

# Oil Transportation Allowance Report

## Form ONRR-4110

1	Payor Name:			For ONRR Use Only	
Address:					
City:		State:	Zip:	4 For Payor Use Only	
2	Payor Code:				
3	Report Type:				

5		Reporting Period (mm/dd/ccyy):				to	
6	7	8	9	10	11	12	
Lease Number		Agreement Number	Product Code	Royalty Quantity	Allowance Rate Per Unit	Royalty Allowance Amount	
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							

13	Page Total		
14	Report Total (From Last Page)		

If more lines are needed, attach additional pages to Form ONRR-4110	
I have read and examined the information submitted in this report and, to the best of my knowledge, the report is accurate and complete.	
Name (First, Middle Initial, Last) (Typed or Printed):	Date:
Authorized Signature:	Date:
Name of Preparer:	Telephone Number:
This information should be considered (Please check one):	<input type="checkbox"/> Proprietary <input type="checkbox"/> Nonproprietary

The Paperwork Reduction Act of 1995 (PRA) Statement: The PRA (44 U.S.C. 3501 et seq.) requires us to inform you that we collect this information to corroborate oil and gas production and disposition data with sales and royalty data. Proprietary information is protected in accordance with the standards established by the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1733), the Freedom of Information Act [5 U.S.C.552(b)(4)], and the Department regulations (43 CFR 2). An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB Control Number. Annual public reporting burden for this form is estimated at an average of 21 hours per report for electronic and manual reporting, including the time for reviewing instructions; gathering and maintaining data; and completing and reviewing the form, including the associated schedules. Submitting this form is required to obtain or retain a benefit.

Direct your comments regarding the burden estimate or any other aspect of this form to the Information Collection Clearance Officer, Office of Natural Resources Revenue, Mail Stop 64400B, Denver Federal Center, Lakewood, CO 80225.

**Oil Transportation Allowance Report**  
**Form ONRR-4110**  
**General Instructions**

You will find an electronic copy of form ONRR-4110 on the Office of Natural Resources Revenue (ONRR) website at <https://www.onrr.gov/ReportPay/royalty-reporting.htm#forms>, to print, complete and submit to ONRR as follows:

Office of Natural Resources Revenue  
Document Processing  
Denver Federal Center, Building 85  
6<sup>th</sup> Ave. and Kipling St.  
P.O. Box 25165  
Denver, Colorado 80225-0165

This form will be used to determine and report the costs of transporting oil under 30 CFR 1206.57. Allowable transportation costs are non-arm's-length based allowances--operating and maintenance expenses, overhead, and either depreciation and a return on undepreciated capital investment or a cost equal to the initial capital investment in the transportation system multiplied by Standard and Poor's BBB rating. Allowable costs divided by lease production is the transportation allowance rate.

In accordance with 30 CFR 1206.56, a payor may deduct from royalty payments the reasonable, actual costs incurred by the lessee to transport oil to a point off the lease. When lease production contains more than one product, you cannot deduct the cost of transporting non-royalty bearing production without ONRR approval.

For transportation costs incurred under other than arm's-length conditions or when transportation costs are a combination of arm's-length and non-arm's-length costs, Schedules 1, 1A, 1B, and 1C, as appropriate, will be used to determine the allowance and will be submitted to ONRR with Page 1 of form ONRR-4110.

**Requirements:** A transportation allowance may be claimed retroactively for a period of not more than 3 months prior to the first day of the month that form ONRR-4110 is filed with the ONRR. Unless, we approve a longer period upon a showing of good cause by the lessee. After the initial reporting period lessees must submit form ONRR-4110 within 3 months after the end of the calendar year.

**Definitions** (for purposes of this report):

**Sale:** The disposition of oil under arm's-length contract, non-arm's-length contract, or no contract situation.

**Transportation facility:** A physical system associated with the transportation of oil from the lease to a point of disposition remote from the lease.

**Transportation segment:** Any mode of transportation from one point to another for which the payor can associate unique, identifiable costs. A transportation segment may be part of the total transportation facility or may constitute the entire facility. Examples of a transportation segment would be an origin-to-destination pipeline owned by the lessee to transport the oil to a point on a third-party pipeline through which the oil is transported under an arm's-length contract to the sales point.

**Forms:**

**Form ONRR-4110 Page 1**, is used to report the allowance amounts claimed during the reporting period. Responses for non-arm's-length transportation allowances on this form are required to obtain a benefit; however, arm's-length transportation contracts must be filed with ONRR since arm's-length transportation allowances are not required to be reported on this form.

## **Oil Transportation Allowance Report**

### **Form ONRR-4110**

#### **General Instructions**

**Form ONRR-4110 Schedule 1**, is used to accumulate segment costs and to compute the allowance rate for a transportation facility.

**Form ONRR-4110 Schedule 1A**, summarizes operating, maintenance, and overhead costs for a non-arm's-length or no contract transportation segment.

**Form ONRR-4110 Supplemental Schedule 1A**, lists, in detail, operating, maintenance, and overhead costs that could not be shown on Schedule 1A because of its limited space.

**Form ONRR-4110 Schedule 1B**, summarizes depreciation and undepreciated capital investment costs for a non-arm's-length or no contract transportation segment.

**Oil Transportation Allowance Report**  
**Form ONRR-4110**  
**Line-by-line Instructions**

1. Enter the payor name and address used to report royalties and transportation deductions on form ONRR-2014.
2. Enter the same payor codes as used on form ONRR-2014.
3. Enter the report type indicator as follows:  
    "1" if this is an initial report for the transportation facility  
    "2" if this is a corrected report to correct previously reported data. A corrected report requires a two-line entry. The first line reverses the original entry using a minus sign (-) in columns 10, 11, and 12, as applicable, and the second line shows the correct entry.
4. Reserved for a payor's comment.
5. Enter as the reporting period the period covered by the cost data for the transportation allowance being reported in columns 10, 11 and 12. The reporting period will be: (a) for the initial reporting period, beginning the month the lessee is first authorized to deduct a transportation allowance and ending at the end of the calendar year or when the transportation terminates, whichever is earlier, or (b) after the initial reporting period, beginning the first day of the calendar and ending the last day of the calendar year or when the transportation terminates, whichever is earlier.
6. Line count; such as the number of leases being reported.
7. Enter the same Lease Number as used on form ONRR-2014.
8. Enter the same Agreement Number (if applicable) as reported on form ONRR-2014.
9. Enter the same product code as used on form ONRR-2014.
10. Enter the royalty quantity transported during the reporting period.
11. Enter the lesser of the transportation allowance rate from Schedule 1, line 16, or 50 percent of the unit value of the oil unless ONRR has approved a rate in excess of 50 percent..
12. Enter the royalty allowance amount determined by multiplying column 10 by column 11.
13. Enter page totals on line 13.
14. If more than one form ONRR-4110 is submitted, add the amount on line 13 for each page and enter the total only once on line 14 of the last page of the Oil Transportation Allowance Report.

Indicate by checking the appropriate box whether the information should be considered proprietary or nonproprietary.

Oil Transportation Facility Summary Sheet  
Form ONRR-4110, Schedule 1

1

Payor Name and Code

Address

City

State

Zip

2

Lease Number

Agreement Number

Facility Name/ID Number

3

Period (mm/dd/ccyy)

to

CHOOSE EITHER METHOD A OR METHOD B

(a)	(b)	(c)	(d)	Method A			Method B	
				Depreciation and Undepreciated Capital Investment in Transportation System			Initial Capital Investment in Transportation System	
Segment Name or Number From To	Mode of Transportation	Operating Costs	Rate of Return	(e)	(f)	(g)	(h)	(i)
				Depreciation	Undepreciated Capital Investment at Beginning of Year	Return on Investment (d) x (f)	Initial Capital Investment	Return on Investment (d) x (h)

A. TRANSPORTATION SEGMENT FROM LEASE

									4
									5
									6
									7
Totals:									8

Allowance rate for Method A = (lines 8c + 8e + 8g) / Volume of Production transported from the lease.

Allowance rate for Method B = (lines 8c + 8i) / Volume of Production transported from the lease.

Part A Total Costs

Part A Total Volume

Cost Per Barrel

9

B. TRANSPORTATION SEGMENT AFTER LEASE

									10
									11
									12
									13
Totals:									14

Allowance rate for Method A = (lines 14c + 14e + 14g) / Volume of Production transported after the lease.

Allowance rate for Method B = (lines 14c + 14i) / Volume of Production transported after the lease.

Part B Total Costs

Part B Total Volume

Cost Per Barrel

15

Total Unit Allowance Rate = the sum of lines 9h and 15h. The allowance cannot exceed 50 percent of the value of the product without prior ONRR approval.

Allowance Rate

16

THIS INFORMATION SHOULD BE CONSIDERED (please check one)    ☐ PROPRIETARY    ☐ NONPROPRIETARY

**Oil Transportation Allowance Report**  
**Form ONRR-4110**  
**Schedule 1 Instructions**

Form ONRR-4110, will be used to determine the transportation allowance amount for each Lease Number and Agreement Number (if applicable), combination. No allowance may be claimed if the facility is entirely on the lease.

Part A is used to accumulate segment costs and to compute an allowance for transporting oil from the lease to a separation facility remote from where the lease is situated. Part B is used to accumulate segment costs and compute an allowance for transporting oil from either a lease, or from a separation facility, to the nearest available market place or sales outlet remote from the lease. When oil is transported to a separation facility, treated, and clean oil is transported from the facility to a remote sales point, both Parts A and B must be used in computing the allowance.

1. Enter the same payor name, payor code, and address as used on Page 1 of form ONRR-4110.
2. Enter the same Lease Number(s) and Agreement Number(s) (if applicable), combination as used on form ONRR-2014. Enter the transportation facility name or identification number (as designated by the payor) unique to the transportation facility. (Note: For a transportation facility consisting of only one segment, the segment name or number will be the same as the facility name or number.)
3. Enter the reporting period. The period must be the same period shown in item 4 on form ONRR-4110, Oil Transportation Allowance Report.

The following instructions are applicable to Part A (lines 4-7) and Part B (lines 10-13):

- a. Describe each segment of the transportation facility; e.g., form Lease No. XX-YYYYY-Z to St. John treatment facility.
- b. Identify the mode of transportation under which costs are incurred; e.g., pipeline, truck, rail, tanker, barge, etc.
- c. Using Schedule 1A determine the operations, maintenance, and overhead expenditures and enter in column (d). A separate Schedule 1A must be completed for each individual segment.
- d. The rate of return shall be the industrial rate associated with Standard and Poor's BBB rating. Enter the monthly average rate as published in *Standard and Poor's Bond Guide* for the first month of the reporting period.

CHOOSE EITHER METHOD A (depreciation and undepreciated capital investment in the transportation system) OR METHOD B (initial investment in the transportation system)

**METHOD A:**

- e. Enter depreciation costs for the reporting period. Schedule 1B must be used to determine depreciation costs.
- f. Enter the beginning-of-year undepreciated capital investment. Schedule 1B must be used to determine beginning-of-year undepreciated capital investment. A separate Schedule 1B must be completed for each individual segment.
- g. Calculate the return on undepreciated capital investment by multiplying column (d) by column (f).

**Oil Transportation Allowance Report**  
**Form ONRR-4110**  
**Schedule 1 Instructions**

**METHOD B:**

- h. Enter the initial investment in the capital investment.
  - i. Calculate the return on the initial capital investment by multiplying column (d) by column (h).
8. If using Method A; Total columns (c), (e), and (g) and enter the result on lines 8c, 8e, and 8g.  
If using Method B; Total columns (c) and (i) and enter the result on lines 8c, and 8i.
9. For Part A:  
If using Method A, sum lines 8c, 8e, and 8g and enter the result on line 9 – Total Costs.  
If using Method B, sum lines 8c and 8i and enter the result on line 9 – Total Costs.

Enter total volume of production transported from the lease, as measured at the approved royalty measurement point, to the facility on line 9 – Total Volume. Compute the allowance cost per barrel, to six decimals, by dividing line 9 – Total cost by line 9 – Total Volume, and enter the result on line 9h.

10. 10-13, see (a)–(i) above.

14. If using Method A; Total columns (c), (e), and (g) and enter the result on lines 14c, 14e, and 14g.  
If using Method B; Total columns (c) and (i) and enter the result on lines 14c, and 14i.

Enter total volume of production transported from the lease, as measured at the approved royalty measurement point, to the facility on line 9 – Total Volume. Compute the allowance cost per barrel, to six decimals, by dividing line 9 – Total cost by line 9 – Total Volume, and enter the result on line 9h

15. For Part B:  
If using Method A, sum lines 14c, 14e, and 14g and enter the result on line 15 – Total Costs.  
If using Method B, sum lines 14c and 14i and enter the result on line 15 – Total Costs.

Enter the total volume transported from the lease or treatment facility on line 15 – Total Volume (Note: Total volume is the volume transported through the transportation facility for the prior reporting period.) Compute the allowance costs per barrel, to six decimals, by dividing line 15 – Total Cost, by line 15 – Total Volume, and enter the result on line 15h.

16. The total unit allowance rate is equal to the sum of line 9h plus line 15h. Enter this allowance rate on line 16h. The allowance rate cannot exceed 50 percent of the value of the product without prior ONRR approval.

Indicate by checking the appropriate box whether the information should be considered proprietary or nonproprietary.

**Transportation System/Segment Operations,  
Maintenance, and Overhead Expenditures**  
**Form ONRR-4110, Schedule 1A**

Payor Name and Code: \_\_\_\_\_ Facility Name/ID Number: \_\_\_\_\_  
Lease Number: \_\_\_\_\_ Segment ID Number: \_\_\_\_\_  
Agreement Number: \_\_\_\_\_ Period (mm/dd/ccyy): \_\_\_\_\_ to \_\_\_\_\_

**A. Lessee's Operating Costs for System/Segment**

Operations Supervision and Engineering	1
Operations Labor	2
Utilities	3
Materials	4
Ad Valorem Property Taxes	5
Rent	6
Supplies	7
Other (specify) _____	8
Other (specify) _____	9
Total Operating Costs - Subtotal	10

(Attach Supplemental Schedule 1A as necessary)

**B. Lessee's Maintenance Costs for System/Segment**

Maintenance Supervision	11
Maintenance Labor	12
Materials	13
Other (specify) _____	14
Other (specify) _____	15
Total Maintenance Costs - Subtotal	16

(Attach Supplemental Schedule 1A as necessary)

**C. Lessee's Overhead Allocation (specify)**

_____	17
_____	18
_____	19
Total Overhead Allocation	20

(Attach Supplemental Schedule 1A as necessary)

**D. Total Operating, Maintenance and Overhead Costs**

(line 10 + line 16 + line 20) \_\_\_\_\_ 21

**E. Allocated to Segment**

Lease Volume \_\_\_\_\_ ÷ Total throughput \_\_\_\_\_ 22

**F. Segment Allocated Operating, Maintenance, and Overhead Costs**

(line 21 x line 22) Enter in column c, Schedule 1 \_\_\_\_\_ 23

THIS INFORMATION SHOULD BE CONSIDERED (Please check one) ☐ PROPRIETARY ☐ NONPROPRIETARY



**Non-Arm's-Length Transportation System/Segment Operations  
Maintenance, and Overhead Expenditures  
Form ONRR-4110, Schedule 1A Instructions**

Schedule 1A is used to record reasonable actual operating, maintenance, and overhead costs for a transportation segment for the prior reporting period. A separate Schedule 1A must be completed for each segment in the transportation facility. The costs for all transportation facility segments are accumulated on Schedule 1 to determine the total operating costs for the facility. A list of allowable and non-allowable costs is provided herein and should be used as a guide in determining operating, maintenance, and overhead costs.

**Complete the payor information block as follows:**

Enter the same payor name and code as used on form ONRR-4110, Oil Transportation Allowance Report.

Enter the same Lease Number(s) and Agreement Number(s) (if applicable), as used on form ONRR-2014.

Enter the transportation facility name or identification number (as designated by the payor) unique to the transportation facility.

Enter the transportation segment name or identification number (as designated by the payor) unique to the transportation segment. Note: For a transportation facility consisting of only one segment, the segment name or identification number will be the same as the facility name or identification number.

Enter the reporting period. The period must be the same period shown in item 5 on form ONRR-4110, Oil Transportation Allowance Report.

**Instructions for Computing Operating, Maintenance, and Overhead Costs:**

Identify and list on Part A and part B all operating and maintenance costs directly attributable to the transportation facility/segment during the reporting period. If additional space is needed to identify or explain other cost items, complete and attach a Supplemental Schedule 1A noting the nature and amount of the cost.

Line 10 – Enter total operating costs (the sum of lines 1-9).

Line 16 – Enter total maintenance costs (the sum of lines 11-15)

Part C – Identify and list all overhead costs directly allocable and attributable to the operations and maintenance of the transportation facility/segment. If additional space is needed, complete and attach a Supplemental Schedule 1A noting the nature and amount of the expenditure.

Line 20 – Sum lines 17 through 19 to obtain the total overhead expenditure directly allocable to the facility/segment.

Line 21 – Sum line 10, 16, and 20 to obtain the total operating costs.

Part E - Enter the lease volume transported through this segment and the total throughput of this segment. Divide the lease volume by the total throughput and enter the result in six decimal places on line 22.

Part F – Determine the allocated operating, maintenance, and overhead costs for the segment by multiplying line 21 times line 22 and enter on line 23. Enter the result in column (c) of Part A or B, Schedule 1, as appropriate.

Indicated by checking the appropriate box whether the information should be considered proprietary or nonproprietary.

**Non-Arm's-Length Transportation System/Segment Operations  
Maintenance, and Overhead Expenditures  
Form ONRR-4110, Schedule 1A Instructions**

**ALLOWABLE AND NONALLOWABLE OPERATING, MAINTENANCE AND CAPITAL COSTS**

**Allowable Capital Costs** – Allowable capital costs are generally those costs for depreciable fixed assets (including costs of delivery and installation of capital equipment) which are an integral part of the transportation system. The following capital items are generally considered as allowable: garages and warehouses, rail haulage equipment including rail spurs, trucks, barges, pipeline compressors and pumps, and roads.

**Non-allowable Capital Costs** – Costs incidental to marketing (for example, on-lease compression, gathering, separation, dehydration, storage, and treatment). Also, schools, hospitals, roads, sewer and other capital improvements or equipment not an integral part of the transportation facility are not allowable capital costs. The capital costs associated with the preparation of an environmental impact statement is not allowable. However, capital costs for environmental equipment that are an integral part of transportation facility are allowable.

**Allowable Operating Costs** – Allowable operating and maintenance costs are those non-depreciable costs that are directly attributable to the operation and maintenance of a transportation facility/segment. These expenditures include the following:

1. Salaries and wages paid to employees and supervisors while engaged in the operation and maintenance of equipment and facilities.
2. Fuel and utility costs directly related to transporting lease products.
3. Chemicals (including rust preventives and thinning agents) and lubricants used for the purpose of enhancing flow, protection, or cleaning.
4. Repairs, labor, materials, and supplies directly related to transportation equipment and facilities.
5. Port and toll fees, insurance, and ad valorem property taxes (Federal and State income taxes are not allowable deductions.)
6. Arm's-length rental, leasing, or contract service costs for equipment, facilities, on-site location or maintenance of equipment and facilities.
7. Overhead costs (personnel, telephone service, payroll taxes, employee benefits, vehicle expenses, supplies, etc.). The total of these costs shall be limited to those reasonable expenditures directly attributable and allocable to the operating and maintenance of the transportation equipment and facilities.

**Non-allowable Operating Costs**

1. Costs incidental to marketing; e.g., on-lease gathering and storage, compression, separation, and dehydration; also, heaters, treaters, meters, water knockouts, ACT meters, meter sleds, and pumps (surface, subsurface, and circulating), and operating costs associated with non-allowable capital expenditures.
2. Actual or theoretical losses (based on volume or value) are not allowable transportation costs. However, these costs are allowable if they are based on a FERC- or State-approved tariff.
3. Federal and State income taxes, production taxes, royalty payments, or fees such as State severance taxes.
4. The value of fuel taken from the gas stream and used to run compressors and pumps. Costs for services that the lessee is obligated to perform at no cost to the Federal Government or Indian owner.

**Non-Arm's-Length Transportation  
System/Segment Operations, Maintenance, and  
Overhead Expenditures Form ONRR-4110,  
Supplemental Schedule 1A**

Type of Expenditure - Describe

This image shows a blank sheet of white paper with horizontal black ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

Total

Payor Identification Block	
Payor Name and Code:	_____
Lease Number:	_____
Agreement Number:	_____
Facility ID No:	_____
Segment ID No:	_____
Period:	_____ to _____
(mm/dd/ccyy)	

\$

[illegible]

\$

THIS INFORMATION SHOULD BE CONSIDERED (Please check one)

☐ PROPRIETARY    ☐ NONPROPRIETARY

**Non-Arm's-Length Transportation System/Segment Operations,  
Maintenance, and Overhead Expenditures  
Form ONRR-4110, Supplemental Schedule 1A**

**Instructions**

Supplemental Schedule 1A is used to identify and document operating, maintenance, and overhead expenditures listed under the "Other" expenditure categories on Schedule 1A.

Complete the payor identification block (see Schedule 1A instructions).

A separate Supplemental Schedule 1A must be prepared for other operating costs, other maintenance costs, and other overhead costs associated with the transportation facility/segment.

Describe and specify each expenditure item and amount. Receipts and invoices should be retained in the office of the payor subject to audit.

Sum the amounts of each expenditure and list on the total line.

Enter the total amount of the operations, maintenance, or overhead expenditures on Schedule 1A, lines 9, 15, or 19 accordingly.

Indicate by checking the appropriate box whether the information should be considered proprietary or nonproprietary.

PAYOR IDENTIFICATION BLOCK	
Payor Name and Code:	
Lease Number:	
Agreement Number:	
Facility ID Number:	
Segment ID Number:	
Period (mm/dd/ccyy):	to

THIS INFORMATION SHOULD BE CONSIDERED (Please Check One)        PROPRIETY        NONPROPRIETY

**Non-Arm's-Length Transportation System/Segment  
Depreciation and Capital Expenditures Summary  
Form ONRR-4110, Schedule 1B Instructions**

Schedule 1B is used to summarize facility/segment depreciation and undepreciated capital investment for computing return on investment. A separate Schedule 1B must be completed for each segment in the transportation facility. The costs of all transportation facility segments are accumulated on Schedule 1 to determine the total depreciation and undepreciated capital investment for the facility.

Complete the payor identification block (see Schedule 1A instructions).

For each facility/segment capital expenditure item, complete one line as follows:

1. Identify the capital expenditure item.
2. Enter the initial capital expenditure amount and the date the expenditure was placed in service.
3. Enter a reasonable salvage value.
4. Enter the depreciable life of the expenditure or the expected units of life.
5. Enter the number of years of depreciation or units of life taken to date.
6. Enter the undepreciated capital investment at beginning-of-year. In computing this value, salvage must be deducted from the initial capital investment.
7. Enter the amount of depreciation to be taken for the year. In computing depreciation, the payor may elect to use a straight-line depreciation method based on the life of the equipment or on the life of the reserves or a unit of production method. Once an election is made, the payor may not alternate methods without ONRR approval. Equipment shall not be depreciated below a reasonable salvage value.
8. Enter the undepreciated capital investment at end-of-year. This is computed by subtracting Depreciation (column 7) from the Undepreciated Capital Investment at Beginning of Year (column 6). This amount will be used as the next year's beginning-of-year undepreciated capital investment.
9. Total columns 6 and 7.
10. Enter the "Allocated to Segment" amount from line 22, Schedule 1A, on line 10, columns 6 and 7.
11. Multiply line 9 by line 10 for columns 6 and 7 and enter the result on line 11 and on Schedule 1, columns e and f, Parts A and B as appropriate.

Indicate by checking the appropriate box whether the information should be considered proprietary or nonproprietary.