§ 1.615–1 Pre-1970 exploration expenditures.

(a) General rule. Section 615 prescribes rules for the treatment of expenditures (paid or incurred before January 1, 1970) for ascertaining the existence, location, extent, or quality of any deposit of ore or other mineral (other than oil or gas) paid or incurred by the taxpayer before the beginning of the development stage of the mine or other natural deposit. Such expenditures hereinafter in the regulations under section 615 will be referred to as exploration expenditures. The development stage of the mine or other natural deposit will be deemed to begin at the time when, in consideration of all the facts and circumstances (including the actions of the taxpayer), deposits of ore or other mineral are shown to exist in sufficient quantity and quality to reasonably justify commercial exploitation by the taxpayer. A taxpayer who elects under section (e) may treat exploration expenditures under either section 615(a) or section 615(b). See §1.615–6 for the method of making the election to treat exploration expenditures under section 615. Under section 615(a), a taxpayer may, at his option, deduct exploration expenditures paid or incurred in an amount not to exceed $100,000 for any taxable year. Under section 615(b) and §1.615–2, he may elect to defer any part of such amount and deduct such part on a ratable basis as the units of produced minerals benefited by such expenditures are sold. If the taxpayer does not treat exploration expenditures under section 615, the rules of section 615 will apply to them as if such expenditures were treated under section 615(b) or (c).
§ 1.615–2 Deduction of pre-1970 exploration expenditures in the year paid or incurred.

(a) In general. (1) If the election to treat exploration expenditures under section 615 has been made or is deemed made under § 1.615–6(b) subject to the total limitation of $100,000, a taxpayer who has made exploration expenditures prior to January 1, 1970, with respect to more than one mine or other natural deposit may deduct for a taxable year any portion of such expenditures attributable to each mine or deposit. With respect to a particular mine or other natural deposit, a taxpayer who has made the election described in the preceding sentence may deduct under section 615(a) a portion of the exploration expenditures and may defer and deduct under section 615(b) the balance of such expenditures. For any taxable year for which the election to treat exploration expenditures under section 615 is effective, the taxpayer must charge any amount of exploration expenditures in excess of $100,000 to capital account and must charge to capital account whatever amount has not been deducted currently or deferred. For example, taxpayer A who has elected under section 615(e) has three mines, X, Y, and Z. In the taxable year 1967, A makes exploration expenditures of $75,000 with respect to each mine. The