

Chapter 6

Byproduct Valuation

This chapter describes geothermal byproduct valuation for royalty purposes for Class 1 leases.

All classes of geothermal leases treat byproduct royalty valuation the same, but the royalty rates vary between Class 1 versus Class 2 and Class 3 leases that converted under section 43 CFR 3200.7(a)(2) electing to be subject to all new regulations.

For Class 2&3 leases, see The Geothermal Payor Handbook - Class 2&3 Leases.

Byproducts are minerals (exclusive of oil, hydrocarbon gas, and helium), found in solution or in association with geothermal steam, that no person would extract and produce by themselves because they are worth less than 75 percent of the value of the geothermal steam or because extraction and production would be too difficult.

6.1 Byproduct Royalty Rates

Lease Type	Commodity	Royalty Rate
Class 1	All byproducts	5% (or as in lease terms)
Class 1	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.)	

At the time of this writing, the most commonly recovered geothermal byproduct in the United States is sulfur, and much of that is treated as a hazardous waste. Standard byproduct royalty rates for Class 1 leases are 5 percent of value. No lessees currently are reporting royalties on byproducts or byproduct transportation allowances.

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

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