Before any transportation allowance deduction may be taken on Form MMS–2014, Report of Sales and Royalty Remittance, the lessee must file a Form MMS–4398, Notice of Intent To Take Oil and Gas Transportation and Processing Allowances, in accordance with paragraph (c)(1) of this section. For the actual transportation allowance calculated for the reporting period, the lessee must file a Form MMS–4110, Oil Transportation Allowance Report, in accordance with paragraph (c)(1) of this section.

MMS proposes to amend § 206.105(b)(1) by deleting the third and fourth sentences of paragraph (b)(1) that state:

Before any estimated or actual deduction may be taken, the lessee must submit a completed Form MMS–4110 in its entirety in accordance with paragraph (c)(2) of this section. A transportation allowance may be claimed retroactively for a period of not more than three months prior to the first day of the month that Form MMS–4110 is filed with MMS, unless MMS approves a longer period upon a showing of good cause by the lessee.

MMS proposes replacing the deleted sentences with the two following sentences:

Before any transportation allowance deduction may be taken on Form MMS–2014, the lessee must file a Form MMS–4398, Notice of Intent to Take Oil and Gas Transportation and Processing Allowances, in accordance with paragraph (c)(2) of this section. After the Form MMS–4398 reporting period, the lessee must file a Form MMS– 4110 in accordance with paragraph (c)(2) of this section.

These changes remove the retroactive three-month limit for oil transportation allowances and incorporate the new reporting form. The Form MMS–4398 would be a new form that implements the recommendations of the study team report. A Notice of Proposed Information Collection will be published separately in the **Federal Register** for this form.

MMS proposes to further amend § 206.105(b)(1) by deleting from the sixth sentence the phrase "* * * estimated or * * *" The sixth sentence would read: When necessary or appropriate, MMS may direct a lessee to modify its actual transportation allowance deduction.

These changes would be technical corrections that improve the clarity of the language.

MMS proposes to amend \$206.105(c)(1) by deleting existing paragraphs (i), (ii), (iii), and (iv) and replacing them with new paragraphs that read:

(i) With the exception of those transportation allowances specified in paragraphs (c)(1)(v) and (vi) of this section, the lessee must file a Form MMS–4398 for transportation allowances for each calendar year. The lessee must file the Form MMS– 4398 by the due date of the first sales month in which a transportation allowance is reported on Form MMS–2014. A Form MMS– 4398 received by the end of the month that Form MMS–2014 is due will be considered timely received.

(ii) The Form MMS-4398 will be effective for a reporting period beginning the month that the lessee is first authorized to deduct a transportation allowance and will continue until the end of the calendar year.

(iii) After the Form MMS–4398 reporting period, the lessee must file page one of Form MMS–4110 for the actual transportation allowance calculated. This form is due within 3 months after the end of the reporting period, unless MMS approves a longer period.

(iv) MMS may require that a lessee submit arm's-length transportation contracts and related documents. Documents must be submitted within a reasonable period of time, as determined by MMS.

These changes would incorporate the new reporting form for oil transportation allowances, Notice of Intent to Take Oil and Gas Transportation and Processing Allowances, Form MMS-4398.

MMS proposes to amend \$206.105(c)(2) by deleting existing paragraphs (i), (ii), (iii), and (iv), and replacing them with new paragraphs that read:

(i) With the exception of those transportation allowances specified in paragraph (c)(2)(iv), (vi) and (vii) of this section, the lessee must file a Form MMS–4398 for transportation allowances for each

calendar year. The lessee must file the Form MMS–4398 by the due date of the first sales month in which a transportation allowance is reported on Form MMS–2014. A Form MMS–4398 received by the end of the month that Form MMS–2014 is due will be considered timely received.

(ii) The Form MMS–4398 will be effective for a reporting period beginning the month that the lessee is first authorized to deduct a transportation allowance and will continue until the end of the calendar year.

(iii) After the Form MMS–4398 reporting period, the lessee must file a page one and all supporting schedules of Form MMS–4110 which show actual transportation costs within three months after the end of the reporting period, unless MMS approves a longer period.

Consistent with this amendment, paragraphs (c)(2)(v), (vi), (vii), and (viii) would be redesignated (c)(2)(iv), (v), (vi), and (vii).

These changes would incorporate the new reporting form for oil transportation allowances, Notice of Intent to Take Oil and Gas Transportation and Processing Allowances, Form MMS–4398.

MMS proposes to amend § 206.105(c) by adding paragraph (5) stating:

A lessee is required to file a new Form MMS-4110 if adjustments are made to actual non-arm's-length transportation allowances on Form MMS-2014.

MMS proposes to amend § 206.105(d) and revise the title to read:

b. Interest Charges and Assessments for Incorrect or Late Reports and Failure To Report

This change to the title would be necessary to reflect the changes in the content of the section.

MMS proposes to further amend § 206.105(d) by deleting paragraphs (1), (2), and (3) and replacing them with the following schedule:

(d) Interest charges and assessments for incorrect or late reports and failure to report MMS shall levy assessments and interest charges in accordance with the table below. MMS will determine interest rates in accordance with 30 CFR 218.202.

If a lessee * * *	The assessment is * * *	Plus interest calculated * * *
Files an inaccurate or Late Form MMS-4398	\$10 per allowance line required on Form MMS-4398.	
Deducts a transportation allowance on Form MMS–2014 without com- plying with requirements for actual cost reporting on Form MMS– 4295.		4398 was due until the date that