



## “Special Case” Royalty Relief

### Overview

There are various types of royalty relief that BSEE may grant in order to promote development, increase production, or encourage production of marginal resources on certain leases or categories of leases (30 CFR 203.1(a) and (b)). If the specifics of a lease or project are such that none of the formal relief programs apply, applicants can request royalty relief under 30 CFR 203.80, which is often informally referred to as “Special Case” royalty relief. There is a multi-step process applicants must follow when applying for “Special Case” relief that begins with a “pre-application” as, by regulation, applicants must first demonstrate that at least two of the five regulatory characteristics set forth in 30 CFR 203.80(a)-(e) are met before a formal application can be submitted.

### Application and Approval (Denial) Process

The following outlines the application and approval/denial processes BSEE will use for “special case” situations when royalty relief is requested under 30 CFR 203.80.

#### ***Pre-Application:***

An applicant begins the process by submitting a letter to BSEE demonstrating how the specific lease or project meets two or more of the five characteristics listed at 30 CFR 203.80. There is no cost recovery fee associated with a pre-application.

- i. The pre-application may be submitted on a lease or project basis. A project is defined as “any activity that requires at least a permit to drill”; a lease is defined as “a lease or unit” (30 CFR 203.0).
- ii. If BSEE agrees that the lease or project has two or more of the five characteristics, it will send the applicant a confirmation letter with detailed instructions on how to submit the formal application:
  - The detailed instructions are tailored to fit each case, since “Special Case” royalty relief requests can vary widely.
  - BSEE must collect a cost recovery fee with each formal “Special Case” royalty relief application (30 CFR 203.3), and the fee amount is determined on a case-by-case basis (see 80 Fed. Reg. 29,740-29,743 (May 22, 2015)) due to the wide variation in such requests and associated processing costs. BSEE will inform the applicant of the fee in the confirmation letter.
  - Supporting data to perform an independent technical and financial analysis to determine if relief is warranted:
    - Engineering data;
    - Geological and Geophysical (G&G) data and interpretations showing the targeted reservoirs;
    - Forecast production volumes, revenues, and expenses; and

- Economic model that demonstrates the proposed project is uneconomic, but would become economic with royalty relief (30 CFR 203.2(e)). Note that BOEM provides BSEE with the appropriate discount rate and price forecast to be used in the economic analysis.

a. ***Formal Application***

After receiving a letter from BSEE confirming that the lease or project meets two of the five characteristics, the applicant then submits a letter to BSEE requesting “Special Case” royalty relief, accompanied by the specified supporting data and cost recovery fee.

b. ***BSEE Review***

BSEE will analyze the supporting data, as well as perform independent engineering, G&G, and economic analyses, prior to making a final determination. Analysis of a formal application ensures relief is granted only when needed, and in the amount needed, consistent with regulation and to ensure the American public is protected. If BSEE determines that the formal application meets all regulatory requirements and that the lease or project is uneconomic, it may grant royalty relief in the amount that would make it economic. BSEE will communicate its determination, outlining the form and amount of relief (if any), and any conditions that may apply, including but not limited to, that the approval is subject to an accounting of capital expenditures and audit by the Department of the Interior.

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