

Using the Decision Trees

The “Final Rule Decision Tree Examples” and the “Complete Decision Tree Cases” documents illustrate how to determine the applicable royalty suspension volumes (RSV) and associated price thresholds for shallow water deep gas royalty relief under the Deep Gas Final Rule (§§ 203.40 – 203.48) and the Ultra-Deep Gas Final Rule (§§ 203.30 – 203.36).

The “Final Rule Decision Tree Examples” consists of ten diagrams that tie directly to the seven examples listed in § 203.31. Examples 1, 2, and 5 have two possible paths and the remaining four examples have one possible path, resulting in a total of ten pages of diagrams. Standard flowcharting symbols are used within each diagram: diamonds represent decision points (for example, whether a well spud before a certain date); arrows leading from diamonds represent paths to follow based on specific answers to decision-point questions; and rectangles represent the relief resulting from specific paths. The green strip in each example shows the path through the decision tree to determine the applicable RSV and price threshold. Relief associated with the original (2004) and new deep gas rules (2008) are highlighted in different colors.

The “Complete Decision Tree Cases” consists of nine diagrams covering all possible cases where eligible shallow water leases can qualify for deep gas royalty relief. The first four pages demonstrate royalty relief decision paths for leases in water 0-200 meters deep. The second four pages demonstrate royalty relief decision paths for leases in water 200-400 meters deep. The last page displays royalty relief decision paths for leases issued between January 2001 and December 2003 with lease-based royalty relief that did not convert to rule-based relief.

As an example of how to use the second set of diagrams, consider the following scenario: an eligible lease issued in 2007 in water 0-200 meters deep begins drilling its first original ultra-deep well to a depth of 21,499 feet in January 2009. Production begins on this well in July 2010. To determine the applicable RSV and price threshold, we reference the first page of the file: Royalty Relief for Lease in 0-200 meters, which demonstrates royalty relief decision paths for first original wells. The well was not spud before 3/26/2003, so we follow the first “No” path. The drilling depth was 21,499 feet, so we follow the “20K+” path. The well was not spud before 5/18/2007, so we follow the next “No” path. The well was spud before 5/3/2009, so we follow the “Yes” path. The well did not produce before 5/3/2009, so we follow the “No” path. The well was a Success, so we follow the “Yes” path, resulting in an RSV of 35BCF with an associated price threshold of \$4.55.