

surveys of buyers and sellers of crude oil; and

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(c) MMS will reference the tables you must use in the acceptable publications.

(d) MMS may revoke its approval of a particular publication if it determines that the prices or differentials published in the publication do not accurately represent market values or differentials.

6. In § 206.109, paragraph (b) is revised to read as follows:

§ 206.109. When may I take a transportation allowance in determining value?

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(b) *Transportation allowances and other adjustments that apply when value is based on NYMEX prices.* If you value oil using the NYMEX price under § 206.103, MMS will allow an adjustment for certain location and quality differentials and certain costs associated with transporting oil as provided under § 206.112.

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7. Section 206.110 is amended by:

A. In paragraph (a), in the first sentence, removing the words “under that contract” and adding in their place the words “as more fully explained in paragraph (b) of this section.”

B. Redesignating paragraphs (b) through (e) as paragraphs (d) through (g).

C. Adding new paragraphs (b) and (c) to read as follows:

§ 206.110. How do I determine a transportation allowance under an arm's-length transportation contract?

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(b) You may deduct any of the following actual costs incurred for transporting oil. You may not use as a deduction any cost that duplicates all or part of any other cost that you use under this paragraph:

(1) The amount that you pay under your arm's-length transportation contract or tariff.

(2) Fees paid (either in volume or in value) for actual or theoretical line losses.

(3) Fees paid to a pipeline owner for administration of a quality bank.

(4) The cost of carrying on your books as inventory a volume of oil that the pipeline operator requires you to maintain, and that you do maintain, in the line as line fill. You must calculate this cost as follows:

(i) Multiply the volume that the pipeline requires you to maintain, and that you do maintain, in the pipeline by the value of that volume for the current month calculated under § 206.102 or § 206.103, as applicable; and

(ii) Multiply the value calculated under paragraph (b)(4)(i) of this section by the monthly rate of return, calculated by dividing the rate of return specified in § 206.111(i)(2) by 12.

(5) Fees paid to a terminal operator for loading and unloading of crude oil into or from a vessel, vehicle, pipeline, or other conveyance.

(6) Fees paid for short-term storage (30 days or less) incidental to transportation as required by a transporter.

(7) Fees paid to pump oil to another carrier's system or vehicles as required under a tariff.

(8) Transfer fees paid to a hub operator associated with physical movement of crude oil through the hub when you do not sell the oil at the hub. These fees do not include title transfer fees.

(9) Payments for a volumetric deduction to cover shrinkage when high-gravity petroleum (generally in excess of 51 degrees API) is mixed with lower-gravity crude oil for transportation.

(10) Costs of securing a letter of credit, or other surety, that the pipeline requires a shipper to maintain.

(c) You may not deduct any costs that are not actual costs of transporting oil, including but not limited to the following:

(1) Fees paid for long-term storage (more than 30 days).

(2) Administrative, handling, and accounting fees associated with terminalling.

(3) Title and terminal transfer fees.

(4) Fees paid to track and match receipts and deliveries at a market center or to avoid paying title transfer fees.

(5) Fees paid to brokers.

(6) Fees paid to a scheduling service provider.

(7) Internal costs, including salaries and related costs, rent/space costs, office equipment costs, legal fees, and other costs to schedule, nominate, and account for sale or movement of production.

(8) Gauging fees.

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8. Section 206.111 is amended by:

A. Revising the section heading and paragraph (a).

B. Revising paragraph (b) introductory text and adding new paragraphs (b)(6) and (b)(7).

C. In paragraph (h)(5), removing the words “who owned the system on June 1, 2000” and adding in their place the words “from whom you bought the system. Include in the depreciation schedule any subsequent reinvestment.”

D. In paragraph (i)(2), in the first sentence, adding the words “1.5” before the words “the industrial bond yield index for Standard and Poor's BBB rating.”

The revisions and additions to the section heading and paragraphs (a) and (b) read as follows: § 206.111. How do I determine a transportation allowance if I do not have an arm's-length transportation contract or arm's-length tariff?

(a) This section applies if you or your affiliate do not have an arm's-length transportation contract, including situations where you or your affiliate provide your own transportation services. Calculate your transportation allowance based on your or your affiliate's reasonable, actual costs for transportation during the reporting period using the procedures prescribed in this section.

(b) Your or your affiliate's actual costs include:

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(6) To the extent not included in costs identified in paragraphs (d) through (j) of this section, you may also deduct the following actual costs. You may not use any cost as a deduction that duplicates all or part of any other cost that you use under this section:

(i) Volumetric adjustments for actual (not theoretical) line losses.

(ii) The cost of carrying on your books as inventory a volume of oil that the pipeline operator requires you to maintain, and that you do maintain, in the line as line fill. You must calculate this cost as follows:

(A) Multiply the volume that the pipeline requires you to maintain, and that you do maintain, in the pipeline by the value of that volume for the current month calculated under § 206.102 or § 206.103, as applicable; and

(B) Multiply the value calculated under paragraph (b)(6)(ii)(A) of this section by the monthly rate of return, calculated by dividing the rate of return specified in § 206.111(i)(2) by 12.

(iii) Fees paid to a non-affiliated terminal operator for loading and unloading of crude oil into or from a vessel, vehicle, pipeline, or other conveyance.

(iv) Transfer fees paid to a hub operator associated with physical movement of crude oil through the hub when you do not sell the oil at the hub. These fees do not include title transfer fees.

(v) A volumetric deduction to cover shrinkage when high-gravity petroleum (generally in excess of 51 degrees API) is mixed with lower-gravity crude oil for transportation.