Section 206.101
Retain current gross proceeds definition.

Section 206.102
Replace "seller" with "lessee" and move reference to non-arm's length sales to non-arm's length section. Provide option to trace through affiliate resale or use other non-arm's length method in non-arm's length section.

Section 206.102(c)(2)
You must value the oil under Section 206.103 if MMS determines that the value under paragraph (a) of this section does not reflect the reasonable value of the production due to either:
(i) Misconduct by or between the parties to the arm's-length contract; or
(ii) Breach of your duty to market the oil for the mutual benefit of yourself and the lessor.
(iii) MMS must accept arms length transactions entered into by the lessee as fulfilling its duty to market obligation and as the appropriate basis for federal royalty payments even though that value may not be the same as spot prices, NYMEX prices, or other index prices, or prices received in other good faith, arms-length transactions, absent findings of fraud, affirmative misconduct or illegality; provided that the value for royalty payments is the total consideration the lessee actually receives at the lease for oil produced from Federal oil and gas leases which has been placed in marketable condition, minus applicable allowances.

Section 206(d)(3)
Value must be based on the highest price a prudent lessee can receive through legally enforceable claims under its contract. Absent contract revision or amendment, if the lessee fails to take proper or timely action to receive prices or benefits to which it is entitled, it must pay royalty at a value based upon that obtainable price or benefit. Contract revisions or amendments must be in writing and signed by all parties to an arm's length contract. If the lessee makes timely application for a price increase or benefit allowed under its contract but the purchaser refuses, and the lessee takes reasonable measures, which are documented, to force purchaser compliance, the lessee will owe no additional royalties unless or until monies or consideration resulting from the price increase or additional benefits are received. This paragraph will not be construed to permit a lessee to avoid its royalty payment obligation in situations where a purchaser fails to pay, in whole or in part or timely, for a quantity of oil.

Section 206.106
The lessee is required to place oil in marketable condition at no cost to the Federal Government unless otherwise provided in the lease agreement or this section. When value of hydrocarbons is determined by gross proceeds then the gross proceeds will be increased to the same extent that the gross proceeds are reduced by the purchaser, or other party, providing certain services to the lessee when the cost of these services are ordinarily part of the lessee's responsibility to place the oil in marketable condition.