

Chapter 5 Byproduct Valuation

In the EPAct 2005, for new leases, Congress changed the byproducts upon which royalties are due, to include ``any mineral or minerals specified in the Mineral Leasing Act, 30 U.S.C. 181" (30 U.S.C. 1004(a)(2)). For Class 2 and Class 3 leases that converted their royalty terms, royalties are only due on coal, phosphate, sodium, potassium, oil, oil shale, gilsonite (including all vein-type solid hydrocarbons), or gas byproducts

5.1 Byproduct Royalty Rates

Lease Type	Commodity	Royalty Rate
Class 1	All byproducts	5% (or as in lease terms)
Class 2	Commercially demineralized water	5%
Class 2 and converted Class 3	The royalty rate for byproducts derived from geothermal resource production that are minerals specified in section 1 of the Mineral Leasing Act (MLA), as amended (30 U.S.C. 181), is 5 percent, except for sodium compounds, produced between September 29, 2006 and September 29, 2011 (Pub. L. No. 109-338, §102; note to 30 U.S.C. 362) for which the royalty rate is 2 percent. No royalty is due on byproducts that are not specified in 30 U.S.C. § 181. (43 CFR 3211.19.)	

To ONRR's knowledge, there are no instances of commercially viable production of such byproducts in the past. ONRR therefore does not expect any significant production of any royalty-bearing byproducts from Class II leases or from Class III leases that converted all their terms to the new rule.

If you do produce any of the geothermal byproducts listed above, ONRR has the information needed for you to calculate those royalties.

Please contact the ONRR royalty valuation group at royaltyvaluation@onrr.gov for guidance.