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) of § 206.157 are redesignated (c)(2) (iv), (v), and (vi), and (vii).

These changes would incorporate the new reporting form for gas transportation allowances, Form MMS–4398.

MMS proposes to amend § 206.157(c) by adding paragraph (5) stating:

A lessee is required to file a new Form MMS–4295 if adjustments are made to actual non-arm's-length transportation allowances on Form MMS–2014.

MMS proposes to amend § 206.157(d) and add the words "\* \* \* charges and \* \* \* " to the title that will read:

d. 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 amend § 206.157(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–4402.	
Deducts a transportation allowance on Form MMS-2014 without complying with requirements for actual cost reporting on Form MMS-4295.	An amount equal to 10 percent of the total allowance amount deducted on Forms MMS-2014 during the year.	4295 was due until the date that
Takes a transportation allowance on Form MMS-2014 by improperly netting the allowance against the sales value of the gas instead of reporting the allowance as a separate line item on Form MMS-2014 as required by paragraph (c)(4) of this section.		From the end of the month in which Form MMS-2014 containing the netted allowance was submitted to the date MMS discovers the netted amount.
Erroneously reports a transportation allowance that results in an underpayment of royalties.		Payment of interest on the amount of the underpayment.

These changes would adopt the study group's recommendations concerning the need for and equity of allowance payback and late-payment interest charges for failure to file allowance forms. The study group also determined that the current payback sanction is excessive. However, MMS' objective is to gather timely and accurate actual cost information to assess the legitimacy of allowance deductions. Accordingly, the study group recommended that payors failing to timely file required forms would be assessed an amount equal to a fixed percent of the total allowance amount deducted during the year plus an amount calculated as equal to latepayment interest from the date the actual cost was due until the date the form was actually received.

These changes would add specific language for interest and assessments for incorrect or late reports and for failure to report. These changes would implement recommendations of the study group report on sanctions."

## e. Gas Processing Allowances

MMS proposes to amend § 206.159 by deleting the third and fourth sentences of paragraph (a)(1)(i) that state:

Before any deduction may be taken, the lessee must submit a completed page one of Form MMS–4109, Gas Processing Allowance Summary Report, in accordance with paragraph (c)(1) of this section. A processing 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–4109 is filed with MMS, unless MMS approves a longer period upon a showing of good cause by the lessee.

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

Before any processing 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. After the Form MMS–4398 reporting period, the lessee must file a Form MMS–4109, Gas Processing Allowance Summary Report, in accordance with paragraph (c)(1) of this section.

MMS proposes amending § 206.159(b)(1) by deleting the third and fourth sentences that state:

Before any estimated or actual deduction may be taken, the lessee must submit a completed Form MMS–4109 in accordance with paragraph (c)(2) of this section. A processing allowance may be claimed retroactively for a period of not more than 3 months prior to the first day of the month that Form MMS–4109 is filed with MMS, unless MMS approves a longer period upon a showing of good cause by the lessee.

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

Before any processing allowance deduction may be taken on Form MMS–2014, the lessee must file a Form MMS–4398, Notice of Intent To Take 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–4109 in accordance with paragraph (c)(2) of this section.

These changes would remove the retroactive three-month limit for gas processing and incorporate the new reporting form, Form MMS-4398.

MMS proposes to further amend § 206.159(b)(1) by deleting from the seventh sentence the phrase "\* \* \* estimated or \* \* \* " The revised seventh sentence would read:

When necessary or appropriate, MMS may direct a lessee to modify its actual processing allowance.

These changes would be technical corrections and language clarification.

MMS proposes to amend § 206.159(c)(1) by deleting existing paragraphs (i), (ii), and (iii) and replacing them with new paragraphs that read:

(i) With the exception of those processing allowances specified in paragraph (c)(1)(v) of this section, the lessee must file a Form MMS–4398 for processing allowances for each calendar year by the due date of the first sales month in which a processing 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 processing allowance and will continue until the end of the calendar year.