

(n) *Abandonment costs.* Actual costs incurred in the plugging of wells, dismantling of platforms and other facilities and in the restoration of the NPSL project area shall be charged to the NPSL capital account only when incurred (i.e., not on an accrual basis), except that costs incurred after the cessation of production shall not be charged to the NPSL capital account. Abandonment costs in excess of offsetting revenues shall not form the basis of any claim against the United States.

(o) *Other costs.* Any other costs not covered in paragraphs (a)-(n) of this section and not disallowed by § 220.013 that are incurred by the lessee in the necessary and proper conduct of NPSL operation and are approved by the Director, are allowable. Approval of a plan of development and production for the NPSL tract by the Director shall be considered sufficient approval for these other costs provided they are separately identified in said plan of development and production. Such separate identification shall note the nature of these other costs and may include an estimate of their magnitude. Any cost approvals under this paragraph for which the specific amounts have not been itemized are presumed to be approved provided they fall within the limits for a prudent operator. Approval of costs under this paragraph shall be approval solely for the purposes of determining allowable costs and shall not preclude a subsequent adjustment at audit of the amount of such costs.

(p) *Other credits.* Credit shall be given to the NPSL capital account, depending on when it is incurred, for NPSL property leased or used in non-NPSL operations, for the sale of information derived from test wells and G & G, and for any and all amounts earned or otherwise due lessee as a result of NPSL operations.

**§ 220.012 Overhead allowance.**

(a) During the capital recovery period the overhead allowance shall be calculated on a percentage basis at the rate of 4 percent of allowable direct and allocable joint costs charged to the NPSL capital account, exclusive of costs specified in paragraph (c) of this section. This overhead allowance shall

be debited to the NPSL capital account in accordance with § 220.021(b)(2).

(b) For each month after the end of the capital recovery period, an overhead allowance shall be calculated on a percentage basis at the rate of 10 percent of allowable direct and allocable joint costs charged to the NPSL capital account, exclusive of costs specified in paragraph (c) of this section. This overhead allowance shall be debited to the NPSL capital account in accordance with § 220.021(c)(2).

(c) Overhead shall not be charged on the value of:

- (1) Lease rental (§ 220.011(a));
- (2) Contract services (§ 220.011(e));
- (3) Taxes (§ 220.011(i));
- (4) Re-injected hydrocarbons, originally produced from the NPSL tract, that are charged under § 220.011(c); and
- (5) Credits for materiel charged under § 220.011(c) that are salvaged, returned, or used for the benefit of non-NPSL operations.

**§ 220.013 Unallowable costs.**

The following costs shall not be charged as direct or joint costs to NPSL operations:

- (a) Bonus payments to the United States;
- (b) Interest (except as permitted under § 220.011(g));
- (c) Depreciation, depletion, amortization, or any other charge for capital recovery for materiel charged to the NPSL capital account under § 220.011(c), except as explicitly provided by the allowance for capital recovery calculated according to § 220.020;
- (d) The cost of taking inventory;
- (e) Research and development costs;
- (f) The following legal expenses:
  - (1) The costs of litigation against the Federal government;
  - (2) Fines or penalties levied by any Federal agency;
  - (3) Settlement of claims or other litigation resulting from the lessee's violation of regulatory requirements or negligence; and
  - (4) The cost of the lessee's legal staff or expense of outside attorneys, except as explicitly allowed under § 220.011(f);
- (g) The following employee relocation costs (whether incurred by the employee or the lessee):
  - (1) Loss on the sale of a home;