

to \$64 and \$16, respectively, of X's earnings and profits. Finally, because B1 owns stock in X meeting the requirements of section 1504(a)(2) without regard to § 1.1502-34, under paragraph (g)(2), B1 is required to continue to depreciate the equipment using the straight-line method of depreciation.

**Example 2. Liquidation—no 80% distributee.**

(i) *Facts.* The facts are the same as in Example 1 except that B1 and B2 own 60% and 40%, respectively, of X's stock. Therefore, under section 334(a), B1's basis in the equipment is its fair market value at the time of the distribution. In addition, on January 1 of Year 6, X entered into a long-term contract with Y, an unrelated party. The total contract price is \$1000, and X estimates the total allocable contract costs to be \$500. At the time of the liquidation, X had received \$250 in progress payments under the contract and incurred costs of \$125. X accounted for the contract under the percentage of completion method described in section 460(b). In the liquidation, B1 assumes X's contract obligations and rights.

(ii) *Succession to items described in section 381(c).* (A) *Losses and credits.* Under paragraph (g)(1) of this section, B1 and B2 each succeeds to X's items that could be used to offset the income or tax liability of the group or any member to the extent that such items would have been reflected in investment basis adjustments to the stock of X it owned under the principles of § 1.1502-32(c) if, immediately prior to the liquidation, such items had been taken account.

Accordingly, B1 and B2 succeed to \$60 and \$40, respectively, of X's net operating loss. In addition, under paragraph (g)(1) of this section, because, immediately prior to the liquidation 60% of the items of gain, income, loss, or deduction attributable to the activities that gave rise to the business credits of \$40 would have been reflected in investment basis adjustments to the stock of X owned by B1 under the principles of § 1.1502-32(c) and 40% of those items would have been reflected in the investment basis adjustments to the stock of X owned by B2 under those same principles, B1 and B2 succeed to \$24 and \$16, respectively, of X's business credits.

(B) *Earnings and profits.* Under paragraph (g)(1) of this section, because B1's and B2's earnings and profits do not reflect X's earnings and profits, X's earnings and profits are allocated to B1 and B2 under the principles of § 1.1502-32(c). Therefore, B1 and B2 succeed to \$48 and \$32, respectively, of X's earnings and profits.

(C) *Depreciation of equipment's basis.* By reason of section 168(i)(7), to the extent that B1's basis in the equipment does not exceed X's basis in the equipment, B1 will be required to continue to depreciate the equipment using the straight-line method of depreciation.

(D) *Method of accounting for long-term contract.* Under paragraph (g)(3) of this section, B1 does not succeed to X's method of accounting for the contract. Rather, under § 1.460-4(k)(2), B1 is treated as having entered into a new contract on the date of the liquidation. Under § 1.460-4(k)(2)(iii), B1 must evaluate whether the new contract

should be classified as a long-term contract within the meaning of § 1.460-1(b) and account for the contract under a permissible method of accounting.

(5) *Effective date.* Paragraph (g) applies to transactions occurring after the date these regulations are published as final regulations in the **Federal Register**.

\* \* \* \* \*

**Mark E. Matthews,**

*Deputy Commissioner for Services and Enforcement.*

[FR Doc. 05-3220 Filed 2-18-05; 8:45 am]

**BILLING CODE 4830-01-P**

## DEPARTMENT OF THE INTERIOR

### Minerals Management Service

#### 30 CFR Part 206

**RIN 1010-AD00**

#### Public Workshop on Proposed Rule—Establishing Oil Value for Royalty Due on Indian Leases

**AGENCY:** Minerals Management Service, Interior.

**ACTION:** Notice of public workshops.

**SUMMARY:** The Minerals Management Service (MMS) is giving notice of public workshops concerning the valuation of crude oil produced from Indian oil and gas leases.

**DATES:** The public workshop dates are:

Workshop 1: Oklahoma City, Oklahoma, on March 8, 2005, beginning at 8:30 a.m. and ending at 2 p.m., central time.

Workshop 2: Albuquerque, New Mexico, on March 9, 2005, beginning at 8:30 a.m. and ending at 2 p.m., mountain time.

Workshop 3: Billings, Montana, on March 16, 2005, beginning at 8:30 a.m. and ending at 2 p.m., mountain time.

**ADDRESSES:** Public workshop locations:

Workshop 1 will be held at the Sheraton Downtown in the Frontier Room, One North Broadway, Oklahoma City, Oklahoma 73102 (telephone number (405) 235-2780).

Workshop 2 will be held at the Wyndham Albuquerque in the Bernalillo Room, 2910 Yale Boulevard SE., Albuquerque, New Mexico 87106 (telephone number (505) 843-7000).

Workshop 3 will be held at the Sheraton Billings Hotel in the Avalanche Room, 27 North 27th Street, Billings, Montana 59101 (telephone number (406) 252-7400).

**FOR FURTHER INFORMATION CONTACT:** Mr. John Barder, Supervisory Mineral Revenue Specialist, Minerals

Management Service, Minerals Revenue Management, Indian Oil and Gas Compliance and Asset Management, telephone (303) 231-3702, Fax (303) 231-3755, e-mail to [John.Barder@mms.gov](mailto:John.Barder@mms.gov), P.O. Box 25165, MS 396B2, Denver, Colorado 80225-0165.

**SUPPLEMENTARY INFORMATION:** On February 12, 1998, MMS published a notice of proposed rulemaking regarding the value for royalty purposes of crude oil produced from Indian tribal and allotted leases. 63 FR 7089. On January 5, 2000, MMS published a supplementary proposed Indian oil valuation rule. 65 FR 403. Because of the substantial amount of time that has passed since the last proposal, and because of changes that have occurred since then in the market for crude oil, MMS has decided not to promulgate a final rule based on the previous proposed rules and comments received. Therefore, MMS is withdrawing both the proposed rule and the supplementary proposed rule, and is starting a new rulemaking process regarding the royalty valuation of crude oil produced from Indian leases.

The record compiled for the February 1998 proposed rule and the January 2000 supplementary proposed rule, including comments submitted on those proposals, will not be part of the record of the new rulemaking. At this time, MMS has made no decisions regarding the content of a future proposed rule or any future final rule that may result from this process. A new proposed rule may or may not include provisions similar to prior proposals.

The MMS has decided to gather preliminary comments and conduct preliminary consultation in anticipation of publishing a new proposed rule regarding Indian oil royalty valuation. The MMS is conducting the series of public workshops identified above for that purpose.

Among other things, MMS specifically seeks public comment on the following issues:

1. The MMS published amendments to the Federal crude oil valuation rule on May 5, 2004 (69 FR 24959). Should MMS adopt any of those same changes in the Indian oil valuation rule (e.g., using NYMEX prices adjusted for location and quality and for transportation costs for oil that is not sold at arm's length, and using 1.3 times the Standard & Poor's BBB bond rate as the rate of return on undepreciated capital investment in calculating non-arm's-length transportation costs)?

2. The current Indian oil valuation rule provides that "A major portion"

prices are to be calculated on the basis of the arm's-length sales in the field or area. Should MMS revise the rule to use arm's-length reported values for production from a reservation or other designated area?

3. Should MMS collect information to use in the major portion calculations to distinguish the quality of the oil (e.g., sweet crude, sour crude, yellow wax crude, etc.)? The workshops will be open to the public in order to discuss the valuation of crude oil produced from Indian leases. We encourage members of the public to attend these meetings. Those wishing to make formal presentations should sign up to do so upon arrival. The sign-up sheet will determine the order of speakers.

Executive Order 13175 requires the Federal Government to consult and collaborate with the Indian community (tribes and individual Indian mineral owners) in the development of Federal policies that impact the Indian community. The locations of the workshops were chosen to allow for increased participation by the Indian community. In addition, MMS will send out letters to various leaders in the Indian community advising them of, and encouraging them to participate in, the workshops.

The workshops will be open to the public without advance registration. Public attendance may be limited to the space available. We encourage a workshop atmosphere, and members of the public are encouraged to participate. We will post the minutes from each workshop on our Web site at <http://www.mrm.mms.gov>. You may submit written comments to MMS following the workshops by regular mail to P.O. Box 25165, MS 396B2, Denver, Colorado 80225-0165, by e-mail to [John.Barder@mms.gov](mailto:John.Barder@mms.gov), or through our Internet public comment system at <http://occonnect.mms.gov>.

Dated: February 9, 2005.

**Lucy Querques Denett,**

*Associate Director for Minerals Revenue Management.*

[FR Doc. 05-3252 Filed 2-18-05; 8:45 am]

**BILLING CODE 4310-MR-P**

## ENVIRONMENTAL PROTECTION AGENCY

### 40 CFR Part 52

[CA 207-0435b; FRL-7870-9]

#### Revisions to the California State Implementation Plan, Antelope Valley Air Quality Management District

**AGENCY:** Environmental Protection Agency (EPA).

**ACTION:** Proposed rule.

**SUMMARY:** EPA is proposing to approve revisions to the Antelope Valley Air Quality Management District (AVAQMD) portion of the California State Implementation Plan (SIP). These revisions concern the permitting of air pollution sources. We are proposing to approve local rules under the Clean Air Act as amended in 1990 (CAA or the Act).

**DATES:** Any comments on this proposal must arrive by March 24, 2005.

**ADDRESSES:** Send comments to Gerardo Rios, Permits Office Chief (AIR-3), U.S. Environmental Protection Agency, Region IX, 75 Hawthorne Street, San Francisco, CA 94105, or e-mail to [R9airpermits@epa.gov](mailto:R9airpermits@epa.gov), or submit comments at <http://www.regulations.gov>.

You can inspect a copy of the submitted SIP revisions and EPA's technical support document (TSD) at our Region IX office during normal business hours. You may also see copies of the submitted SIP revisions and TSD at the following locations: Environmental Protection Agency, Air Docket (6102), Ariel Rios Building, 1200 Pennsylvania Avenue, NW., Washington DC 20460. California Air Resources Board, Stationary Source Division, Rule Evaluation Section, 1001 "I" Street, Sacramento, CA 95814. Antelope Valley Air Quality Management District, 43301 Division Street, #206, Lancaster, CA 93535.

A copy of the rule may also be available via the Internet at <http://www.arb.ca.gov/drdb/drdbtxt.htm>. Please be advised that this is not an EPA Web site and may not contain the same version of the rule that was submitted to EPA.

**FOR FURTHER INFORMATION CONTACT:** Manny Aquitania, Permits Office (AIR-3), U.S. Environmental Protection Agency, Region IX, (415) 972-3977; [aquitania.manny@epa.gov](mailto:aquitania.manny@epa.gov).

**SUPPLEMENTARY INFORMATION:** This proposal addresses the approval of local AVAQMD permitting Rules 201, 203, 204, 205, and 217. In the Rules and Regulations section of this **Federal Register**, we are approving these local rules in a direct final action without prior proposal because we believe this SIP revision is not controversial. If we receive adverse comments, however, we will publish a timely withdrawal of the direct final rule and address the comments in subsequent action based on this proposed rule. We do not plan to open a second comment period, so anyone interested in commenting should do so at this time. If we do not

receive adverse comments, no further activity is planned. For further information, please see the direct final action.

Please note that if EPA receives adverse comment on an amendment, paragraph, or section of this rule and if that provision may be severed from the remainder of the rule, EPA may adopt as final those provisions of the rule that are not the subject of an adverse comment.

Dated: January 12, 2005.

**Laura Yoshii,**

*Acting Regional Administrator, Region IX.*

[FR Doc. 05-3186 Filed 2-18-05; 8:45 am]

**BILLING CODE 6560-50-P**

## ENVIRONMENTAL PROTECTION AGENCY

### 40 CFR Part 52

[CA 307-0460b; FRL-7874-7]

#### Revisions to the California State Implementation Plan, El Dorado County Air Quality Management District (Mountain Counties Portion), Imperial County Air Pollution Control District, and South Coast Air Quality Management District

**AGENCY:** Environmental Protection Agency (EPA).

**ACTION:** Proposed rule.

**SUMMARY:** EPA is proposing to approve revisions to the El Dorado County Air Quality Management District (EDCAQMD) (Mountain Counties portion), Imperial County Air Pollution Control District (ICAPCD), and the South Coast Air Quality Management District (SCAQMD) portions of the California State Implementation Plan (SIP). The revisions concern an obsolete permitting rule and the storage and transfer of gasoline at dispensing facilities. We are proposing to remove an obsolete local permitting rule and are proposing to approve local rules that regulate volatile organic compound (VOC) emissions under the Clean Air Act as amended in 1990 (CAA or the Act).

**DATES:** Any comments on this proposal must arrive by March 24, 2005.

**ADDRESSES:** Mail or e-mail comments to Andy Steckel, Rulemaking Office Chief (AIR-4), U.S. Environmental Protection Agency, Region IX, 75 Hawthorne Street, San Francisco, CA 94105, or e-mail to [steckel.andrew@epa.gov](mailto:steckel.andrew@epa.gov), or submit comments at <http://www.regulations.gov>.

You can inspect a copy of the submitted rule revisions and EPA's