using a net-back valuation procedure or any other procedure that requires deduction of transportation costs.


\[\text{§ 1206.263 [Reserved]}\]

\[\text{§ 1206.264 In-situ and surface gasification and liquefaction operations.}\]

If an ad valorem Federal coal lease is developed by in-situ or surface gasification or liquefaction technology, the lessee shall propose the value of coal for royalty purposes to ONRR. The ONRR will review the lessee’s proposal and issue a value determination. The lessee may use its proposed value until ONRR issues a value determination.

\[\text{[54 FR 1523, Jan. 13, 1989, as amended at 65 FR 43289, Aug. 10, 1999]}\]

\[\text{§ 1206.265 Value enhancement of marketable coal.}\]

If, prior to use, sale, or other disposition, the lessee enhances the value of coal after the coal has been placed in marketable condition in accordance with §1206.257(h) of this subpart, the lessee shall notify ONRR that such processing is occurring or will occur. The value of that production shall be determined as follows:

\(\text{(a) A value established for the feedstock coal in marketable condition by application of the provisions of §1206.257(c)(2)(i-iv) of this subpart; or,}\)

\(\text{(b) In the event that a value cannot be established in accordance with subsection (a), then the value of production will be determined in accordance with §1206.257(c)(2)(v) of this subpart and the value shall be the lessee’s gross proceeds accruing from the disposition of the enhanced product, reduced by ONRR-approved processing costs and procedures including a rate of return on investment equal to two times the Standard and Poor’s BBB bond rate applicable under §1206.259(b)(2)(v) of this subpart.}\)