regulatory relief under subsection (c). The regulatory relief in subsection (c) is further defined as accounting, reporting, and auditing relief; however, such relief may only be granted in a State that concurs with this relief.

The Minerals Management Service (MMS) held workshops to receive input from the constituent groups and on January 21, 1999, published a proposed rule entitled "Accounting Relief for Marginal Properties" which implemented sections 7(a) and 7(c) of RSFA. Comments to the proposed rule generally fell into two categories, i.e., the States believed that MMS was offering too much relief and industry believed that the rule was too complicated and did not offer enough relief.

Due to the comments, all of which were deemed negative by MMS, Lucy Querques Dennett, MMS Associate Director, asked the Royalty Policy Committee (RPC) at its June 1999 meeting to form a subcommittee to review the marginal property issue and make recommendations to the Department on how they should proceed. The request from MMS to the RPC covered both sections 7(b) and 7(c) of RSFA even though a proposed rule has never been issued by MMS on section 7(b).

Because section 7(b), Prepayment, can be easily separated from section 7(c), Accounting and Auditing Relief, this report only deals with the 7(c) issue. A separate report will be issued at a later date on section 7(b).

### **SUBCOMMITTEE MEMBERS AND PROCEDURES**

The Subcommittee was comprised of the following members:

John Clark - Council of Petroleum Accountants Societies (COPAS) - Chair

Charles Turpen - Western States Land Commissioners Association - Vice Chair

Richard Huwaldt - State of Wyoming, Department of Audit

Valdean Severson - State of New Mexico, Taxation and Revenue Department

Jerry McClain - State of California, State Controller's Office

Pat Kent - Council of Petroleum Accountants Societies (COPAS)

David Blackmon - Independent Petroleum Association of America (IPAA)

Carla Wilson - Independent Petroleum Association of Mountain States (IPAMS)

Nick Fadely - MMS

Carol Shelby - MMS

Jim Morris - MMS

Sarah Inderbitzin - Office of the Solicitor

MMS and the Office of the Solicitor were technical advisors to the Subcommittee and were not voting members. The Subcommittee would like to thank both MMS and the Office of the Solicitor for the technical assistance provided to the Subcommittee.

Besides the MMS and the Office of the Solicitor, the Subcommittee Chair is a non-voting member; all other members of the subcommittee are voting members. The Subcommittee defined consensus as 100 percent of the voting members present, and the Subcommittee agreed that consensus was what we would strive to achieve. In the event that consensus could not be reached, the Subcommittee agreed to issue a single report with the various positions stated instead of issuing multiple reports.

It should be noted that agreement was reached on all issues and this is a consensus report.

### **MMS PROPOSED RULE AND PUBLIC COMMENTS**

The MMS proposed rule on Accounting Relief for Marginal Properties and the comments to the rule was the starting point for the Subcommittee's deliberations. This report will not include a copy of the proposed rule or comments as they are available either through the MMS website or the Federal Register. We will briefly explain some provisions of the rule and the comments as this information is necessary in understanding why the Subcommittee is making some of its recommendations.

Section 204.6 states that if MMS denied your request for accounting relief because a state denied the request, then it was a final decision of the Department not subject to administrative appeal. States are concerned with this provision because it was not a joint determination to grant relief as required by RSFA and that it subjects the State to lawsuit.

Sections 204.203 through 204.205 describes three relief options: (1) cumulative royalty reports and payments, (2) net adjustments reporting, and (3) rolled-up reporting. Each of the options has different qualifying criteria. To take the relief under one or more of these options the lessee or his designee has to notify MMS of their intent and provide certain information to MMS. States are concerned with these options because it was not a joint determination. They are also concerned because they do not know how the qualifying criteria was determined and how many

marginal properties in their state qualify for the relief. Industry is concerned because they believe that the different qualifying criteria makes the rule complex and is subject to error.

Sections 204.206 through 204.208 describes three additional relief options: (1) alternative valuation, (2) audit relief, and (3) other relief. These relief options apply to all marginal properties. To take the relief the lessee has to request approval and pay a processing fee. States are concerned because they believe that the alternative valuation option is royalty relief or that it is available under the current regulations. States are also concerned with Federal regulations prescribing when states will perform severance tax audits which are not under the authority of MMS. Industry is concerned because they believe the options are available under the current regulations and that the audit practices referenced are already being used by the States and they see no benefit to paying a fee to request something that is already available or being followed.

States are also concerned with the provision in section 204.213 which states that if the state does not notify MMS of its decision within the time period allowed, then the State is deemed to have agreed with MMS. States do not believe that a lack of action should be deemed as approval.

Overall, both the States and industry believe that the proposed rule does not meet its objectives.

## **SUBCOMMITTEE DELIBERATION AND RECOMMENDATIONS**

### **BASE PERIOD**

Based on comments received after the January 1999 proposed rule, there was discussion about changing the base period. The proposed rule included a base period of October 1 - September 30. Producer groups indicated that the base period needed to be moved back one or two months; one state said that the base period needs to be as close to the calendar year as possible, but they could accept moving it back to September 1 - August 31.

We discussed the need for changing the base period to July 1 - June 30. It would be less administratively burdensome for the marginal property accounting/auditing relief base period to be the same as the marginal property Takes vs Entitlements base period. Also, it is necessary to move the base period back in order to meet certain deadlines so that a Federal Register notice can be published of States opting in or out before the first of the calendar year.

We determined that the following schedule should meet the needs of all parties (industry, States, and MMS):

August 15/25	Operators submit PAAS reports for June production
October 1	MMS furnish States report of marginal properties for July - June base period
November 1	State notifies MMS if they wish to opt in or out (if State fails to notify MMS, they are deemed to have opted out)
December 1	Federal Register notice is published listing which states are opting in or out

One state recommended (and most of the group agreed) that the final rule should include a reference that the lessee/payor must retain records for the base period calculations for six or seven years following the sales period for which relief is taken.

## **MARGINAL PROPERTY QUALIFICATIONS**

The proposed rule defines a marginal property as a property with combined equivalent production during the base period of less than 15 BOEs per day per well.

There was discussion over one producer group's comment that separate qualification rates should be established for offshore and onshore. MMS representative advised that industry had previously formed an operational group to come up with a rate for offshore, but the group could not agree on a rate, so the idea was dropped.

There was also discussion on whether the States could set their own qualification rates. The group decided this was not acceptable because of the administrative burden associated with tracking and auditing different rates for different states. One state representative was concerned that some states might want to offer some relief but not at 15BOEs.

## **APPEALS ON DENIAL OF REQUEST BASED RELIEF**

All the State representatives expressed grave concern over the language in the proposed rule that says if a decision not to grant relief is based on a State's denial not the MMS's denial, that decision would not be subject to administrative appeal. This would put any appeal directly into Federal District Court. The States are not willing to accept that risk. Based on this discussion, a request was sent to seven state agencies requesting their opinion on the comments raised by the State representatives on the committee. Only one agency responded and they were in agreement with the other states' concerns. Based on the States' concerns, we are recommending that the States be given the ability to determine, prior to each year, whether they will participate in either the notification based relief option or the approval relief option, or both. If a State decides to participate in the approval relief option, they would be agreeing to let MMS make the final decision on the relief request.

## **NOTICE BASED RELIEF OPTIONS**

Discussion centered on the complexity of the calculations required to determine whether a marginal property qualifies for particular forms of accounting relief. The proposed rule included five different production levels for the five different forms and/or levels of accounting relief.

The committee decided to change the volume limits to Total BOEs rather than Royalty BOEs. This will simplify the calculations significantly. By eliminating the royalty rate from the calculation, the calculations can be done directly from the MMS' PAAS production report database.

The committee discussed the problems the Reengineering Project Team had encountered trying to implement "net adjustment reporting". Because of requirements in FOGRMA for certain data elements to be displayed on the Explanation of Payments (EOP) sent to States and Tribes, the Reengineering Team and industry partners found "net adjustment reporting" unacceptable. Paula Neuroth, a representative from the Reengineering Team joined us and we discussed whether there could be an exception for marginal properties that would allow them not to provide all the detail on the EOP. One state representative asked about settlements where not all the data elements are available. Paula said they had a special transaction code that allowed settlements to pass through without all the detail and that excluded those lines from some exception processing routines. Since MMS will continue looking for possible "net adjustment

reporting" options for Reengineering purposes, the committee is recommending this be dropped from the final marginal property accounting relief rule.

We explained to the Reengineering team member the concept of the annual, semi-annual, and quarterly reporting. She said they would have to make some modifications to their CAMP (Compliance and Asset Management) programs to run the AFS/PAAS comparisons on a periodic cumulative basis. She explained that each exception would require funding for program modifications; thus we would probably have to limit our exceptions to avoid being cost prohibitive. Therefore, the committee is recommending that only the annual cumulative reporting relief option be retained in the final rule. We further recommend that this option be limited to marginal properties producing 1,000 BOEs or less annually.

The committee is also recommending that the "rolled up reporting" relief option be dropped from the final rule. This is due to problems associated with the EOP and the fact that Selling Arrangement has been dropped from the new form MMS-2014 which will be implemented October 2001, almost certainly before a final marginal property accounting relief rule can be issued.

### **APPROVAL BASED RELIEF OPTION**

There was discussion on the three approval based relief options contained in the proposed rule. Because of the sensitivities surrounding what was in the original proposal, the subcommittee decided to recommend one approval based relief option, i.e., Other Relief.

Other Relief would apply to all marginal properties and can be anything within MMS' authority that the lessee or his designee believe would be marginal property relief. The lessee would need to submit a proposal to MMS for approval. After consultation with the State or States concerned, MMS would decide whether to grant the requested relief. Examples of what might be considered are payments made more than annually but less than monthly or an alternative valuation method.

### **OTHER DISCUSSION**

There was a brief discussion about possibly extending relief to Minimum Royalties; committee decided not to pursue.

One state representative suggested that we segregate oil and gas; tell operator/payor that relief on oil wells is by way of stripper royalty rate, gas well relief could be through this rule. It was decided that we would not make this recommendation.

We discussed numerous times the difficulty in finding possible relief options that would meet all 3 objectives set out in RSFA:

- 1) Promote production
- 2) Reduce the administrative costs of MMS and State(s)
- 3) Increase net receipts to the Federal Government and State(s)

### **DRAFT PROPOSED RULE**

#### **PART 204--ALTERNATIVES FOR MARGINAL PROPERTIES**

##### **Subpart A--General Provisions**

Sec.

§204.1 What is the purpose of this part?

§204.2 Definitions.

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Subpart B--Prepayment of Royalty [Reserved]

Subpart C--Accounting and Auditing Relief

§204.200 What is the purpose of this subpart?

§204.201 Who may obtain accounting and auditing relief under this subpart?

§204.202 What is the cumulative royalty reports and payments relief option?

§204.203 What is the other relief option?

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§204.206 What will MMS do when it receives my request for accounting and auditing relief?

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§204.208 May a State decide in advance that it will not allow one or both of the relief options under this subpart?

§204.209 What if my property ceases to qualify for relief obtained under this subpart?

§204.210 May I obtain accounting and auditing relief for a marginal property that benefits from other Federal or State incentive programs?

Authority: *5 U.S.C. 301 et seq.*; *30 U.S.C. 181 et seq.*, *351 et seq.*, *1001 et seq.*, *1701 et seq.*, *1721 et seq.*, *1726 et seq.*; *31 U.S.C. 9701 et seq.*; *43 U.S.C. 1701 et seq.*, *1331 et seq.*, and *1801 et seq.*

Subpart A--General Provisions

§204.1 -- What is the purpose of this part?

This part explains how a lessee or its designee of a Federal onshore or Outer Continental Shelf (OCS) oil and gas lease may obtain prepayment or accounting and auditing relief for certain marginal properties.

§204.2 -- Definitions.

Agreement means a federally approved communitization agreement or unit participating area.

Barrels of oil equivalents means the combined equivalent production of oil and gas stated in barrels of oil. Each barrel of oil production is equal to one barrel of oil equivalents. Also, each six thousand cubic feet of gas production is equal to one barrel of oil equivalents.

Base period means the 12-month period from July 1 through June 30 immediately preceding the calendar year in which you take or request marginal property relief.

Combined equivalent production means the total of all oil and gas production for the marginal property, stated in barrels of oil equivalents.

Designee means the person designated by a lessee under 30 CFR 218.52 to make all or part of the royalty or other payments due on a lease on the lessee's behalf.

Producing wells means only those producing oil or gas wells that contribute to the sum of barrels of oil equivalents used in the calculation under § 204.4(c). Producing wells do not include injection and water wells.

State concerned (State) means the State which receives a statutorily prescribed portion of the royalties from a Federal onshore or OCS lease.

§204.3 -- What alternatives are available for marginal properties?

If you have production from a marginal property you may:

(a) Prepay royalty. MMS and the State may allow you to make a lump-sum advance payment of royalties instead of monthly royalty payments for the remainder of the lease term.

(b) Take accounting and auditing relief. MMS and the State may allow various accounting and auditing relief options to encourage you to continue to produce and develop your marginal property. See subpart C for accounting and auditing relief requirements.

§204.4 -- What is a marginal property under this part?

To qualify as a marginal property eligible for royalty prepayment or accounting and auditing relief under this part, your property must meet the following requirements:

(a) Production must be from, or attributable to, a Federal onshore or OCS lease. Indian leases are not eligible for the marginal property alternatives under this part, even though production from a qualifying marginal property may be attributable to an Indian lease. You must also meet the criteria shown in the following table:

If your lease is . . .

Then . . .

And . . .

(1) Not in an Agreement	The entire lease must qualify as a marginal property under paragraph (b) of this section.	
(2) Entirely or partly in one Agreement	The entire Agreement must qualify as a marginal property under paragraph (b) of this section	Agreement production allocable to your lease may be eligible for relief under this part. Any production from your lease that is not in the Agreement also separately may be eligible for relief under (a)(4) of this table.
(3) Entirely or partly in more than one Agreement	Agreement must qualify separately as a marginal property under paragraph (b) of this section.	Only the qualifying Agreement's production allocable to your lease may be eligible for separate relief under this part.
(4) Partly in an Agreement and you have production from the part of the lease that is not in the Agreement	The part of the lease that is not in the Agreement must qualify separately as a marginal property under paragraph (b) of this section.	

(b) To qualify as a marginal property for a calendar year, the combined equivalent production of the property during the base period must equal an average daily well production of less than 15 barrels of oil equivalents per well per day calculated under paragraph (c) of this section.

(c) To determine the average daily well production on or attributable to your property, divide the sum of the barrels of oil equivalents for all producing wells on the property by the sum of the number of days each of those wells actually produced during the base period. If your property is in an Agreement, your calculation under this section must include all wells included in the Agreement, even if they are not on a Federal onshore or OCS lease.

§204.5 -- What statutory requirements must I meet to obtain royalty prepayment or accounting and auditing relief?

(a) MMS and the State may allow royalty prepayment or accounting and auditing relief for your marginal property under this part if MMS and the State jointly determine that the prepayment or relief is in the best interests of the Federal Government and the State to:

- (1) Promote production;
- (2) Reduce the administrative costs of MMS and the State; and
- (3) Increase net receipts to the Federal Government and the State.

(b) MMS and the State may discontinue to allow any royalty prepayment or accounting and auditing relief options granted for your marginal property if MMS and the State jointly determine

that the prepayment or relief option is no longer in the best interests of the Federal Government and the State under the standards in paragraph (a) of this section.

§204.6 -- May I appeal if MMS denies my request for prepayment or accounting and auditing relief?

If MMS denies your request for prepayment or accounting and auditing relief under this part, you may appeal under 30 CFR part 290.

Subpart B--Prepayment of Royalty [Reserved]

Subpart C--Accounting and Auditing Relief

§204.200 -- What is the purpose of this subpart?

This subpart explains how a lessee or its designee may obtain accounting and auditing relief for production from a marginal property.

§204.201 -- Who may obtain accounting and auditing relief under this subpart?

(a) You may obtain accounting and auditing relief under this subpart:

(1) If you are a lessee or its designee for a Federal lease with production from a property that qualifies as a marginal property under §204.4;

(2) If you meet any additional requirements for specific types of relief under this subpart; and

(3) Only for your fractional interest in the marginal property.

(b) You may not obtain one or both of the relief options specified in this subpart on any portion of a property if the property covers multiple States, and one State determines that it will not allow one or both of the relief options specified in this subpart under §204.208.

§204.202 -- What is the cumulative royalty reports and payments relief option?

(a) Under this relief option, you may submit royalty reports and payments annually for the calendar year if the total volume produced from the marginal property is 1,000 barrels of oil equivalents or less during the base period.

(b) You must notify MMS under §204.205(a) before taking relief under this option.

(c) You must:

(1) Submit your royalty report and payment in accordance with §218.51(g) of this chapter by the end of February of the year following the calendar year for which you are reporting annually, unless you have an estimate on file. If you have an estimate on file, you must submit your royalty report and payment by the end of March of the year following the year for which you are reporting annually

(2) Report one line of cumulative royalty information on the Report of Sales and Royalty Remittance, Form MMS-2014, for the reporting period, the same as if it were a monthly report; and

(3) Use the last sales month of the reporting period to report the royalty information for the entire period.

(d) If you do not pay your royalty by the date due in paragraph (c)(1) of this section, you will owe late payment interest determined under part 218 of this chapter from the date your payment was due under this section until the date MMS receives it.

(e) If you do not qualify for relief under paragraph this section, but you take relief, you will owe late payment interest determined under part 218 of this title from the date your payment was due until the date MMS receives it. You must also amend your Form MMS-2014 to reflect the allowable reporting frequency.

(f) You must report allowances on Form MMS-2014 on the same annual basis as the royalties for your marginal property.

(g) If you dispose of a marginal property for which you have taken relief under this section, you must report and pay royalties for the portion of the calendar year for which you had an ownership interest by the end of the month after you dispose of the marginal property.

#### §204.203 -- What is the other relief option?

(a) Under this relief option, you may request any type of accounting and auditing relief that is appropriate for your marginal property, provided it is not specifically prohibited under §204.204 and meets the statutory requirements of §204.5. Examples of relief options you could request are:

(1) To report and pay royalties using a valuation method other than that required under part 206 of this chapter that approximates royalties payable under the valuation regulations in part 206 of this chapter; and

(2) A reduced royalty audit burden. However, MMS will not consider any request that eliminates MMS's or the State's right to audit.

(b) You must obtain approval from MMS under §204.205(b) before taking relief under this option.

#### §204.204 -- What accounting and auditing relief will MMS not allow?

MMS will not approve your request for accounting and auditing relief under this subpart if your request:

(a) Prohibits MMS or the State from conducting any form of audit;

(b) Permanently relieves you from making future royalty reports or payments;

(c) Provides for less frequent royalty reports and payments than annually;

(d) Provides for you to submit royalty reports and payments at separate times;

(e) Impairs MMS's ability to properly or efficiently account for or distribute royalties;

(f) Requests relief for a lease under which the Federal Government takes its royalties in-kind;

- (g) Alters production reporting requirements;
- (h) Alters lease operation or safety requirements;
- (i) Conflicts with rent, minimum royalty, or lease requirements; or
- (j) Requests relief for a marginal property located in a State that has determined in advance that it will not allow such relief under §204.214.

§204.205 -- How do I obtain accounting and auditing relief?

(a) To take accounting relief under §204.202, you must notify MMS in writing before the last day of the sales month for which you begin taking your relief.

(1) Your notification must contain:

(i) Your company name, MMS-assigned Payor Code, address, phone number, and contact name; and

(ii) The specific MMS lease number and Agreement number, if applicable.

(2) You may file a single notification for multiple marginal properties.

(b) To obtain accounting or auditing relief under §204.203, you must file a written request for relief with MMS.

(1) Your request must contain:

(i) Your company name, MMS-assigned Payor Code, address, phone number, and contact name;

(ii) The MMS lease number and Agreement number, if applicable; and

(iii) A complete and detailed description of the specific accounting or auditing relief you seek.

(2) You may file a single request for multiple marginal properties if you are requesting the same relief for all properties.

§204.206 -- What will MMS do when it receives my request for accounting and auditing relief?

When MMS receives your request for accounting and auditing relief under §204.205(b), it will notify you in writing within 120 days as follows:

(a) If your request for relief is complete, MMS may either approve, deny, or modify your request in writing.

(1) If MMS approves your request for relief, MMS will notify you of the effective date of your accounting or auditing relief and other specifics of the relief approved.

(2) If MMS denies your relief request, MMS will notify you of the reasons for denial and your appeal rights under §204.6.

(3) If MMS modifies your relief request, MMS will notify you of the modifications.

(i) You have 60 days from your receipt of MMS's notice to either accept or reject any modification(s) in writing.

(ii) If you reject the modification(s) or fail to respond to MMS's notice, MMS will deny your relief request. MMS will notify you in writing of the reasons for denial and your appeal rights under §204.6.

(b) If your request for relief is not complete, MMS will notify you in writing that your request is incomplete and identify any missing information.

(1) You must submit the missing information within 60 days of your receipt of MMS's notice that your request is incomplete.

(2) If you submit all required information, MMS and the State may approve, deny, or modify your request for relief. You may submit a new request for relief under this subpart at any time after MMS returns your incomplete request.

(c) If MMS does not notify you under paragraphs (a) or (b) within 120 days of its receipt of your request, your request is deemed approved.

§204.207 -- Who will decide whether to approve, deny, or modify my request for accounting and auditing relief?

(a) If there is not a State concerned for your marginal property, only MMS will decide whether to approve, deny, or modify your relief request.

(b) If there is a State concerned for your marginal property that has determined in advance that it may grant either or both of the relief options under this subpart, MMS will decide whether to approve, deny, or modify your relief request after consulting with the State concerned.

(c) MMS will not approve any request to use an alternate valuation method until the Assistant Secretary for Land and Minerals Management approves the request.

§204.208 -- May a State decide in advance that it will not allow one or both of the relief options under this subpart?

(a) A State may decide in advance that it will not allow one or both of the relief options specified in this subpart.

(b) To help States decide whether to allow one or both of the relief options specified in this subpart, MMS will send States a Report of Marginal Properties by September 30 of each calendar year

(c) If a State decides that it will not allow one or both of the relief options specified in this subpart, within 30 days of the State's receipt of the Report of Marginal Properties under paragraph (a) the State must:

(1) Notify the Associate Director for Royalty Management, MMS, in writing of its intent to disallow one or both of the relief options under this subpart; and

(2) Specify in its notice of intent to MMS which relief option(s) it will not allow.

(d) If a State decides in advance under paragraph (a) of this section that it will not allow one or both of the relief options specified in this subpart, it may later decide that it will allow one or both of the relief options in this subpart. If it so decides, within 30 days of the State's receipt of the Report of Marginal Properties under paragraph (a), the State must:

(1) Notify the Associate Director for Royalty Management, MMS, in writing of its intent to allow one or both of the relief options allowed under this subpart; and

(2) Specify in its notice of intent to MMS which relief option(s) it will allow.

(e) If a State does not notify MMS under paragraphs (c) or (d), the State will be deemed to have decided to disallow both of the relief options under this subpart.

(f) MMS will publish a notice of the State's intent to disallow or to allow certain relief options under this section in the Federal Register no later than 30 days before the beginning of the applicable calendar year.

§204.209 -- What if my property ceases to qualify for relief obtained under this subpart?

(a) Your property must qualify for relief under this subpart for each calendar year based on production during the base period. The notice or request you provided to MMS under §204.205 for the first calendar year that your property qualified for relief remains effective for successive calendar years if you continue to qualify.

(b) If you find your property is no longer eligible for relief for any reason during a calendar year, other than the reason under paragraph (c) of this section, the relief for your property terminates as of December 31 of that calendar year. You must notify MMS in writing by December 31, that the relief for your property has terminated.

(c) If your marginal property no longer qualifies as marginal because the Bureau of Land Management (BLM) retroactively approves your marginal property as part of a nonqualifying agreement:

(1) MMS will not retroactively rescind the marginal property relief for your property under paragraph (e) of this section;

(2) Your marginal property relief terminates as of December 31 of the calendar year that you receive the BLM approval of your marginal property as part of a nonqualifying agreement; and

(3) You must adjust your royalty payments if they are affected by any required BLM reallocation under the nonqualifying agreement.

(d) If you dispose of your property during the calendar year, your relief terminates as of the end of the production month in which you disposed of the property.

(e) MMS may retroactively rescind the relief for your property if MMS determines that your property was not eligible for the relief obtained under this subpart because:

(1) You did not submit a notice or request for relief under §204.205;

(2) You submitted erroneous information in the notice or request for relief you provided to MMS under §204.205 or in your royalty or production reports; or

(3) Your property is no longer eligible for relief because production increased, but you failed to provide the notice required under paragraph (b) of this section.

(f) If you took relief under this subpart for a period for which you were not eligible, you may owe additional royalties and late payment interest determined under part 218 of this title from the date your payment was due until the date MMS receives it.

§204.210 -- May I obtain accounting and auditing relief for a marginal property that benefits from other Federal or State incentive programs?

You may obtain accounting and auditing relief for your marginal property under this subpart even if the property benefits from other Federal or State production incentive programs.