



Royalty Management Program Transmittal Sheet



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Explanation of material transmitted:

Release 1.0 of the *Solid Minerals Payor Handbook*.

Please note: This new handbook replaces chapters 1–9 and all appendixes of the *AFS Payor Handbook—Solid Minerals*. **Chapter 10, Coal Product Valuation**, of that handbook is still in effect and is not being replaced at this time.

David S. Guzy [original signature on file]

Chief, Rules and Publications Staff

Filing instructions:

Replace chapters 1–9 and all appendixes of the *AFS Payor Handbook—Solid Minerals* (Release 1.0 dated 08/31/90) with the attached new handbook.

The Minerals Management Service (MMS) recommends that you retain superseded releases of MMS handbooks for possible use in future reviews of transactions that occurred and were reported while that release was in effect.

Solid Minerals Payor Handbook

Royalty Management Program

Solid Minerals Payor Handbook

Royalty Management Program

Release 1.0

February 20, 1997

Written by:

**Royalty Valuation Division
Solid Minerals Valuation and Reporting Branch**

Prepared by:

**American Management Systems
Operations Corporation, Inc.**

under Contract No. 14-35-0001-30550

**U.S. Department of the Interior
Minerals Management Service
Royalty Management Program**

The use of trade names does not constitute endorsement by the U.S. Department of the Interior.

Abbreviations

ACH	Automated Clearing House
AFS	Auditing and Financial System
AID	accounting identification (number)
AML	abandoned mine land
ARC	adjustment reason code
BIA	Bureau of Indian Affairs
BLM	Bureau of Land Management
BOM	Bureau of Mines
b.o.y.	beginning of year
Btu	British thermal unit
CFR	Code of Federal Regulations
CPI	Consumer Price Index
CY	calendar year
EFT	electronic funds transfer
e.o.y	end of year
FCLAA	Federal Coal Leasing Amendments Act of 1975
FERC	Federal Energy Regulatory Commission
Fedwire	Federal Reserve Wire
f.o.b.	free on board
Form MMS-2014	Report of Sales and Royalty Remittance
FR	Federal Register
GNP-IPD	Gross National Product-Implicit Price Deflator
IRS	Internal Revenue Service
LMU	logical mining unit
MMS	Minerals Management Service
MMYY	month/year
MS	mail stop
MSHA	Mine Safety and Health Administration
NPS	net profit share

Abbreviations

OCS	Outer Continental Shelf
OMB	Office of Management and Budget
OMM	Offshore Minerals Management
P_2O_5	phosphorus pentoxide
PAAS	Production Accounting and Auditing System
PADN	payor-assigned document number
PCR	Payor Confirmation Report
PIF	Payor Information Form
PUC	Public Utility Commission
REA	Rural Electrification Administration
RMP	Royalty Management Program
ROI	return on investment
rom	run of mine
RVD	Royalty Valuation Division
S&P	Standard & Poor
SMFR	Solid Minerals Facility Report
SMOR	Solid Minerals Operations Report
TC	transaction code
TFCS	Treasury Financial Communications System
U_3O_8	uranium oxide
U.S.C.	United States Code

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1. About This Handbook

The purpose of this *Solid Minerals Payor Handbook* is to help you, the designated payor for a lease, correctly report and pay royalties due on your solid minerals production.

NOTE

This new handbook replaces **only** chapters 1–9 of the *AFS Payor Handbook—Solid Minerals*. Chapter 10 of that handbook, “**Coal Product Valuation,**” is still in effect and is not being replaced at this time.

Three Federal agencies are involved in performing various lease activities and in collecting and disbursing lease revenues:

1. The Minerals Management Service (MMS) Royalty Management Program (RMP), within the U.S. Department of the Interior, is responsible for collecting, accounting for, and disbursing royalties from Federal and Indian mineral leases. MMS collects revenues from Federal leases and disburses them to the appropriate Federal or State agency.
2. The Bureau of Indian Affairs (BIA) collects revenues from Indian leases and disburses them to the appropriate Indian agency, Tribe, or allottee.
3. The Bureau of Land Management (BLM) issues Federal leases and performs field activities during the life of a lease.

Table 1-1 summarizes the responsibilities of these three agencies.

TABLE 1-1. Agency responsibilities during the life of a solid minerals lease

Responsibility	Federal onshore leases	Federal offshore leases	Indian leases
Issue leases	BLM	MMS/OMM ^a	BIA
Collect bonuses	BLM	MMS/OMM	BIA
Collect rents	BLM the first year; MMS/RMP the second year and thereafter.	MMS/OMM the first year; MMS/RMP the second year and thereafter.	BIA
Collect royalties	MMS/RMP	MMS/RMP	BIA and Tribe ^b
Issue lease termination notices	BLM	MMS/OMM	BIA

a. Offshore Minerals Management

b. MMS/RMP provides accounting support for Indian solid minerals leases.

This handbook explains how to prepare the following two forms, which you must complete and send to MMS:

1. **Payor Information Form (PIF) (Form MMS-4030).** We use the data from your PIF to establish your reporting obligation on our Auditing and Financial System (AFS).
2. **Report of Sales and Royalty Remittance (Form MMS-2014).** You report and pay Federal royalty obligations—including rent, minimum royalty, advance royalty, and production royalties—on Form MMS-2014. For Indian royalty obligations, you report to, but do not pay, MMS using this form; instead, you pay the appropriate BIA agency or Indian Tribe (BIA in turn pays royalties directly to the allottees).

NOTE

This handbook deals only with reporting **royalty** data to our AFS computer system. Our Production Accounting and Auditing System (PAAS) monitors **production** data; if you need information on reporting production, please refer to the PAAS *Solid Minerals Reporter Handbook*.

1.1 Using the Solid Minerals Payor Handbook

This handbook is divided into the following topics:

- **Chapter 2, Reporting Overview**, covers the basics of reporting and paying royalties. It defines who must report and pay; identifies the types of leases on which you must report; and tells you how, when, and where to submit your reports and payments. It also briefly discusses bills for collection and appeal rights.
- **Chapter 3, How to Complete the PIF**, includes field-by-field instructions and examples of completed PIFs. It also discusses the Payor Confirmation Report (PCR).
- **Chapter 4, How to Complete the Form MMS-2014**, includes field-by-field instructions and examples of completed Forms MMS-2014. It also describes the Model 2014.
- **Chapter 5, Explanations of Different Reporting Situations**, describes how to report common transactions such as rent, advance royalty, minimum royalty, production royalties, and allowances.
- **Chapter 6, Adjustments, Recoupments, and Refunds**, explains how to make adjustments to your Form MMS-2014 and gives step-by-step instructions on how to select and use the appropriate adjustment reason codes.
- **Chapter 7, Special Instructions for Major Minerals Other Than Coal**, explains how to report sodium, potassium, lead, zinc, copper, phosphate, and uranium.
- **Chapter 8, Special Instructions for Coal Leases**, discusses pre-1976 leases, post-1976 leases covered by the Federal Coal Leasing

Amendments Act of 1975 (FCLAA), advance royalty provisions, retroactive price adjustments, and logical mining units.

- **Appendixes A through F** contain tables to help you convert agency-assigned lease numbers to MMS lease numbers, various codes you will need to complete your forms, and blank PIFs and Forms MMS-2014 that you may copy and use.

1.2 Regulatory Authority

Regulations are cited throughout the text of this handbook. The regulatory authority for solid minerals royalty reporting is located in the Minerals Leasing Act of 1920, as amended. Please refer to the following sources for additional guidance:

- **Reporting.** *Mineral Resources*, Title 30 Code of Federal Regulations (CFR) Part 218—Collection of Royalties, Rentals, Bonuses and Other Monies Due to the Federal Government, Subpart E—Solid Minerals—General.
- **Federal Lease Operations and Other Leasing Activities.**
 - *Public Lands: Interior*, Title 43 CFR Part 3400—Coal Management: General.
 - *Public Lands: Interior*, Title 43 CFR Part 3500—Leasing of Solid Minerals Other Than Coal and Oil Shale. For oil shale, refer to the Minerals Leasing Act of 1920, as amended.
- **Indian Lease Operations and Other Leasing Activities.** *Indians*, Title 25 CFR Part 200—Terms and Conditions: Coal Leases, and Part 211—Leasing of Tribal Lands for Mining.

1.3 Use of MMS Forms

All MMS forms used to collect information from both the public and industry are subject to approval by the Office of Management and

Budget (OMB). OMB approves forms for a 3-year period. You may continue to use the forms beyond the OMB expiration date unless we send you revised forms. You may make as many copies of the forms as you need (see [app. F](#) for blank forms), or contact us for additional forms.

The information you submit on these forms is confidential under the Freedom of Information Act and other applicable laws and regulations.

1.4 Handbook Distribution

MMS is solely responsible for distributing payor handbooks. Only payors with valid and active payor codes receive the first paper copy of a handbook and any revisions at no cost. We charge an administrative fee for additional paper copies or for copies requested by other interested parties. Companies with multiple payor codes that have the same name and address will receive only one copy free of charge.

To order additional payor handbooks:

- Call the Solid Minerals Reporting Section at 1-888-201-6416, or
- Call the RMP handbook order line at (303) 231-3090, or
- Send a written request to the correspondence address listed on [page 2-9](#).

This handbook is also available on the Internet at <http://www.rmp.mms.gov>.

1.5 Handbook Maintenance

MMS periodically issues revisions to payor handbooks. You are responsible for adding or replacing pages according to the filing instructions on the transmittal sheet.

We recommend that you keep superseded releases of MMS handbooks for your use in future reviews and/or audits of transactions that occurred and were reported while the release was in effect.

1. *About This Handbook*

We appreciate any suggestions for changes to this handbook and will acknowledge them in writing within 45 days of receipt. Please send your written comments or requests to the correspondence address listed on [page 2-9](#).

2. Reporting Overview

This chapter covers the basics of reporting, including who must report and pay; which forms to submit; which leases to report; and how, when, and where to send your forms and payments. This chapter also discusses bills for collection and appeal rights.

2.1 Who Must Report and Pay

If you are a lessee or a designated payor on any Federal or Indian solid minerals lease, you are responsible for reporting and paying applicable royalties to MMS.

2.2 Which Forms to Submit

You must send two forms to MMS at various times during the life of your lease:

1. **Payor Information Form (PIF) (Form MMS-4030)**. Before we can accept your reports and payments, you must send us a PIF (see [fig. 3-1 on p. 3-10](#)) to establish your financial accounts on our computer system.
2. **Report of Sales and Royalty Remittance (Form MMS-2014)**. You must send Form MMS-2014 (see [fig. 4-1 on p. 4-6](#)) with your monthly Federal royalty payment. (See pages [2-3](#) and [2-4](#) for payment instructions.) This form itemizes the sales activities of your Federal or Indian lease for the following types of payments and recoupments:
 - Royalty payments and adjustments (sales value, sales quantity, and royalty value).
 - Processing or transportation allowances.

- Lease-level payments (rentals, minimum royalties, advance royalties, and recoupable balances).

2.3 Which Leases to Report

You must submit PIFs and Forms MMS-2014 for the following Federal and Indian leases (do not submit for State or fee leases):

- All Federal mineral leases or permits on public domain, acquired, and military lands, regardless of which Federal agency administers the surface activities.
- All Outer Continental Shelf (OCS) solid minerals leases.

NOTE

Send the **first year's** advance rental or bonus payments for OCS leases to the MMS Offshore Minerals Management (OMM) Program—not the MMS Royalty Management Program.

- All producing leases, permits, and contracts on Indian Tribal and allotted lands (see Note on [p. 3-2](#)).

2.4 How to Submit Forms

Mail or fax your signed PIFs to us at the MMS address or fax number listed on [page 2-7](#). Our analysts will enter the PIF data into our computer system and will contact you if any questions arise.

Mail your Forms MMS-2014 with your payment to the address listed on [page 2-7](#). (For payment instructions, see “[How to Make Payments for Federal Leases](#)” below.) Submit your Form MMS-2014 in one of four authorized reporting formats:

1. A blank Form MMS-2014 provided by us.

2. Our computer-generated Model 2014, which we send to you each month (see “Model 2014” on p. 4-14).
3. Your own MMS-approved, computer-generated facsimile of Form MMS-2014. (You may use a facsimile only if MMS approved it before October 1996.)
4. Electronically. If you want to submit your Form MMS-2014 by diskette or electronic mail, please contact us at the phone number listed on page 2-8.

2.5 How to Make Payments for Federal Leases

Follow these instructions for payments on Federal leases:

- Ensure that the payment equals 100 percent of your percentage of royalties due.
- Pay by electronic funds transfer (EFT) to the extent that it is cost effective and practical. Currently, our EFT use is limited to the ACH (Automated Clearing House) and Fedwire (Federal Reserve Wire) networks. For complete instructions on paying by EFT, contact our General Ledger Section at the phone number listed on page 2-8. Also refer to Title 30 Code of Federal Regulations (CFR) 218.51.
- If you cannot use EFT, pay by check, money order, or bank draft (not cash). Attach these types of payments to your Form MMS-2014.
- Include your five-character MMS solid minerals payor code (see “Payor code” on p. 3-2) and your payor-assigned document number (PADN) (see p. 4-5) for the related Form MMS-2014. Do not use an oil and gas payor code for solid minerals reporting. MMS requires separate payments, as well as separate forms, for solid minerals. Only solid minerals payor codes begin with **MA**.

- Include appropriate inscriptions on any check, money order, or bank draft as follows:

Department of the Interior
Minerals Management Service
Payor Code MA ___ ___ ___
Payor-Assigned Document Number _____

2.6 How to Make Payments for Indian Leases

Follow these instructions for payments on Indian leases:

- Send your payment to the appropriate BIA office. Contact that office to ask about its approved payment method, and then comply with that method. Do not send cash.
- Include your five-character MMS solid minerals payor code (see **“Payor code” on p. 3-2**) and your payor-assigned document number (PADN) (see **p. 4-5**) for the related Form MMS-2014. Do not use an oil and gas payor code for solid minerals reporting. MMS requires separate payments, as well as separate forms, for solid minerals. Only solid minerals payor codes begin with **MA**.
- List all payments on the Form MMS-2014 that you send to MMS, but send the money to the appropriate Tribe or agency.
- Include appropriate inscriptions on any check, money order, or bank draft as follows:

For Indian allotted leases:

Department of the Interior
_____ (Allottee)
[Enter the name of the BIA agency/area office responsible for this lease.]
Payor Code MA ___ ___ ___
Payor-Assigned Document Number _____

For Indian Tribal leases:

Department of the Interior
_____ (Tribe)
[Enter the name of the Tribe that owns the lease.]
Payor Code MA ____ ____
Payor-Assigned Document Number _____

2.7 When to Submit Forms and Payments

Your Forms MMS-2014 and all payments are due by 4 p.m. mountain standard time or mountain daylight saving time on or before the due date specified in table 2-1 below. If that day falls on a weekend or Federal holiday, the report and payment are due by 4 p.m. mountain standard time or mountain daylight saving time the next business day.

NOTE

MMS considers forms and payments “on time” when we actually receive them. The postmark date does **not** apply.

If we receive your payment after the due date, we consider it to be delinquent and may assess a late-payment charge in accordance with late-payment regulations (30 CFR 218.202).

2. Reporting Overview

TABLE 2-1. *Due dates for forms and payments*

Form	Type of payment	Due date
PIF (revised or original)	—	Within 30 days after any change in lease activity (as described in chapter 3).
MMS-2014	Royalty	As specified by the lease terms, on or before the last day of the month following the sales month or quarter, as applicable. Unless your lease provides otherwise, MMS requires monthly royalty payments and reports.
MMS-2014	Minimum royalty	At the expiration of each lease year, as specified by the lease terms.
MMS-2014	Rentals and Advance royalties	Once each year on or before the due date, as specified by the lease terms.

2.8 How to Contact MMS

Direct your correspondence, forms, payments, and questions regarding Federal solid minerals royalty obligations to the addresses, facsimile numbers, and phone numbers listed below.

NOTE

For immediate answers to questions regarding forms or payments, call this toll-free number: 1-888-201-6416.

PIFs.

Minerals Management Service
Royalty Management Program
Solid Minerals Reporting Section, MS 3153
P.O. Box 25165
Denver, CO 80225-0165

Fax: (303) 275-7227

Bonus and rental courtesy notices and payments.

Minerals Management Service
Royalty Management Program
P.O. Box 5860
Denver, CO 80217-5860

Forms MMS-2014 and payments.

Mailing address:

Minerals Management Service
Royalty Management Program
P.O. Box 5810
Denver, CO 80217-5810

Delivery address (via courier or private overnight mail):

Minerals Management Service
Royalty Management Program
Building 85, Denver Federal Center
Room A-212, Document Control Staff
Denver, CO 80225

2. Reporting Overview

Valuation questions and allowance applications.

Minerals Management Service
Royalty Management Program
Solid Minerals Valuation and Reporting Branch, MS 3153
P. O. Box 25165
Denver, CO 80225-0165

Fax: (303) 275-7227
Phone: (303) 275-7210
Toll free: 1-888-201-6416

Questions regarding adjustments, recoupments, and refunds.

Solid Minerals Reporting Section Accountant
Phone: 1-888-201-6416

Change of company address. If your company's address, phone number, or contact name changes, mail or fax the information, including the effective date, on your company letterhead to:

Minerals Management Service
Royalty Management Program
Solid Minerals Reporting Section, MS 3153
P.O. Box 25165
Denver, CO 80225-0165

Fax: (303) 275-7227

Payment by EFT. For instructions on paying by EFT using ACH or Fedwire, contact:

General Ledger Section
Phone: (303) 231-3574

Reporting by diskette or electronic mail.

Phone: 1-800-525-0309

All other correspondence.

Minerals Management Service
Royalty Management Program
Solid Minerals Reporting Section, MS 3153
P.O. Box 5760
Denver, CO 80217-5760

Fax: (303) 275-7227

2.9 Bills for Collection

If you fail to report and pay all amounts in accordance with your lease terms, we may issue you a Bill for Collection (bill) and an Order to Pay letter. We issue bills for:

- Late-payment (interest) charges,
- Erroneous reporting assessments, and
- Nonpayment.

Late-payment (interest) charges. An interest charge is not a penalty. It is an assessment to compensate the Government for the time value of money. As published at 30 CFR 218.200, lease terms govern due dates for solid minerals leases. We assess interest charges by authority of 30 CFR 218.202.

Erroneous reporting assessments. We no longer assess for erroneous reporting unless the monthly industry error rate rises above a predetermined level. If it does, we may then charge an assessment not to exceed \$10 for each incorrect report line.

Nonpayment. We bill for nonpayment of lease-level obligations (rent, minimum royalty, and advance royalty) 3 months after you should have paid them.

Pay all bills by the indicated due date to avoid further interest charges or other enforcement actions. These actions include:

- Demanding payment from the lessee(s) of record if different from the payor or lease surety.
- Reporting the delinquency to a credit bureau.
- Referring the debt to the Department of Justice for litigation.
- Initiating action to cancel the related lease, right-of-way, permit, or license.

To ensure proper credit, return all rent or royalty payments with a properly completed Form MMS-2014 and the remittance copy of the bill. For interest or penalty payments, return only the remittance copy of the bill.

2.10 Administrative Appeal Rights

Payors/lessees have certain rights to appeal MMS orders (30 CFR 290). You must file the notice of appeal at the issuing office within 30 days of your receipt of the order. Address your notice of appeal to the Director, MMS. We will accept faxed appeals, if they are within the 30-day timeframe.

A written narrative justifying reversal or modification of the billing action or order must accompany your notice of appeal. Within the same 30-day period described above, you may file additional statements of reason or written briefs. You may also request to present oral arguments to the Director. File your request with the Director who may, at his or her discretion, schedule a hearing at the time and place of his or her choosing.

With the exception of the length of time for filing a notice of appeal, the time for filing any documents in connection with an appeal may be extended by the Director of MMS. You must file the request for an extension of time (within the 30-day period described above) with the original issuing office.

We will not suspend your payment obligation because you have submitted an appeal (30 CFR 243.2). You may post surety for the amount being appealed instead of paying, pending the outcome of a timely filed appeal. You may also request a stay of payment pending appeal within 30 days of your receipt of the order. File the stay request with the office issuing the bill.

If we receive your appeal within 40 days after you received the Order to Pay—and you transmitted the appeal within 30 days—we will consider the appeal timely.

3. How to Complete the PIF

To establish or update an account on our automated system, you must file a Payor Information Form (PIF) (Form MMS-4030) for each lease on which you pay rentals, advance royalties, minimum royalties, or production royalties. We use the PIF to establish and maintain the payor accounts required for processing your monthly Report of Sales and Royalty Remittance (Form MMS-2014).

The Code of Federal Regulations (CFR) at 30 CFR 210.201 and MMS require that you file an original or a revised PIF no later than 30 days after the occurrence of any of the following:

- Issuance of a new lease
- Assignment of all or part of a lease
- Change in producing status
- Production of a new product
- Change in royalty rate (either by readjustment or royalty rate reduction)
- Change in a selling arrangement
- Adoption of a new mining method
- Change in payor
- Permanent cessation of production or lease relinquishment
- Change in an Indian lease or permit number

3. How to Complete the PIF

NOTE

Some Indian leases (or permits) last only 1 or 2 years. After the lease expires, the Bureau of Indian Affairs (BIA) reissues the lease with a new lease number. You must submit the appropriate PIFs to close the old lease account and begin reporting on the newly issued lease number. You will continue to send all rental and royalty payments for Indian leases to the appropriate BIA or Tribal office.

Mail or fax your new and revised PIFs to the address listed on [page 2-7](#).

3.1 Payor Confirmation Reports

After processing your PIF, we will send you a Payor Confirmation Report (PCR). The PCR details PIF data elements that you must report on the Form MMS-2014. Review the PCR data for accuracy. If corrections are necessary, mark changes directly on the PCR and return it to the correspondence address listed on [page 2-9](#). If you have questions or need assistance, call our toll-free number.

3.2 PIF Data Elements

The PIF “data elements” are payor code, lease number, revenue source, product code, and selling arrangement. These elements are defined in the following sections.

3.2.1 Payor code

A payor is the party who agrees to pay the rental, minimum/advance royalty, or production royalty due on a lease. Payors may include lessees, sublessees, operators, or purchasers. Each payor is identified by a unique, five-character payor code—always beginning with the

letters **MA**. We assign this code for new payors. You will find the payor code on your PCR or in a letter from us.

NOTE

Include your payor code on all correspondence.

3.2.2 Lease number

The Bureau of Land Management (BLM) and the BIA identify each Federal and Indian lease with an agency-assigned lease number. MMS converts this number to a lease number for use in our automated system (see [app. A](#) for conversion tables). If you don't know the MMS-converted lease number, enter the agency-assigned number on your PIF. We will convert the number for you and inform you through the PCR.

3.2.3 Revenue source

This element identifies the source of production from a Federal or Indian lease. We require separate revenue sources for each mining type (surface, underground, in situ, etc.). We assign a three-digit code to each revenue source activity on a lease.

3.2.4 Product code

We identify each specific product extracted or sold from the lease by a two-letter code (see [app. B](#)).

3.2.5 Selling arrangement

The selling arrangement is a three-digit code that designates the method of product disposition. The code is determined by whether the product's royalty is a flat rate (cents-per-unit) for the amount of product

3. How to Complete the PIF

mined or sold, or whether the royalty is a percentage of value (ad valorem) and the product is disposed of through either an arm's-length or non-arm's-length contract. (Also see [“Calculating royalties using the index method” on page 7-16](#) for special coding instructions for western phosphate leases.)

3.3 Filling Out the PIF

If you have questions about filling out the PIF, please contact the Solid Minerals Reporting Section (see [p. 2-7](#)).

This section explains the information required for each field on the PIF. The fields are sequentially numbered and keyed to [figure 3-1 on page 3-10](#).

Part 1: Company Data

Complete this part of the PIF for both producing and nonproducing leases.

Field No.	Field title	Instructions
1	Federal/Indian indicator	Check one of the boxes to indicate whether you are filling out the form for a Federal or an Indian lease.
2	Check if Revised	Check here if this is a revision to an existing revenue source, a selling arrangement, a lease-level obligation, or company information.
3	Company Name/Address/ City, State, Zip	Enter appropriate company data.
4	Person to Contact/Phone Number/Extension	Enter the name and phone number of the person to contact if we have any questions about the information on the form.

Field No.	Field title	Instructions
5	Payor Code	Enter the five-character code beginning with MA assigned to your company. If you do not have an MA payor code, leave this field blank; we will assign a payor code to you and print it on your PCR or send it in a letter.

Part 2: Lease Data

Complete this part of the PIF for both producing and nonproducing leases.

Field No.	Field title	Instructions
6	MMS Lease Number or BLM/BIA Number	Enter the BLM/BIA-assigned number or, if known, the converted MMS lease number. Use a separate PIF for each lease number on which you are reporting.
7	Lease Producing—Y/N	Circle <i>Y</i> or enter <i>Yes</i> if the lease is continuously or intermittently producing. Circle <i>N</i> or enter <i>No</i> if the lease has not begun production or if production is permanently halted.
	Date of First Production	If the lease is producing, enter the date of first production in MMY format. For example, if production begins on January 25, 1996, enter <i>0196</i> .
8	MSHA Mine Number	Enter the mine number assigned to this mining operation by the Mine Safety and Health Administration (MSHA).

3. How to Complete the PIF

Field No.	Field title	Instructions
9	Rent Payor? Y/N Start Date End Date	If the lease terms require rentals, enter <i>Y</i> and the date your rental responsibility begins in the Start Date field. If you are an established rental payor and are ending your obligation, fill in the End Date field. If you are not responsible for paying rents, enter <i>N</i> . Enter dates in MMY format. For example, if rent is due on January 1, 1996, enter <i>0196</i> .
10	Minimum Royalty Payor? Y/N Start Date End Date	If the lease terms require minimum royalties, enter <i>Y</i> and the date your minimum royalty responsibility begins in the Start Date field. If you are an established minimum royalty payor and are ending your obligation, fill in the End Date field. If you are not responsible for paying minimum royalty, enter <i>N</i> . Enter dates in MMY format. For example, if minimum royalty is due by January 31, 1996, enter <i>0196</i> .
11	Advance Royalty Payor? Y/N Start Date End Date	If the lease terms require advance royalties, enter <i>Y</i> and the date your advance royalty responsibility begins in the Start Date field. If you are an established advance royalty payor and are ending your obligation, fill in the End Date field. If you are not responsible for paying advance royalty, enter <i>N</i> . Enter dates in MMY format. For example, if advance royalty is due on January 1, 1996, enter <i>0196</i> .
12	Comments	Use this field to describe any relevant information that would help us process this form. For example, if you are submitting a revised PIF because of a lease readjustment, please note that in this field.

Part 3: Producing Lease Detail

Complete this part of the PIF when a lease begins production or changes occur to a producing lease.

Field No.	Field title	Instructions																
13	Action Code	Enter <i>A</i> , <i>C</i> , or <i>D</i> to indicate if you are Adding, Changing, or Deleting this line. Changes and deletions can be made only to previously submitted lines.																
14	Effective Date	Use this field to indicate the start date or end date of reporting/payment responsibilities. For example, if an assignment is approved, the assignor must indicate an end date (to end responsibility) and the assignee must indicate a start date (to begin payment responsibility). Another example is a readjusted producing coal lease. Enter an end date to end the cents-per-ton royalty rate selling arrangement and a start date on a second line to begin an ad valorem royalty rate selling arrangement. Enter dates in MMY format. For example, if production begins on January 25, 1996, enter 0196.																
15	Mining Type Code	Enter the code for each type of mining on the lease (one code per report line).																
		<table border="1"> <thead> <tr> <th><u>Code</u></th> <th><u>Mining type</u></th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Surface mining</td> </tr> <tr> <td>2</td> <td>Underground mining</td> </tr> <tr> <td>3</td> <td>Auger</td> </tr> <tr> <td>4</td> <td>In situ (excluding solution mining)</td> </tr> <tr> <td>5</td> <td>Solution mining</td> </tr> <tr> <td>6</td> <td>Modified in situ</td> </tr> <tr> <td>7</td> <td>Other</td> </tr> </tbody> </table>	<u>Code</u>	<u>Mining type</u>	1	Surface mining	2	Underground mining	3	Auger	4	In situ (excluding solution mining)	5	Solution mining	6	Modified in situ	7	Other
<u>Code</u>	<u>Mining type</u>																	
1	Surface mining																	
2	Underground mining																	
3	Auger																	
4	In situ (excluding solution mining)																	
5	Solution mining																	
6	Modified in situ																	
7	Other																	

3. How to Complete the PIF

Field No.	Field title	Instructions
16	Royalty Rate, Range, or Schedule	Enter the rates applicable to the mining type and products as required by lease terms; for example, <i>12.5%</i> or <i>20 cents per ton</i> .
17	MMS Use Only	Do not use this field. We use it to establish the royalty rate coding sequence.
18	Product	Enter the full description of the product (one product per report line) being produced and/or sold from the lease. Appendix B lists all products. If you don't find your specific product listed, please contact us (see "How to Contact MMS" on p. 2-6).
19	Arm's-Length or Non-Arm's-Length Sales?	We require this field for all leases on which royalties are computed by percentage (ad valorem leases). (See "Selling arrangement" on page 4-3 for definitions of arm's-length and non-arm's-length contracts.)
20	Percent of Sales	Enter the estimated percentage of product that you will dispose through arm's-length and/or non-arm's-length contracts.
21	Revenue Source	Fill in this field if you are submitting a revision to an existing line and already know the three-digit revenue source code. This code is linked to your mining method and will preprint on your monthly Model 2014. If you don't know your revenue source code, you can find it on your PCR.

Field No.	Field title	Instructions
22	Product Code	Enter the two-letter code from appendix B for each specific product being mined and sold from the lease. This code must match your description in the Product field (18). This code will be listed on your PCR and will preprint on your monthly Model 2014.
23	Selling Arrangement	The selling arrangement is determined by the disposition of your product—whether it is sold through an arm’s-length or a non-arm’s-length contract and whether or not your lease is ad valorem. (See “Selling arrangement” on page 4-3 for definitions of arm’s-length and non-arm’s-length contracts.) Fill in this field if you are submitting a revision to an existing line and you already know the three-digit selling arrangement code. If you don’t know your selling arrangement code, it is listed on your PCR and will preprint on your Model 2014.
24	Authorized Signature/Date	Provide the signature of the person who is responsible for the accuracy of the information submitted. Enter the date the form was signed.

PAYOR INFORMATION FORM
SOLID MINERALS

① FEDERAL INDIAN

② CHECK IF REVISED

PART 2: LEASE DATA

MMS Lease Number or BLM/BIA Number ⑥			
Lease producing - Y/N Date of First Production ⑦		MSHA Mine Number ⑧	
	Y/N	Start Date	End Date
Rent Payor?	⑨	⑨	⑨
Minimum Royalty Payor?	⑩	⑩	⑩
Advance Royalty Payor?	⑪	⑪	⑪

PART 1: COMPANY DATA

Company Name ③	Payor Code MA- ⑤
Address ③	City, State, Zip ③
Person to Contact ④	Phone Number/Extension ④

Comments:

⑫

PART 3: PRODUCING LEASE DETAIL

Action Code ⑬	Effective Date ⑭	Mining Type Code ⑮	Royalty Rate, Range or Schedule ⑯	MMS Use Only ⑰	Product ⑱	Arm's Length or Non-Arm's Length Sales? ⑲	Percent of Sales ⑳	Royalty Reporting Codes		
								Revenue Source ㉑	Product Code ㉒	Selling Arrangement ㉓

FOR ILLUSTRATION ONLY

⑳

Authorized Signature Date

WARNING: This is to inform you that failure to report accurately and timely in accordance with the statutes, regulations, or terms of the lease, permit, or contract may result in late payment charges, civil penalties, or liquidated damages being assessed without further notification. Intentional false or inaccurate reporting is subject to criminal prosecution in accordance with applicable Federal law(s).

The Paperwork Reduction Act of 1980 (44 U.S.C. 3501 et seq.) requires us to inform you that this information is being collected to set up an automated accounting data base for Federal and Indian solid minerals lease production and sales. MMS will use the information in monitoring and collecting rents and royalties due the government and Indians.

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FIGURE 3-1. Filling out the PIF

3.4 PIF Examples

The following three examples illustrate how to complete a PIF. The first two describe a New Mexico potash lease for which XYZ Chemicals is the lessee, operator, and payor. The third example shows the changes ABC Coal, Inc. makes for a readjusted lease.

Nonproducing PIF example

Figure 3-2 on page 3-12 shows the PIF initially submitted by XYZ Chemicals to establish lease-level reporting obligations on its nonproducing potash lease. According to the lease terms, rent and advance royalty are due annually. Figure 3-3 on page 3-13 shows the PCR returned by MMS to XYZ Chemicals with the converted reporting codes.

PAYOR INFORMATION FORM
SOLID MINERALS

FEDERAL INDIAN

CHECK IF REVISED

PART 2: LEASE DATA

MMS Lease Number or BLM/BIA Number LC-03421			
Lease producing - Y/N Date of First Production N	MSHA Mine Number 02900123		
	Y/N	Start Date	End Date
Rent Payor?	Y	01/91	
Minimum Royalty Payor?	N		
Advance Royalty Payor?	Y	01/96	

PART 1: COMPANY DATA

Company Name XYZ Chemicals	Payor Code MA- 111
Address P.O. Box 45	City, State, Zip Dry Hole, NM 77777
Person to Contact G. Allen Olsen	Phone Number/Extension (555) 555-5555

Comments:

PART 3: PRODUCING LEASE DETAIL

Action Code	Effective Date	Mining Type Code	Royalty Rate, Range or Schedule	MMS Use Only	Product	Arm's Length or Non-Arm's Length Sales?	Percent of Sales	Royalty Reporting Codes		
								Revenue Source	Product Code	Selling Arrangement

FOR ILLUSTRATION ONLY

G. Allen Olsen 12/08/90
Authorized Signature Date

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FIGURE 3-2. Nonproducing PIF

UNITED STATES DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE
ROYALTY MANAGEMENT PROGRAM

PAYOR CONFIRMATION REPORT

PAYOR IDENTIFICATION INFORMATION

COMPANY NUMBER: MA111 XYZ CHEMICALS
P.O. BOX 45
DRY HOLE, NM 77777

LEASE NUMBER: M39-003421-0

PAYOR RESPONSIBLE FOR: RENTAL

AS OF: 01/01/91

ENDING:

MMS USE ONLY

DOCUMENT ID: PIF172760518
ACCEPTANCE DATE: 12/13/90

FIGURE 3-3. PCR for nonproducing PIF

3. How to Complete the PIF

REPORT ID: RPI14OR1 RUN DATE: 06/16/94 RUN TIME: 22:41:58
PACKET PAGE NUMBER: 867
UNITED STATES DEPARTMENT OF THE INTERIOR MINERALS MANAGEMENT SERVICE ROYALTY MANAGEMENT PROGRAM
PAYOR CONFIRMATION REPORT
----- PAYOR IDENTIFICATION INFORMATION -----
COMPANY NUMBER: MA111 XYZ CHEMICALS P. O. BOX 45 DRY HOLE, NM 77777
MMS USE ONLY [DOCUMENT ID: PIF172760581 ACCEPTANCE DATE: 12/13/90]
LEASE NUMBER: M39-003421-0 PAYOR RESPONSIBLE FOR: ADVANCE ROYALTY AS OF: 01/01/96 ENDING:

FIGURE 3-3. PCR for nonproducing PIF (continued)

Producing PIF example

Figure 3-4 on page 3-16 shows the PIF submitted by XYZ Chemicals to establish a royalty account in order to report and pay royalties on production that began in February 1996.

- XYZ Chemicals pays 100 percent of the royalties accruing from this lease.
- Production and sales began on February 24, 1996.
- All mining is underground (mining type code 2).
- Two royalty rates apply to the lease:
 - A 2- to 5-percent sliding scale applies to the standard and granular muriate (product codes JD and JL).
 - A standard 5 percent applies to the standard potassium sulfate and salt (product codes PN and SA).
- XYZ Chemicals disposes of approximately 20 percent of the muriates through non-arm's-length arrangements.

The PCR returned by MMS (fig. 3-5, p. 3-17) shows the converted reporting codes that XYZ Chemicals must report on its monthly Form MMS-2014 when reporting and paying production royalties.

NOTE

We leave the “Purchase Information” on the PCR blank, or we identify your company as the seller. The net effect is the same.

PAYOR INFORMATION FORM
SOLID MINERALS

FEDERAL INDIAN

CHECK IF REVISED

PART 2: LEASE DATA

MMS Lease Number or BLM/BIA Number M39-003421-0			
Lease producing - Y/N Date of First Production Y 02/96		MSHA Mine Number 02900123	
	Y/N	Start Date	End Date
Rent Payor?			
Minimum Royalty Payor?			
Advance Royalty Payor?			

PART 1: COMPANY DATA

Company Name XYZ Chemicals	Payor Code MA- 111
Address P.O. Box 45	City, State, Zip Dry Hole, NM 77777
Person to Contact G. Allen Olsen	Phone Number/Extension (555) 555-5555

Comments:

FOR ILLUSTRATION ONLY

PART 3: PRODUCING LEASE DETAIL

Action Code	Effective Date	Mining Type Code	Royalty Rate, Range or Schedule	MMS Use Only	Product	Arm's Length or Non-Arm's Length Sales?	Percent of Sales	Royalty Reporting Codes		
								Revenue Source	Product Code	Selling Arrangement
A	2/24/96	2	2 to 5%		Muriate of Potash-Std.	Arm's-length	80		JD	
A	2/24/96	2	2 to 5%		Muriate of Potash-Gran.	Arm's-length	80		JL	
A	2/24/96	2	2 to 5%		Muriate of Potash-Std.	Non-arm's-length	20		JD	
A	2/24/96	2	2 to 5%		Muriate of Potash-Gran.	Non-arm's-length	20		JL	
A	2/24/96	2	5%		Potassium Sulfate-Std.	Arm's-length	100		PN	
A	2/24/96	2	5%		Salt	Arm's-length	100		SA	

G. Allen Olsen

3/1/96

Authorized Signature

Date

WARNING: This is to inform you that failure to report accurately and timely in accordance with the statutes, regulations, or terms of the lease, permit, or contract may result in late payment charges, civil penalties, or liquidated damages being assessed without further notification. Intentional false or inaccurate reporting is subject to criminal prosecution in accordance with applicable Federal law(s).

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FIGURE 3-4. Producing PIF

REPORT ID: RP114OR1
RUN DATE: 3/15/96
RUN TIME: 17:49:42

UNITED STATES DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE
ROYALTY MANAGEMENT PROGRAM

PAYOR CONFIRMATION REPORT

PAYOR IDENTIFICATION INFORMATION

COMPANY NUMBER: MA111 XYZ CHEMICALS
 P.O. BOX 45
 DRY HOLE, NM 77777

LEASE NUMBER: M39-003421-0 MMS USE ONLY
PAYOR RESPONSIBLE FOR:
AS OF: [DOCUMENT ID:
ENDING: | ACCEPTANCE DATE: |
]

REVENUE SOURCE INFORMATION

PAYOR NUMBER: MA111
LEASE NUMBER: M39-003421-0 **REVENUE SOURCE NUM: 201**

REV SOURCE TYPE: MINE MMS USE ONLY
INTERNAL ID:
START DATE: 02/1996 [DOCUMENT ID: PIF272760518
END DATE: | ACCEPTANCE DATE: 3/15/96 |
]

AGREEMENT DATA INFORMATION

AGENCY ASSIGNED NUMBER:
UNIT COMM NAME:
PART AREA OR FORMATION: TRACT NUMBER:
UNIT/COMM NUMBER: TRACT PORTION: 0.000000

FIGURE 3-5. PCR for producing PIF

3. How to Complete the PIF

SELLING ARRANGEMENT INFORMATION

PAYOR NUMBER: MA111
LEASE NUMBER: M39-003421-0 REVENUE SOURCE NUM: 201

MMS USE ONLY

DOCUMENT ID: PIF272760518
ACCEPTANCE DATE: 3/15/96

PRODUCT: JL MURIATE OF POTASH - GRANULAR SPOT SALE: NO
S/A NUM 100
START END DATE:
DATE: 02/1996

PURCHASE INFORMATION
BUYER/SELLER: XYZ CHEMICALS
TYPE: SELLER
CONTRACT NO:

ALLOWANCE DATA
NAME: ARMS LENGTH:

PAYOR NUMBER: MA111
LEASE NUMBER: M39-003421-0 REVENUE SOURCE NUM: 201

PRODUCT: JL MURIATE OF POTASH - GRANULAR SPOT SALE: NO
S/A NUM 200
START END DATE:
DATE: 02/1996

PURCHASE INFORMATION
BUYER/SELLER: XYZ CHEMICALS
TYPE: SELLER
CONTRACT NO:

ALLOWANCE DATA

FIGURE 3-5. PCR for producing PIF (continued)

```

-----
                        SELLING ARRANGEMENT INFORMATION
-----
PAYOR NUMBER:  MA111
LEASE NUMBER:  M39-003421-0  REVENUE SOURCE NUM:  201

                                MMS USE ONLY
                                [-----]
                                | DOCUMENT ID: PIF272760518 |
                                | ACCEPTANCE DATE: 3/15/96   |
                                [-----]

|  PRODUCT:  JD MURIATE OF POTASH - STANDARD          SPOT SALE:  NO
|  S/A NUM  100
*
*
O
T
H
E
R
*
*
                                PURCHASE INFORMATION
                                BUYER/SELLER:  XYZ CHEMICALS
                                TYPE:  SELLER
                                CONTRACT NO:

|
|
                                ALLOWANCE DATA
                                NAME:
                                ARMS LENGTH:
|
|
PAYOR NUMBER:  MA111
LEASE NUMBER:  M39-003421-0  REVENUE SOURCE NUM:  201

|  PRODUCT:  JD MURIATE OF POTASH - STANDARD          SPOT SALE:  NO
|  S/A NUM  200
*
*
O
T
H
E
R
*
*
                                PURCHASE INFORMATION
                                BUYER/SELLER:  XYZ CHEMICALS
                                TYPE:  SELLER
                                CONTRACT NO:

|
|
                                ALLOWANCE DATA
                                NAME:
                                ARMS LENGTH:
|
|

```

FIGURE 3-5. PCR for producing PIF (continued)

3. How to Complete the PIF

SELLING ARRANGEMENT INFORMATION		
PAYOR NUMBER: MA111		
LEASE NUMBER: M39-003421-0 REVENUE SOURCE NUM: 201		
MMS USE ONLY		
DOCUMENT ID: PIF272760518		
ACCEPTANCE DATE: 3/15/96		
	PRODUCT: PN POTASSIUM - STANDARD	SPOT SALE: NO
	S/A NUM 100	
*	START DATE: 02/1996	END DATE:
*		
O		
T	<u>PURCHASE INFORMATION</u>	
H	BUYER/SELLER: XYZ CHEMICALS	
E	TYPE: SELLER	
R	CONTRACT NO:	
*		
*	<u>ALLOWANCE DATA</u>	
	NAME:	ARMS LENGTH:
PAYOR NUMBER: MA111		
LEASE NUMBER: M39-003421-0 REVENUE SOURCE NUM: 201		
	PRODUCT: SA SALT	SPOT SALE: NO
	S/A NUM 100	
*	START DATE: 02/1996	END DATE:
O		
T	<u>PURCHASE INFORMATION</u>	
H	BUYER/SELLER: XYZ CHEMICALS	
E	TYPE: SELLER	
R	CONTRACT NO:	
*		
*	<u>ALLOWANCE DATA</u>	
	NAME:	ARMS LENGTH:

FIGURE 3-5. PCR for producing PIF (continued)

Producing PIF revision example

Figure 3-6 on page 3-22 shows the necessary PIF changes by ABC Coal, Inc. when a coal lease is readjusted.

- ABC Coal, Inc. reports and pays 100 percent of the royalties accruing from the producing lease.
- The mine began producing in 1989.
- The lease was readjusted effective September 1, 1995; the royalty rate changed from 20 cents/ton (selling arrangement 300) to 12.5 percent of the value of the raw bituminous coal produced and sold from this surface mine (mining type code 1, revenue source 101).
- ABC Coal, Inc. continues to sell the coal through arm's-length arrangements (selling arrangement 100).

A single-line “change” entry results in turning off the old royalty rate and starting the new rate.

Figure 3-7 on page 3-23 shows the PCR returned by MMS.

NOTE

We leave the “Purchase Information” on the PCR blank, or we identify your company as the seller. The net effect is the same.

PAYOR INFORMATION FORM
SOLID MINERALS

FEDERAL INDIAN

CHECK IF REVISED

PART 2: LEASE DATA

MMS Lease Number or BLM/BIA Number M75-00004682-0			
Lease producing - Y/N Date of First Production		MSHA Mine Number	
	Y/N	Start Date	End Date
Rent Payor?			
Minimum Royalty Payor?			
Advance Royalty Payor?			

PART 1: COMPANY DATA

Company Name ABC Coal, Inc.	Payor Code MA- 001
Address P.O. Box 61	City, State, Zip Thickseam, WY 87222
Person to Contact O. H. Love	Phone Number/Extension (307) 424-2424

Comments:
Lease readjusted effective 9/1/95. Royalty rate now 12.5% (previously 20 cpu).

PART 3: PRODUCING LEASE DETAIL

Action Code	Effective Date	Mining Type Code	Royalty Rate, Range or Schedule	MMS Use Only	Product	Arm's Length or Non-Arm's Length Sales?	Percent of Sales	Royalty Reporting Codes		
								Revenue Source	Product Code	Selling Arrangement
C	9/95	1	.125		Coal-bituminous-raw	Arm's-length	100	101	ED	

FOR ILLUSTRATION ONLY

O. H. Love 9/2/95
Authorized Signature Date

WARNING: This is to inform you that failure to report accurately and timely in accordance with the statutes, regulations, or terms of the lease, permit, or contract may result in late payment charges, civil penalties, or liquidated damages being assessed without further notification. Intentional false or inaccurate reporting is subject to criminal prosecution in accordance with applicable Federal law(s).

The Paperwork Reduction Act of 1980 (44 U.S.C. 3501 et seq.) requires us to inform you that this information is being collected to set up an automated accounting data base for Federal and Indian solid minerals lease production and sales. MMS will use the information in monitoring and collecting rents and royalties due the government and Indians.

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FIGURE 3-6. Producing PIF revision

REPORT ID: RPI14OR1
 RUN DATE: 9/15/96
 RUN TIME: 17:49:42

UNITED STATES DEPARTMENT OF THE INTERIOR
 MINERALS MANAGEMENT SERVICE
 ROYALTY MANAGEMENT PROGRAM

PAYOR CONFIRMATION REPORT

 PAYOR IDENTIFICATION INFORMATION

COMPANY NUMBER: MA001 ABC COAL, INC.
 P.O. BOX 61
 THICKSEAM, WY 87222

LEASE NUMBER: M75-004682-0 MMS USE ONLY
 PAYOR RESPONSIBLE FOR: [-----]
 AS OF: [DOCUMENT ID:]
 ENDING: [ACCEPTANCE DATE:]
 [-----]

 REVENUE SOURCE INFORMATION

PAYOR NUMBER: MA001
 LEASE NUMBER: M75-004682-0 REVENUE SOURCE NUM: 101

REV SOURCE TYPE: MINE MMS USE ONLY
 INTERNAL ID: [-----]
 START DATE: 01/01/1989 [DOCUMENT ID: PIF272760518]
 END DATE: [ACCEPTANCE DATE: 09/15/95]
 [-----]

AGREEMENT DATA INFORMATION

AGENCY ASSIGNED NUMBER:
 UNIT COMM NAME:
 PART AREA OR FORMATION: TRACT NUMBER:
 UNIT/COMM NUMBER: TRACT PORTION: 0.000000

FIGURE 3-7. PCR for producing PIF revision

3. How to Complete the PIF

```

-----
                SELLING ARRANGEMENT INFORMATION
-----
PAYOR NUMBER:  MA001
LEASE NUMBER:  M75-004682-0  REVENUE SOURCE NUM:  101

                                MMS USE ONLY
                                [-----]
                                | DOCUMENT ID: PIF272760518 |
                                | ACCEPTANCE DATE: 09/15/95  |
                                |-----]

| PRODUCT: ED COAL - BIT - RAW           SPOT SALE: NO
| S/A NUM 300
*           START DATE: 01/01/1989           END DATE: 08/1995
*
O
T
H
E
R
*
*
                    PURCHASE INFORMATION    
                BUYER/SELLER:  ABC COAL, INC.
                TYPE:  SELLER
                CONTRACT NO:

*
*
                    ALLOWANCE DATA    
|           NAME:                               ARMS LENGTH:
|
PAYOR NUMBER:  MA001
LEASE NUMBER:  M75-004682-0  REVENUE SOURCE NUM:  101

| PRODUCT: ED COAL - BIT - RAW           SPOT SALE: NO
| S/A NUM 100
*           START DATE: 09/1995           END DATE:
*
O
T
H
E
R
*
*
                    PURCHASE INFORMATION    
                BUYER/SELLER:  ABC COAL, INC.
                TYPE:  SELLER
                CONTRACT NO:

*
*
                    ALLOWANCE DATA    
|           NAME:                               ARMS LENGTH:
|

```

FIGURE 3-7. PCR for producing PIF revision (continued)

4. How to Complete the Form MMS-2014

This chapter shows you how to complete the Report of Sales and Royalty Remittance, Form MMS-2014, using field-by-field explanations.

4.1 Reporting Tips

To ensure that the royalty information you report on Form MMS-2014 is accurate and complete, it is important to:

- Report all sales and royalty information in the **gross** amount.
- Report any adjustments or allowances (transportation or processing) as separate line items.
- Reverse all adjustments as originally accepted by MMS and enter the correct information as a separate line.

NOTE

Net adjustments are not allowed and will **NOT** be accepted.

- Use a minus (–) sign to denote a credit entry. Do not use brackets.
- Show rental, advance royalties, and minimum royalties as separate line items.
- Report your working interest percentage of production if you are paying only your share of the royalty.
- Submit separate forms for Federal and Indian royalty information.

The combination of a payor code, accounting identification (AID) number, product code, selling arrangement, sales month, and

4. How to Complete the Form MMS-2014

transaction code makes each report line unique. These “data elements” are defined below.

4.1.1 Payor code

The payor code is a unique, five-character, MMS-assigned number that identifies the payor (company). We require a payor code on each page of your Form MMS-2014. Payor codes for solid minerals leases begin with **MA**. If you report production to us (on solid minerals operations and facilities reports), use the same MA payor code on both your royalty and production reports. Companies that also have oil and gas leases must use their oil and gas payor codes on oil and gas reports (including oil and gas reporting on Form MMS-2014).

NOTE

Include your payor code on all correspondence.

4.1.2 AID number

An accounting identification (AID) number has 13 digits and consists of the MMS-converted lease number plus a 3-digit revenue source number (see “[Lease number](#)” and “[Revenue source](#)” on [page 3-3](#)). A typical AID number appears as follows:

M32 – 048392 – 0 – 201

Mining indicator	BLM/BIA lease number	Revenue source (assigned by MMS)
Lease prefix (indicates location)		Suffix (usually 0)

4.1.3 Product code

The product code is a two-character code assigned to a specific product description (see [app. B](#)) as reported to us on your Payor Information Form (PIF).

4.1.4 Selling arrangement

We convert the product disposition information that you supply on the PIF (returned to you on the Payor Confirmation Report [PCR]) to a three-digit selling arrangement code based on the following:

- **100** for all arm's-length sales on ad valorem leases.
- **200** for all non-arm's-length sales or internal consumption (a no-contract transfer) on ad valorem leases.
- **300** when royalty is based on a fixed rate per ton (cents per unit) or for western Federal phosphate leases.

Arm's-length sales include all competitive sales to buyers who are not tied to the lessee/operator by common ownership and have opposing economic interests. A **non-arm's-length** selling arrangement would be, for example, coal sales by an operator to a powerplant wholly or partially owned by the same company, or potash sales by a lessee to its own fertilizer plant. Also, selling arrangements based on consideration other than the value of the product are considered non-arm's-length.

4.1.5 Transaction codes

Transaction codes are two-digit codes that describe each payment and recoupment activity. We require separate report lines when more than one transaction type applies to a single AID number/product code/selling arrangement combination. These transaction code activities include, but are not limited to:

- Royalty due from sales,
- Minimum royalty,

4. How to Complete the Form MMS-2014

- Advance rental,
- Adjustments to previously reported lines,
- Allowances applied against royalties due,
- Advance rental credit applied against royalties due, and
- Recoupment of credit balances to reduce payment on Indian leases.

See [appendix C](#) for a complete list of transaction codes.

4.2 Filling Out the Form MMS-2014

If you have questions about filling out the Form MMS-2014, please contact the Solid Minerals Reporting Section (see [“How to Contact MMS” on p. 2-6](#)).

Form MMS-2014 is divided into header (top), royalty (center), and trailer (bottom) sections.

4.2.1 Header information

The following instructions explain the header information you must complete on **every** Form MMS-2014. Each explanation is sequentially numbered and keyed to [figure 4-1 on page 4-6](#).

Field No.	Field title	Instructions
(Top left)	Report Month/Year	Enter the current month and year (MMYY) in which you are submitting this form; for example, 0196.
1	Payor’s Name	Enter your payor name on every page (of a multipage report).

Field No.	Field title	Instructions
2	Payor Code	Enter your MMS-assigned solid minerals payor code on every page (of a multipage report).
3	Federal or Indian Indicator	Check the appropriate box to indicate the type of leases listed on this form. You must file separate Forms MMS-2014 for Federal and Indian leases.
3a	Payor-Assigned Document Number (PADN)	You create this number and include it on your accompanying royalty check or electronic funds transfer (EFT) transmittal message. The PADN may be any combination of up to six numbers that you select each month. This number must be unique and used one time only for any royalty report/payment combination; for example, use <i>109601</i> if this is the first report you are filing for the October 1996 report month.
(Top right)	Page _____ of _____	Enter the page number and total number of pages in your report.

U.S. DEPARTMENT OF THE INTERIOR
Minerals Management Service - Royalty Management Program

The Paperwork Reduction Act of 1980 (44 U.S.C. 3501 et seq.) requires us to inform you that this information is being collected to document details of royalty payments on sales of minerals from leases on Federal and Indian lands. MMS will use this information to maintain and audit lease accounts.

REPORT OF SALES AND ROYALTY REMITTANCE

Form MMS-2014

REPORT MO./YR. : _____

1 PAYOR'S NAME: _____

FEDERAL
OR
INDIAN

3a PAYOR-ASSIGNED DOCUMENT NUMBER _____

2 PAYOR CODE: _____

4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
RESERVED FOR PREPARER'S USE	ACCOUNTING IDENTIFICATION (AID) NUMBER	PRODUCT CODE	REG PRICE CODE	SELLING ARR CODE	SALES MONTH/YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASUREMENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PAYMENT METHOD CODE	
1															
2															
3															
4															
5															
6															
7															
8															
9															
10															
11															
12															
13															

FOR ILLUSTRATION ONLY

Form MMS-2014 (5/95)

REPORT CONTROL BLOCK		Amount
22	Payment (Method Code)	
23	Checks to MMS (01)	
24	Payments to Others (02)	
25	EFT to MMS (03)	
26	Royalty-In-Kind (04)	
27	Checks to MMS for BIA (05)	
28	EFT to BIA (06)	
29	Payments to Lockboxes (07)	
29	TOTAL OF ITEMS 22-28	

For detailed instructions and examples on how to complete and submit this form, please refer to the appropriate Minerals Management Service handbook. See the *Oil and Gas Payor Handbook - Volume II* for oil and gas and geothermal leases. See the *AFS Payor Handbook - Solid Mineral* for solid mineral leases.

20 PAGE TOTAL _____

21 REPORT TOTAL _____

I have read and examined the statements in this report and agree they are accurate and complete.

30 _____
Name (typed or printed) and authorized signature Date

31 _____
Name of preparer Telephone

FIGURE 4-1. Form MMS-2014 header information

4.2.2 Royalty line information

This section provides detailed instructions for entering the information needed to report and pay your royalties. Each explanation is sequentially numbered and keyed to [figure 4-2 on page 4-10](#).

NOTE

Fill out each report line completely. Do not use ditto marks, arrows, or “squiggles” from one line to another.

Field No.	Field title	Instructions
5	Reserved for Preparer’s Use	Enter any identifying information (such as mine name) in this field that will help us cross-reference the report line if we need to contact you.
6	AID Number	Enter the MMS-assigned AID number (lease number and revenue source) (see “AID number” on p. 4-2).
7	Product Code	Enter the appropriate product code (see “Product code” on p. 4-3 and app. B).
8	Regulated Price Code	Leave blank (for oil and gas use only).
9	Selling Arrangement Code	Enter the appropriate selling arrangement code, as established on your PIF and PCR (see “Selling arrangement” on p. 3-3 and on p. 4-3).
10	Sales Month/Year	Enter the month and year (MMYY) you sold the product. For leases that explicitly permit other than monthly payments (for example, quarterly), enter the last month and year of the period for which you are reporting. For example, if you are reporting first quarter 1996 sales, enter 0396.

4. How to Complete the Form MMS-2014

Field No.	Field title	Instructions
11	Transaction Code	Enter the appropriate transaction code (see “Transaction codes” on p. 4-3 and app. C).
NOTE		After you establish your reporting information on the PIF, you will receive a monthly Model 2014 with fields 6, 7, 9, 10, and 11 preprinted with your royalty lines (see “Model 2014” on p. 4-14 for more information).
12	Adjustment Reason Code	If applicable, enter the appropriate adjustment reason code (see “Reporting an Adjustment” on p. 6-2 and app. D).
13	Sales Quantity	Enter the sales quantity that represents your share of total sales for the lease (for example, tons, cubic yards, or pounds). Do not fill in total mine quantities. Do not round off the sales quantity; carry it to two numbers after the decimal point.
14	Quality Measurement	Leave blank (for oil and gas use only).
15	Calculation Method	Leave blank (for oil and gas use only).
16	Sales Value	Enter the total value of sales (Sales Quantity [field 13] multiplied by the unit value). Do not deduct allowances from this value, except for sodium and potassium leases (see “Claiming an allowance” on p. 5-17). Do not round off the sales value; carry it to two numbers after the decimal point. You do not have to fill in this field if you are reporting on a cents-per-ton (non-ad valorem) lease.
17	Royalty Quantity	Leave blank (for oil and gas use only).

Field No.	Field title	Instructions
18	Royalty Value	Enter the royalty value (Sales Value [field 16] multiplied by the royalty rate). Do not deduct allowances from this value, except for sodium and potassium leases (see “Claiming an allowance” on p. 5-17). Do not round off the royalty value; carry it to two numbers after the decimal point.
19	Payment Method Code	Enter the appropriate payment method code, as defined in the Report Control Block (see p. 4-11) and appendix E . Remember to complete this field for each reported line.

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REPORT OF SALES AND ROYALTY REMITTANCE
Form MMS-2014

Page _____ of _____

For MMS Use Only

REPORT MO./YR. : _____

1 PAYOR'S NAME: _____

FEDERAL

3 OR INDIAN

3a PAYOR-ASSIGNED DOCUMENT NUMBER

2 PAYOR CODE: _____

Form MMS-2014 (5/95)

4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
RESERVED FOR PREPARER'S USE	ACCOUNTING IDENTIFICATION (AID) NUMBER	PRODUCT CODE	REG PRICE	SELLING ARR	SALES MONTH/YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASURE-MENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PAYMENT METHOD CODE	
(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	
1															
2															
3															
4															
5															
6															
7															
8															
9															
10															
11															
12															
13															

FOR ILLUSTRATION ONLY

REPORT CONTROL BLOCK		Amount
22	Checks to MMS (01)	
23	Payments to Others (02)	
24	EFT to MMS (03)	
25	Royalty-In-Kind (04)	
26	Checks to MMS for BIA (05)	
27	EFT to BIA (06)	
28	Payments to Lockboxes (07)	
29	TOTAL OF ITEMS 22-28	

For detailed instructions and examples on how to complete and submit this form, please refer to the appropriate Minerals Management Service handbook. See the *Oil and Gas Payor Handbook - Volume II* for oil and gas and geothermal leases. See the *FIS Payor Handbook - Solid Minerals* for solid mineral leases.

20 PAGE TOTAL

21 REPORT TOTAL

I have read and examined the statements in this report and agree they are accurate and complete.

30 Name (typed or printed) and authorized signature _____ Date _____

31 Name of preparer _____ Telephone _____

FIGURE 4-2. Form MMS-2014 royalty line information

4.2.3 Trailer information

The following instructions explain the trailer information you must complete on **every** Form MMS-2014. Each explanation is sequentially numbered and keyed to [figure 4-3 on page 4-13](#).

Field No.	Field title	Instructions
20	Page Total	Total the Royalty Value (field 18). All credit (negative) entries in the field will reduce the total.
21	Report Total	For a multipage report, add the Page Total (field 20) from each page in the report. Enter the Report Total on the first page only . For a single-page report, the Report Total will equal the Page Total.
22-28	Report Control Block	Sum the Royalty Values (field 18) in the entire report by Payment Method Code (field 19) and enter these totals on the appropriate line(s) of the Report Control Block. For a multipage report, enter these totals on the first page only . Use payment method codes 01 (Checks to MMS), 02 (Payments to Others—including Indian Tribes and agencies), and 03 (EFT to MMS). Do not use method codes 04, 05, 06, and 07 because they apply to oil and gas payments only.
29	Total of Items 22-28	Total the Report Control Block amounts. This grand total must equal the grand total in the Report Total (field 21).
30	Name/Authorized Signature/Date	Print or type the name of the person verifying the accuracy of this report and have the verifier sign and date it. For a multipage report, enter this information on the first page only .

4. How to Complete the Form MMS-2014

Field No.	Field title	Instructions
31	Name of Preparer/ Telephone	Fill in the name and telephone number, including area code, of the person who completed the form. For a multipage report, enter this information on the first page only . The authorizer's name (field 30) can be the same as the preparer's.

OMB 1010-0022 (Exp. April 30, 19XX)

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Page _____ of _____

The Paperwork Reduction Act of 1980 (44 U.S.C. 3501 et seq.) requires us to inform you that this information is being collected to document details of royalty payments on sales of minerals from leases on Federal and Indian lands. MMS will use this information to maintain and audit lease accounts.

REPORT OF SALES AND ROYALTY REMITTANCE

Form MMS-2014

REPORT MO./YR. : _____

1 PAYOR'S NAME: _____

3 FEDERAL
OR
INDIAN

3a PAYOR-ASSIGNED DOCUMENT NUMBER

2 PAYOR CODE: _____

For MMS Use Only

4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
RESERVED FOR PREPARER'S USE	ACCOUNTING IDENTIFICATION (AID) NUMBER	PRODUCT CODE	REG PRICE CODE	SELLING ARR CODE	SALES MONTH/ YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASURE- MENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PAYMENT METHOD CODE	
1															
2															
3															
4															
5															
6															
7															
8															
9															
10															
11															
12															
13															

FOR ILLUSTRATION ONLY

Form MMS-2014 (5/95)

REPORT CONTROL BLOCK		Amount
Payment	(Method Code)	
22	Checks to MMS (01)	(22)
23	Payments to Others (02)	
24	EFT to MMS (03)	
25	Royalty-In-Kind (04)	
26	Checks to MMS for BIA (05)	
27	EFT to BIA (06)	
28	Payments to Lockboxes (07)	(28)
29	TOTAL OF ITEMS 22-28	(29)

For detailed instructions and examples on how to complete and submit this form, please refer to the appropriate Minerals Management Service handbook. See the *Oil and Gas Payor Handbook—Volume II* for oil and gas and geothermal leases. See the *FS Payor Handbook—Solid Minerals* for solid mineral leases.

20	PAGE TOTAL	(20)
21	REPORT TOTAL	(21)

I have read and examined the statements in this report and agree they are accurate and complete.

30 _____ (30)
Name (typed or printed) and authorized signature Date

31 _____ (31)
Name of preparer Telephone

FIGURE 4-3. Form MMS-2014 trailer information

4.3 Model 2014

Figure 4-4 on page 4-15 illustrates a Model 2014. After you complete and return PIFs to MMS detailing your reporting requirements, we generate and mail monthly Model 2014s preprinted with your specific reporting information, including:

- The current report month/year,
- Your company name,
- Your payor code,
- AID numbers (field 6),
- Product codes (field 7),
- Selling arrangements (field 8),
- The current sales month (field 10), and
- Transaction codes (field 11).

Reporting is faster and easier when you use the Model 2014 because you need to complete only the remaining fields that detail your monthly sales amounts. If you need to make adjusting entries, you can add them to any blank lines on the Model 2014.

NOTE

Lease-level activities (rentals, minimum/advance royalties, and recoupable balances) do **not** preprint on the Model 2014. You must type or handwrite these lines yourself.

If you end date a report line (by sending us a revised PIF), that line will be removed from your Model 2014. If you end date every report line, we will no longer mail you a monthly Model 2014. If you report electronically or by computer-generated facsimile, we will no longer mail you any Model 2014s.

U.S. DEPARTMENT OF THE INTERIOR
Minerals Management Service - Royalty Management Program

Page _____ of _____
For MMS Use Only

The Paperwork Reduction Act of 1980 (44 U.S.C. 3501 et seq.) requires us to inform you that this information is being collected to document details of royalty payments on sales of minerals from leases on Federal and Indian lands. MMS will use this information to maintain and audit lease accounts.

REPORT OF SALES AND ROYALTY REMITTANCE
Form MMS-2014

REPORT MO./YR. : 0 5 9 6
1 PAYOR'S NAME: **MINING EFX COMPANY**

3 FEDERAL
OR
INDIAN

3a PAYOR-ASSIGNED DOCUMENT NUMBER

2 PAYOR CODE: **M A 9 9 9**

4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
RESERVED FOR PREPARER'S USE	ACCOUNTING IDENTIFICATION (AID) NUMBER	PRODUCT CODE	REG PRICE CODE	SELLING ARR CODE	SALES MONTH/YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASURE-MENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PAYMENT METHOD CODE	
1	80199999	M72 123123 0 101	EC	00	100 04 96			01							
2	80199999	M72 123123 0 101	ED	00	100 04 96			01							
3	801015	M72 000888 0 101	EG	00	300 04 96			01							
4	801015	M72 000888 0 101	ED	00	300 04 96			01							
5															
6															
7															
8															
9															
10															
11															
12															
13															

FOR ILLUSTRATION ONLY

REPORT CONTROL BLOCK		Amount
Payment	(Method Code)	
22	Checks to MMS (01)	
23	Payments to Others (02)	
24	EFT to MMS (03)	
25	Royalty-In-Kind (04)	
26	Checks to MMS for BIA (05)	
27	EFT to BIA (06)	
28	Payments to Lockboxes (07)	
29	TOTAL OF ITEMS 22-28	

For detailed instructions and examples on how to complete and submit this form, please refer to the appropriate Minerals Management Service handbook. See the *Oil and Gas Payor Handbook—Volume II* for oil and gas and geothermal leases. See the *AFS Payor Handbook—Solid Mineral* for solid mineral leases.

20 PAGE TOTAL _____
21 REPORT TOTAL _____

I have read and examined the statements in this report and agree they are accurate and complete.

30 _____
Name (typed or printed) and authorized signature Date

31 _____
Name of preparer Telephone

Solid Minerals Payor Handbook
MMS/RMP Release 1.0 ♦ 02/20/97

FIGURE 4-4. Model 2014

5. Explanations of Different Reporting Situations

The explanations and examples in this chapter show typical reporting situations you may encounter when filling out the Form MMS-2014. This chapter covers lease-level transactions (rent, advance royalty, and minimum royalty) and illustrates more complex production royalty situations.

5.1 How to Report and Pay Lease-Level Transactions

Rent, advance royalty, and minimum royalty are lease-level transactions that are described by the lease terms. These transactions are normally due and payable on an annual basis. Because lease-level lines do **not** preprint on your monthly Model 2014, you must write or type them on any blank line on your Form MMS-2014 or Model 2014.

5.1.1 Reporting and paying rent—TCs 04 and 05

You must report and pay rent (transaction code [TC] 04) or recoupable rent (TC 05) before the first day of each lease year. Fill in the Sales Month/Year (field 10) as the first month of the lease year. For example, for a lease with a lease year beginning January 1, 1996, you must report and pay rent during December 1995 (or before) using a January 1996 sales month. If your lease terms allow you to recoup your rent against production royalties, refer to [“Rent recoupment reporting example” on page 5-6.](#)

5. Explanations of Different Reporting Situations

Follow these instructions to report a rent line on Form MMS-2014:

Field No.	Field title	Instructions
6	Accounting Identification (AID) Number	Enter the 10-digit MMS-assigned lease number followed by <i>000</i> as the last three digits.
7	Product Code	Leave blank.
8	Regulated Price Code	Leave blank.
9	Selling Arrangement Code	Leave blank.
10	Sales Month/Year	Enter the first month of the lease year, using an MMY format. For example, enter January 1996 as <i>0196</i> .
11	Transaction Code	Enter <i>04</i> or <i>05</i> , as appropriate.
12	Adjustment Reason Code	Leave blank.
13	Sales Quantity	Leave blank.
14	Quality Measurement	Leave blank.
15	Calculation Method	Leave blank.
16	Sales Value	Leave blank.
17	Royalty Quantity	Leave blank.
18	Royalty Value	Enter the rental amount on which you are reporting and paying.
19	Payment Method Code	Enter <i>01</i> , <i>02</i> , or <i>03</i> , as defined in the Report Control Block.

5. Explanations of Different Reporting Situations

NOTE

You may also pay your **nonrecoupable** rent (for Federal leases only) using the Rental Courtesy Notice that we send to you. Use either the Form MMS-2014 or the Rental Courtesy Notice to report and pay the rental; do not report on both forms for the same payment. Mail either form to the appropriate address listed in [“How to Contact MMS”](#) on page 2-6.

Rent reporting example

Following is an example of how to report rent on Form MMS-2014 using the data given below:

- The current report month is September 1996.
- The MMS-converted lease number is M72-007170-0.
- The lease anniversary date is October 1.
- The lease specifies an annual nonrecoupable rental payment of \$3/acre for 600 acres.
- The company paid by check.

4	6	7	8	9	10	11	12	13	14	15	16	17	18	19
	ACCOUNTING IDENTIFICATION NUMBER	PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASURE-MENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1	M72 007170 0 000				1096	04							1,800 00	01
2														
3														
13													1,800 00	
													1,800 00	

5.1.2 Reporting and taking a rent recoupment—TC 25

Most Indian and some Federal lease terms require a rental payment that can then be recouped against net revenues reported and paid for the same lease year. You can offset 100 percent of the current month's net revenues against the previously reported rent payment, but you cannot recoup more than 100 percent of the rent.

If you fail to recoup the rent in the same lease year on an Indian lease, we consider these rents as an overpayment. You must recoup these overpayments using TCs 50 and 51 (see [“Indian Recoupments” on p. 6-13](#)).

If you make your rent payment before the actual due date, remember that you cannot recoup it until there are royalties in the lease year to which the rent applies.

If, at the end of the lease year, you paid less in royalties than the initial rental payment amount, you cannot recoup the balance left over against any future lease year's royalties.

Follow these instructions to report a rent recoupment line on Form MMS-2014:

Field No.	Field title	Instructions
6	AID Number	Enter the 10-digit MMS-assigned lease number followed by 000 as the last three digits.
7	Product Code	Leave blank.
8	Regulated Price Code	Leave blank.
9	Selling Arrangement Code	Leave blank.
10	Sales Month/Year	Enter the sales month/year that you are recouping against, using an MMY format. For example, enter January 1996 as 0196.

5. Explanations of Different Reporting Situations

Field No.	Field title	Instructions
11	Transaction Code	Enter 25.
12	Adjustment Reason Code	Leave blank.
13	Sales Quantity	Leave blank.
14	Quality Measurement	Leave blank.
15	Calculation Method	Leave blank.
16	Sales Value	Leave blank.
17	Royalty Quantity	Leave blank.
18	Royalty Value	Enter the rent recoupment amount you are taking. Be sure to use a minus sign.
19	Payment Method Code	Enter 01, 02, or 03, as defined in the Report Control Block.

5. Explanations of Different Reporting Situations

Rent recoupment reporting example

Following is an example of how to report—and then recoup—recoupable rent on Form MMS-2014 using the data given below:

- The current report month is February 1996.
- The MMS-converted lease number is M72-007171-0.
- The lease anniversary date is March 1.
- The lease specifies an annual recoupable rent payment of \$3/acre for 120 acres.
- The company paid by check.

4	6	7	8	9	10	11	12	13	14	15	16	17	18	19
	ACCOUNTING IDENTIFICATION NUMBER	PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASUREMENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1	M72 007171 0 000				0396	05							360 00	01
2														
3														
13													360 00	
													360 00	

In the May 1996 report month, the company reported and paid \$5,000 in royalties for the April 1996 sales month. (See [“How to Report and Pay Royalties—TC 01”](#) on page 5-14 for instructions on paying royalties.) The company then recouped the rent against the royalties.

5. Explanations of Different Reporting Situations

4	6	ACCOUNTING IDENTIFICATION NUMBER	7	8	9	10	11	12	13	14	15	16	17	18	19
			PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASUREMENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1		M72 007171 0 201	ED		100	0496	01		3,125 00			62,500 00		5,000 00	01
2		M72 007171 0 000				0496	25							- 360 00	01
3															
														4,640 00	
														4,640 00	

NOTE

Even if you are recouping rent (against production or advance royalties) in the same month that you pay the rent, do not net this amount. The rent payment and the recoupment must be separate line items. See [chapter 6](#) for more information on recoupments.

5.1.3 Reporting and paying advance royalty—TC 32

For the purposes of reporting to MMS, we consider “minimum royalty due in advance” and “advance royalty” as the same reporting and payment procedure. However, the production status of your non-coal lease (43 CFR 3500) will determine when and how you report advance royalty:

- If your lease will not be in production at the beginning of the lease year, you must report and pay advance royalty (TC 32) before the first day of the lease year. Fill in the Sales Month/Year (field 10) as the first month of the lease year. For example, for a lease with a lease year beginning January 1, 1996, you must report and pay advance royalty during December 1995 (or before) using a January 1996 sales month. If production begins during the lease year, you can recoup the advance royalty against royalties using TC 33 (see [“Advance royalty recoupment reporting example”](#) on p. 5-12).
- If your lease is in production at the beginning of the lease year, we consider the advance royalty payable at the end of the year as a

5. Explanations of Different Reporting Situations

minimum royalty. If there is a deficiency at year-end between the total production royalties for the year and the advance royalty amount, you will pay the difference using TC 02, minimum royalty (see [“Advance royalty recoupment reporting example”](#) on p. 5-12).

For coal advance royalty (in lieu of production) requirements, see [“Advance Royalties”](#) on page 8-4.

Follow these instructions to report an advance royalty line on Form MMS-2014:

Field No.	Field title	Instructions
6	AID Number	Enter the 10-digit MMS-assigned lease number followed by <i>000</i> as the last three digits.
7	Product Code	Leave blank.
8	Regulated Price Code	Leave blank.
9	Selling Arrangement Code	Leave blank.
10	Sales Month/Year	Enter the first month of the lease year, using an MMY format. For example, enter January 1996 as <i>0196</i> .
11	Transaction Code	Enter <i>32</i> .
12	Adjustment Reason Code	Leave blank.
13	Sales Quantity	Leave blank.
14	Quality Measurement	Leave blank.
15	Calculation Method	Leave blank.
16	Sales Value	Leave blank.

5. Explanations of Different Reporting Situations

Field No.	Field title	Instructions
17	Royalty Quantity	Leave blank.
18	Royalty Value	Enter the advance royalty amount on which you are reporting and paying.
19	Payment Method Code	Enter 01, 02, or 03, as defined in the Report Control Block.

Advance royalty reporting example

Following is an example of how to report advance royalties on Form MMS-2014 using the data given below:

- The current report month is December 1995.
- The MMS-converted lease number is M72-007172-0.
- The lease anniversary date is January 1.
- The lease specifies an annual advance royalty payment of \$3/acre for 600 acres.
- The company paid by electronic funds transfer (EFT).

4	6	ACCOUNTING IDENTIFICATION NUMBER	7	8	9	10	11	12	13	14	15	16	17	18	19
			PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/ YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASURE- MENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1		M72 007172 0 000				0196	32							1,800 00	03
2															
3															
														1,800 00	
														1,800 00	

5.1.4 Reporting and taking an advance royalty recoupment—TC 33

Most Indian and some Federal lease terms require an advance royalty payment that can then be recouped against net royalties reported and paid for the same lease year. You can offset 100 percent of the current month's net royalties against the previously reported advance royalty payment, but you cannot recoup more than 100 percent of the advance royalty.

If you fail to recoup advance royalties in the same lease year on an Indian lease, we consider these advance royalties as an overpayment. You must recoup these overpayments using TCs 50 and 51 (see [“Indian Recoupments” on p. 6-13](#)).

If you make your advance royalty payment before the actual due date, you cannot recoup it until there are royalties in the lease year to which the advance royalty applies.

If, at the end of the lease year, you paid less royalties than the initial advance royalty payment amount, you cannot recoup the balance left over against any future lease year royalties.

Follow these instructions to report an advance royalty recoupment line on the Form MMS-2014:

Field No.	Field title	Instructions
6	AID Number	Enter the 10-digit MMS-assigned lease number followed by 000 as the last three digits.
7	Product Code	Leave blank.
8	Regulated Price Code	Leave blank.
9	Selling Arrangement Code	Leave blank.

5. Explanations of Different Reporting Situations

Field No.	Field title	Instructions
10	Sales Month/ Year	Enter the sales month/year that you are recouping against, using an MMY format. For example, enter January 1996 as <i>0196</i> .
11	Transaction Code	Enter <i>33</i> .
12	Adjustment Reason Code	Leave blank.
13	Sales Quantity	Leave blank.
14	Quality Measurement	Leave blank.
15	Calculation Method	Leave blank.
16	Sales Value	Leave blank.
17	Royalty Quantity	Leave blank.
18	Royalty Value	Enter the advance royalty recoument amount you are taking. Be sure to use a minus sign.
19	Payment Method Code	Enter <i>01</i> , <i>02</i> , or <i>03</i> , as defined in the Report Control Block.

5. Explanations of Different Reporting Situations

Advance royalty recoupment reporting example

Following is an example of how to recoup advance royalties on Form MMS-2014 using the data given below:

- The current report month is February 1996.
- The MMS-converted lease number is M72-007172-0.
- The company made an \$1,800 advance royalty payment on this lease in the December 1995 report month.
- The company is now reporting and paying \$2,500 in royalties against which they will recoup their advance royalties. (See [“How to Report and Pay Royalties—TC 01”](#) on page 5-14 for instructions on paying royalties.)
- The company paid by EFT.

4	6	7	8	9	10	11	12	13	14	15	16	17	18	19
	ACCOUNTING IDENTIFICATION NUMBER	PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASUREMENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1	M72 007172 0 101	ED		100	0196	01		3,000 00			20,000 00		2,500 00	03
2	M72 007172 0 000				0196	33							- 1,800 00	03
3														
13														
													700 00	
													700 00	

5.1.5 Reporting and paying minimum royalty—TC 02

Some lease terms require a minimum royalty payable at the end of the lease year if you have not paid the minimum amount through royalties during the course of the lease year. In this case, you must report and pay minimum royalty on or before the last day of the lease year, even if you have not reported all royalties for the lease year. For example, your December royalties are not due until January, but the total minimum royalty must be paid by December 31. Fill in the Sales Month/Year (field 10) as the last month of the lease year. For example, for a lease with a lease year beginning January 1, 1996, you must report and pay

5. Explanations of Different Reporting Situations

minimum royalty during December 1996 (or before) using a December 1996 sales month.

Follow these instructions to report a minimum royalty line on Form MMS-2014:

Field No.	Field title	Instructions
6	AID Number	Enter the 10-digit MMS-assigned lease number followed by <i>000</i> as the last three digits.
7	Product Code	Leave blank.
8	Regulated Price Code	Leave blank.
9	Selling Arrangement Code	Leave blank.
10	Sales Month/Year	Enter the last month of the lease year, using an MMY format. For example, enter January 1996 as <i>0196</i> .
11	Transaction Code	Enter <i>02</i> .
12	Adjustment Reason Code	Leave blank.
13	Sales Quantity	Leave blank.
14	Quality Measurement	Leave blank.
15	Calculation Method	Leave blank.
16	Sales Value	Leave blank.
17	Royalty Quantity	Leave blank.
18	Royalty Value	Enter the minimum royalty amount on which you are reporting and paying.
19	Payment Method Code	Enter <i>01</i> , <i>02</i> , or <i>03</i> , as defined in the Report Control Block.

5. Explanations of Different Reporting Situations

Minimum royalty reporting example

Following is an example of how to report minimum royalty on Form MMS-2014 using the data given below:

- The current report month is December 1996.
- The MMS-converted lease number is M72-007173-0.
- The lease anniversary date is January 1.
- The lease specifies an annual minimum royalty payment of \$3/acre for 600 acres in lieu of production.
- The company paid by check.

4	6	7	8	9	10	11	12	13	14	15	16	17	18	19
	ACCOUNTING IDENTIFICATION NUMBER	PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/ YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASURE- MENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1	M72 007173 0 000				1296	02							1,800 00	01
2														
3														
13													1,800 00	
													1,800 00	

5.2 How to Report and Pay Royalties—TC 01

Use TC 01 to report monthly royalties due on Federal and Indian leases. You must generally report and pay royalties within 1 month following the month of sales.

5. Explanations of Different Reporting Situations

Follow these instructions to report a royalty line on the Form MMS-2014:

Field No.	Field title	Instructions
6	AID Number	Enter your 10-digit MMS-assigned lease number and 3-digit revenue source assigned on your Payor Confirmation Report (PCR).
7	Product Code	Enter your two-character product code assigned on your PCR.
8	Regulated Price Code	Leave blank.
9	Selling Arrangement Code	Enter your three-digit selling arrangement code assigned on your PCR.
10	Sales Month/Year	Enter the month/year in which the product was sold, using an MMY format. For example, enter January 1996 as <i>0196</i> .
11	Transaction Code	Enter <i>01</i> .
12	Adjustment Reason Code	Leave blank.
13	Sales Quantity	Enter the quantity of product for which you are responsible for reporting and paying royalties (for example, tons, cubic yards, or pounds).
14	Quality Measurement	Leave blank.
15	Calculation Method	Leave blank.
16	Sales Value	Enter the corresponding dollar value of the sales quantity.
17	Royalty Quantity	Leave blank.

5. Explanations of Different Reporting Situations

Field No.	Field title	Instructions
18	Royalty Value	Enter the sales value multiplied by the lease royalty rate.
19	Payment Method Code	Enter 01, 02, or 03, as defined in the Report Control Block.

Royalty reporting example

Following is an example of how to report royalty on your Form MMS-2014 using the data given below:

- The current report month is September 1996.
- The MMS-converted lease number is M72-007174-0.
- The revenue source is 101 (indicating a surface mining operation).
- The product is raw bituminous coal, product code ED.
- Because the product is disposed of through an arm's-length contract, the MMS-assigned selling arrangement code is 100.
- The coal was removed and sold in August 1996.
- The company sold 2,000 tons of coal at \$20/ton.
- The lease terms specify a 12.5-percent royalty rate.
- The company paid by check.

4	6	7	8	9	10	11	12	13	14	15	16	17	18	19
	ACCOUNTING IDENTIFICATION NUMBER	PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASURE-MENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1	M72 007174 0 101	ED		100	0896	01		2,000 00			40,000 00		5,000 00	01
2														
3														
13													5,000 00	
													5,000 00	

5.3 How to Report and Take Allowances

We allow two types of deductions from gross proceeds, when appropriate: transportation allowances and processing (washing) allowances. Generally, you take an allowance as reimbursement for your costs incurred in enhancing the value of your royalty percentage of production beyond a standard of marketable condition. Allowances apply only to leases for which royalties are computed on the value of products sold (ad valorem or royalty percentage leases).

5.3.1 Claiming an allowance

You can deduct reasonable, actual costs incurred for transporting a product to a point of sale that is distant from the mine, plant, or other customary point of shipment to market. You cannot deduct the cost of haulage in and around the mine, including mine support facilities. Normally, your reasonable, actual costs will be the basis for an allowance; however, we may compare free on board (f.o.b.) mine sales value with f.o.b. destination sales value minus the transportation costs to determine the reasonableness of an allowance.

You can deduct the actual, reasonable costs incurred in washing coal. You can also claim allowances on lead/zinc/copper leases for smelting, refining, and associated handling costs when royalties are reported on the basis of refined metal. You cannot claim processing allowances for mining and concentrating costs necessary to produce the ore concentrate.

For sodium and potassium products, we may allow deductions for transportation, packaging, and processing. However, do not claim transportation, packaging, or reagent allowances as separate line items on Form MMS-2014. Instead, make appropriate adjustments for these items to the Sales Value of the sodium or potassium product. See [page 7-1](#) for special instructions and examples on computing and reporting royalties for sodium and potassium leases.

For example, do not base your sodium and potassium royalties on:

- The delivered price of a bulk product sold at a site remote from the lease,

5. Explanations of Different Reporting Situations

- The packaged price of a product sold in packages, or
- The total weight of a product containing a lessee-owned reagent that is chemically part of the product.

In these instances, base your royalties on:

- The sales price of the delivered bulk product, net of actual transportation costs. However, the net price may be no lower than the weighted average sales price of the same product sold in the area of origin (the mine, processing plant, or regional distribution center).
- The weighted average royalty value of the same product sold in bulk form, whether sold at the area of origin or a remote sales point.
- The weight of the product containing the reagent, less the weight of that reagent in the product sold. However, you can claim the reagent deduction only if the unit value used to compute the royalty is the sales value (or sales value less transportation costs) of the product that contains the reagent.

Currently, there are no processing allowances for phosphate. Please check your lease terms for other leasable minerals, such as gilsonite or uranium, to determine if you can take a processing allowance.

Indian coal lessees must follow the reporting requirements for transportation and washing allowances found at 30 CFR 206.461 and 206.458, respectively.

Please direct any questions concerning allowances to the address and phone number in [“How to Contact MMS” on page 2-6](#).

NOTE

You must type or handwrite all solid minerals allowance lines on Form MMS-2014 because they do not preprint on your Model 2014.

5.3.2 Reporting a transportation allowance—TC 11

Use TC 11 to report your transportation expenses as a credit against royalties due. Always report your transportation allowance as a separate line from your royalty (TC 01) line. Do not net your allowance with your royalty due (except for sodium and potassium products; see “Claiming an allowance” on p. 5-17).

Follow these instructions to report a transportation allowance line on Form MMS-2014:

Field No.	Field title	Instructions
6	AID Number	Enter the same AID number as the royalty line from which you are taking an allowance.
7	Product Code	Enter the same product code as the royalty line from which you are taking an allowance.
8	Regulated Price Code	Leave blank.
9	Selling Arrangement Code	Enter the same selling arrangement as the royalty line from which you are taking an allowance.
10	Sales Month/Year	Enter the same sales month/year as the royalty line from which you are taking an allowance. Enter the month/year in MMY format; for example, enter January 1996 as 0196.
11	Transaction Code	Enter 11.
12	Adjustment Reason Code	Leave blank.
13	Sales Quantity	Leave blank.
14	Quality Measurement	Leave blank.

5. Explanations of Different Reporting Situations

Field No.	Field title	Instructions
15	Calculation Method	Leave blank.
16	Sales Value	Leave blank.
17	Royalty Quantity	Leave blank.
18	Royalty Value	The allowance royalty value equals the sales quantity for which you are claiming a transportation allowance multiplied by the royalty rate multiplied by the transportation allowance per unit of measure. Enter this amount as a credit, using a minus sign.
19	Payment Method Code	Enter 01, 02, or 03, as defined in the Report Control Block.

Transportation allowance reporting example

Following is an example of how to report and take a transportation allowance on Form MMS-2014 using the data given below:

- The current report month is February 1996.
- The MMS-converted lease number is M72-007175-0.
- The company sold 5,000 tons of raw bituminous coal at a sales point remote from the mine.
- The royalty rate is 8 percent.
- The company reports and pays \$8,000 in royalties. (See [“How to Report and Pay Royalties—TC 01”](#) on page 5-14 for instructions on paying royalties.)
- They incurred a \$0.75/ton out-of-pocket transportation expense to ship coal to the customer’s plant.

5. Explanations of Different Reporting Situations

- The company calculated the transportation allowance royalty value by multiplying the sales quantity by the royalty rate by the unit allowance:

$$5,000 \times 0.08 \times \$0.75 = \$300$$

- The company paid by EFT.

4	6	7	8	9	10	11	12	13	14	15	16	17	18	19
	ACCOUNTING IDENTIFICATION NUMBER	PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASUREMENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1	M72 007175 0 201	ED		100	0196	01		5,000 00			100,000 00		8,000 00	03
2	M72 007175 0 201	ED		100	0196	11							- 300 00	03
3														
13													7,700 00	
													7,700 00	

5.3.3 Reporting a processing (washing) allowance—TC 15

Use TC 15 to report your processing expenses as a credit against royalties due. Always report your processing allowance as a separate line from your royalty (TC 01) line. Do not net your allowance with your royalty due.

Follow these instructions to report a processing allowance line on Form MMS-2014:

Field No.	Field title	Instructions
6	AID Number	Enter the same AID number as the royalty line from which you are taking an allowance.
7	Product Code	Enter the same product code as the royalty line from which you are taking an allowance.

5. Explanations of Different Reporting Situations

Field No.	Field title	Instructions
8	Regulated Price Code	Leave blank.
9	Selling Arrangement Code	Enter the same selling arrangement as the royalty line from which you are taking an allowance.
10	Sales Month/Year	Enter the same sales month/year as the royalty line from which you are taking an allowance. Enter the month/year in MMY format; for example, enter January 1996 as 0196.
11	Transaction Code	Enter 15.
12	Adjustment Reason Code	Leave blank.
13	Sales Quantity	Leave blank.
14	Quality Measurement	Leave blank.
15	Calculation Method	Leave blank.
16	Sales Value	Leave blank.
17	Royalty Quantity	Leave blank.
18	Royalty Value	The allowance royalty value equals the sales quantity approved for a processing allowance multiplied by the processing allowance per unit of measure multiplied by the royalty rate. Enter this amount as a credit, using a minus sign.
19	Payment Method Code	Enter 01, 02, or 03, as defined in the Report Control Block.

5. Explanations of Different Reporting Situations

Processing allowance reporting example

Following is an example of how to report and take a processing (washing) allowance on Form MMS-2014 using the data given below:

- The current report month is April 1996.
- The MMS-converted lease number is M72-007176-0.
- The company sold 7,000 clean coal tons at \$15/ton and a 12.5-percent royalty rate.
- The company reports and pays \$13,125 in royalties. (See [“How to Report and Pay Royalties—TC 01”](#) on page 5-14 for instructions on paying royalties.)
- They incurred a \$5/ton clean coal washing expense.
- The company calculated the processing (washing) allowance royalty value by multiplying the sales quantity by the royalty rate by the unit allowance:

$$7,000 \times 0.125 \times \$5 = \$4,375$$

- The company paid by EFT.

4	6	ACCOUNTING IDENTIFICATION NUMBER	7	8	9	10	11	12	13	14	15	16	17	18	19
			PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASUREMENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1		M72 007176 0 101	EC		100	0396	01		7,000 00			105,000 00		13,125 00	03
2		M72 007176 0 101	EC		100	0396	15							-4,375 00	03
3															
														8,750 00	
														8,750 00	

5.4 Reporting Tax Credits on Indian Leases—TC 12

Indian leases, with very few exceptions, are exempt from State and local taxes. If taxes are imposed on an Indian lease, they are typically severance taxes collected on gross sales and remitted by the payor to the taxing authority on the lessor's behalf. Although tax credits on Indian leases do not require prior approval from MMS, we presume all Indian leases to be exempt from taxes. If you feel that your Indian lease is not exempt, you must prove that it was issued under Federal statutory authority expressly subjecting the Indians to State taxes for the lease revenues. **Unless you can present such proof, we will treat your tax withholdings as a royalty underpayment.** Contact the local Bureau of Indian Affairs (BIA) office that has responsibility for your lease if you have any questions.

We do not allow tax credits on Federal leases.

Show transactions that include appropriate tax credits on Indian leases as two-line entries on Form MMS-2014. The first line reports the sale at the stated product price (TC 01). The second line reports the tax credit and is entered as a credit amount using a minus sign (–).

Below is a description of how to report the **second** line:

Field No.	Field title	Instructions
6	AID Number	Enter the 10-digit MMS-assigned lease number and 3-digit revenue source reported on the first line.
7	Product Code	Enter the two-character product code reported on the first line.
8	Regulated Price Code	Leave blank.
9	Selling Arrangement Code	Enter the three-digit selling arrangement code reported on the first line.
10	Sales Month/Year	Enter the month/year reported on the first line in the MMY format; for example, enter January 1996 as <i>0196</i> .

5. Explanations of Different Reporting Situations

Field No.	Field title	Instructions
11	Transaction Code	Enter <i>12</i> .
12	Adjustment Reason Code	Leave blank.
13	Sales Quantity	Leave blank.
14	Quality Measurement	Leave blank.
15	Calculation Method	Leave blank.
16	Sales Value	Leave blank.
17	Royalty Quantity	Leave blank.
18	Royalty Value	Enter the tax credit using a minus sign. If the tax credit is based on the product's value (that is, 20-percent tax rate), then the tax credit equals the tax rate times the royalty value from the first line.
19	Payment Method Code	Enter the same payment method code reported on the first line.

5. Explanations of Different Reporting Situations

Tax credit reporting example

Following is an example of how to report an Indian tax credit on your Form MMS-2014 using the data below:

- The current report month is March 1996.
- The AID number is M34-200000-0-101.
- The product is bituminous processed coal, product code EC.
- Because the coal is disposed of through an arm's-length contract, the MMS-assigned selling arrangement code is 100.
- The coal was removed and sold in February 1996.
- The company sold 2,000 tons at \$20/ton.
- The lease terms specify a 12.5-percent royalty rate.
- The company has an allowable tax credit of \$0.07/ton.
- The company paid the Indians directly.

4	6	7	8	9	10	11	12	13	14	15	16	17	18	19
	ACCOUNTING IDENTIFICATION NUMBER	PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASUREMENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1	M34 200000 0 101	EC		100	0296	01		2,000 00			40,000 00		5,000 00	02
2	M34 200000 0 101	EC		100	0296	12							- 140 00	02
3														
13													4,860 00	
													4,860 00	

5.5 Reporting No Sales

If you had no sales for an entire month, you may leave that line blank. If all of the report lines on your document are blank, you don't need to return the form.

6. Adjustments, Recoupments, and Refunds

If you submitted incorrect data on your Form MMS-2014, you must make an adjustment to correct the information. An **adjustment** is any correction made on Form MMS-2014 to a previously accepted line. You may make an adjustment in order to:

- Pay additional monies,
- Recoup overpaid amounts, or
- Change information that does not affect your payment.

Your lease type (Federal, Indian, or offshore) and the original date of the information being adjusted may affect the way you report your adjustment.

NOTE

Make sure that the adjustments you make on your royalty reports are also reflected on your production reports.

The adjustment reason code you choose (field 12 on Form MMS-2014) will depend on your reason for the adjustment and whether it was a payor-initiated or other adjustment. (See [appendix D](#) for a list of all adjustment reason codes.) A **recoupment** occurs when you report an adjustment that results in a net negative for the transaction (that is, you are adjusting a previously overpaid amount) and you recoup this amount from the remaining positive lines on Form MMS-2014.

6. Adjustments, Recoupments, and Refunds

A **refund** occurs when you receive direct payment for an overpayment. All refunds require our review and approval. We issue refunds on Federal leases only when:

- You are no longer an active payor in our system, or
- You have no producing Federal leases in our system, or
- Your recoupment would take an unreasonable amount of time (more than 1 year) to be recouped.

NOTE

Because of the potential complexity of adjustments, recoupments, and refunds, we encourage you to contact the Solid Minerals Reporting Section Accountant if you have any questions (see [“How to Contact MMS” on page 2-6](#)).

6.1 Reporting an Adjustment

Report adjustments as two-line entries. You must first credit out the original report line and then re-report the adjusted report line.

Follow these instructions to report the original (credited) royalty line and the adjusted royalty line on Form MMS-2014.

Line One—Original (Credited) Royalty Line

Field No.	Field title	Instructions
6	Accounting Identification (AID) Number	Enter the 10-digit MMS-assigned lease number and 3-digit revenue source as the line accepted in our automated system.
7	Product Code	Enter the two-character product code as the line accepted.

6. Adjustments, Recoupments, and Refunds

Field No.	Field title	Instructions
8	Regulated Price Code	Leave blank.
9	Selling Arrangement Code	Enter the three-digit selling arrangement code as the line accepted.
10	Sales Month/Year	Enter the sales month/year as the line accepted.
11	Transaction Code	Enter the transaction code as the line accepted.
12	Adjustment Reason Code	Enter the appropriate adjustment reason code. (Use an adjustment reason code on both the negative and the positive lines.) See appendix D for more explanation.
13	Sales Quantity	Enter the negative of the sales quantity as the line originally accepted. Use a minus sign.
14	Quality Measurement	Leave blank.
15	Calculation Method	Leave blank.
16	Sales Value	Enter the negative of the sales value as the line originally accepted. Use a minus sign.
17	Royalty Quantity	Leave blank.
18	Royalty Value	Enter the negative of the royalty value as the line originally accepted. Use a minus sign.
19	Payment Method Code	Enter the same payment method code as you originally reported it.

6. Adjustments, Recoupments, and Refunds

Line Two—Adjusted Line

Field No.	Field title	Instructions
6	AID Number	Enter the 10-digit MMS-assigned lease number and 3-digit revenue source as you originally reported it or as you need to modify it.
7	Product Code	Enter the two-character product code as you originally reported it or as you need to modify it.
8	Regulated Price Code	Leave blank.
9	Selling Arrangement Code	Enter the three-digit selling arrangement code as you originally reported it or as you need to modify it.
10	Sales Month/Year	Enter the sales month/year as you originally reported it or as you need to modify it. Enter the month/year in the MMY format; for example, enter January 1996 as 0196.
11	Transaction Code	Enter the transaction code as you originally reported it or as you need to modify it.
12	Adjustment Reason Code	Enter the appropriate adjustment reason code (this must be the same code that you used on your first line).
13	Sales Quantity	Enter the sales quantity as you originally reported it or as you need to modify it.
14	Quality Measurement	Leave blank.
15	Calculation Method	Leave blank.
16	Sales Value	Enter the sales value as you originally reported it or as you need to modify it.

Field No.	Field title	Instructions
17	Royalty Quantity	Leave blank.
18	Royalty Value	Enter the royalty value as you originally reported it or as you need to modify it.
19	Payment Method Code	Enter the payment method code as you originally reported it or as you need to modify it.

6.2 Payor-Initiated Adjustments

Payor-initiated adjustments are corrections you make to a previously submitted royalty line because of pricing, volume, royalty rate, or allowance changes, whether the adjustment results in an increase or a decrease to royalties. Use the adjustment reason codes listed below:

Code	Description
01	Incorrect pricing. To adjust a line item you previously reported with an incorrect price.
02	Incorrect volume. To adjust a line item you previously reported with an incorrect volume or a zero quantity.
03	Incorrect royalty rate. To adjust a line item you previously reported with an incorrect royalty rate.
04	Allowance adjustment. To adjust an allowance you incorrectly reported.
10	Other adjustments. To adjust a line item you previously reported incorrectly (because of a coding or typographical error) when adjustment codes 01 through 04 would not be applicable.

6. Adjustments, Recoupments, and Refunds

Payor-initiated adjustment example

In this example, a company determined in October 1996 that the royalty value reported for lease number M49-001234-0 for the January 1995 sales month was incorrect. They used an incorrect price for calculating the sales value, causing the royalty value to be understated.

- They initially reported 100 tons of coal at \$25/ton. The correct price was \$30/ton.
- The lease has a 12.5-percent royalty rate.
- The company makes the following two-line adjustment on its October 1996 report. They use adjustment reason code 01 in field 12 because they reported the initial line at an incorrect price.

4	6	7	8	9	10	11	12	13	14	15	16	17	18	19
	ACCOUNTING IDENTIFICATION NUMBER	PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/ YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASURE- MENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1	M49 001234 0 101	EC		100	0195	01	01	- 100 00			- 2,500 00		- 312 50	01
2	M49 001234 0 101	EC		100	0195	01	01	100 00			3,000 00		375 00	01
3														
13														
													62 50	
													62 50	

The company pays the \$62.50 increase in royalties due when they send in their report.

6.3 Other Adjustments

Some adjustments are corrections you make to a previously submitted royalty line because of lease term, regulatory, or MMS pricing or policy changes, whether the adjustment results in an increase or a decrease to royalties. Listed below are the adjustment reason codes you will use:

Code	Description
31	Retroactive mandatory price adjustments. To adjust the price of a previously reported product for which a law, regulation, or lease terms require a pricing change.
36	Duplicate reporting. To reverse a line entry on which you reported more than once. (This is the only adjustment reason code that does not require two lines to correct the report royalties.)

6. Adjustments, Recoupments, and Refunds

Duplicate reporting adjustment example

A company initially reported the following line on its August 1995 report.

4	6	7	8	9	10	11	12	13	14	15	16	17	18	19
	ACCOUNTING IDENTIFICATION NUMBER	PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASUREMENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1	M34 005011 0 101	EC		100	0795	01		4,000 00			36,000 00		4,500 00	01
2														
3														
13													4,500 00	
													4,500 00	

MMS notified them in January 1996 that the above-referenced line is a duplicate of a previously reported line. The company submitted the following entry on their January 1996 report. They used adjustment reason code 36 in field 12 to identify the duplicate line.

4	6	7	8	9	10	11	12	13	14	15	16	17	18	19
	ACCOUNTING IDENTIFICATION NUMBER	PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASUREMENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1	M34 005011 0 101	EC		100	0795	01	36	- 4,000 00			- 36,000 00		- 4,500 00	01

6.4 Audit Adjustments

You must report royalties paid as a result of an audit on a special **green** Form MMS-2014 using the following adjustment reason codes:

Code	Description
40	Joint audit royalty report. To report post-1983 entries resulting from an audit conducted jointly by MMS and a State, Indian Tribe, or Bureau of Indian Affairs (BIA) agency.
41	Audit exception royalty report. To report post-1983 entries resulting from an audit conducted solely by MMS.
42	Joint audit royalty report prior to 1983. To report pre-1983 entries resulting from an audit conducted jointly by MMS and a State, Indian Tribe, or BIA agency.
43	Audit exception royalty report prior to 1983. To report pre-1983 entries resulting from an audit conducted solely by MMS.

The bill for collection will identify whether the audit was conducted by MMS alone or as a joint audit. If you have any questions about filling out the green Form MMS-2014, contact the Solid Minerals Reporting Section (see [p. 2-6](#)) or the auditor who initiated the audit.

6. Adjustments, Recoupments, and Refunds

Audit adjustment example

Following is an example of how to report an audit adjustment on a green Form MMS-2014:

- Crawford Mining Company files an adjustment and pays additional royalties as a result of an MMS audit.
- The audit disclosed that a transposition error caused the royalty for lease M49-001100-0 to be understated by \$18,000. The royalty value should have been \$31,250 rather than the \$13,250 initially reported for May 1993 sales.

Green Form MMS-2014

OMB 1010-0022 (Exp. April 30, 19XX)

The Paperwork Reduction Act of 1980 (44 U.S.C. 3501 et seq.) requires us to inform you that this information is being collected to document details of royalty payments on sales of minerals from leases on Federal and Indian lands. MMS will use this information to maintain and audit lease accounts.

U.S. DEPARTMENT OF THE INTERIOR
Minerals Management Service - Royalty Management Program
REPORT OF SALES AND ROYALTY REMITTANCE
Form MMS-2014

Page 1 of 1

REPORT MO/YR.: 0 5 9 6

1 PAYOR'S NAME Crawford Mining Company

2 PAYOR CODE: M A 0 0 1

FEDERAL OR INDIAN

3a PAYOR-ASSIGNED DOCUMENT NUMBER 0 5 9 3 0 4

For MMS Use Only

4	6	7	8	9	10	11	12	13	14	15	16	17	18	19
	ACCOUNTING IDENTIFICATION NUMBER	PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASUREMENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1	M49 001100 0 201	ED		100	0593	01	41	- 19,530 00			- 390,625 00		- 13,250 00	03
2	M49 001100 0 201	ED		100	0593	01	41	19,530 00			390,625 00		31,250 00	03
3														
13													18,000 00	
													18,000 00	

Crawford Mining will pay the \$18,000 increase in royalties due when they send in their report.

6.5 Adjustments Involving More Than One Reason

You may need to submit an adjustment for more than one reason. For example, you might need to correct a line due to a retroactive mandatory pricing adjustment (adjustment reason code 31) and a transposition error (adjustment reason code 10).

In these situations you must determine the following:

- Does the revision require more than a standard two-line adjustment entry?
- Which adjustment reason code should I use for each entry?

Following are four different situations and responses:

Situation 1. You are correcting a line with more than one payor-initiated adjustment but no other adjustments.

Response. Decide which of the adjustment reasons is predominant and use that adjustment reason code in a standard two-line adjustment entry on Form MMS-2014.

Situation 2. You are correcting a line with more than one adjustment but no payor-initiated adjustments.

Response. If MMS did not specify which adjustment reason code to use, you should decide which adjustment reason is predominant and use that adjustment reason code in a standard two-line adjustment entry on Form MMS-2014.

Situation 3. You are correcting a line with a payor-initiated and another adjustment. The payor-initiated adjustment results in a decrease or no change in the previously reported royalty value.

Response. Use the appropriate non-payor-initiated adjustment reason code in a two-line entry on Form MMS-2014.

Situation 4. You are correcting a line with a payor-initiated and another adjustment. The payor-initiated adjustment results in an increase to the previously reported royalty value.

6. Adjustments, Recoupments, and Refunds

Response. Use a four-line entry on Form MMS-2014. The first two lines record the payor-initiated adjustment. The second two lines record the other adjustment.

NOTE

If you have difficulty determining which adjustment reason is predominant in a given situation, call the Solid Minerals Reporting Section Accountant (see p. 2-8).

Multiple reason adjustment example

Following is an example of how to correct a line with both a payor-initiated and another adjustment:

- The company reported incorrect quantity and value amounts for lease M40-111222-0 for the March 1996 sales month.
- They also became aware of a retroactive mandatory pricing adjustment that increased the unit value of the coal by \$0.60.
- Because correcting the quantity and value amounts due to payor error results in an increase of royalties due, the company must use a four-line adjustment entry. Lines 1 and 2 reflect the payor-initiated adjustment, and lines 3 and 4 reflect the pricing adjustment.

4	6	7	8	9	10	11	12	13	14	15	16	17	18	19
	ACCOUNTING IDENTIFICATION NUMBER	PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASUREMENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1	M40 111222 0 101	EI		100	0396	01	02	- 900 00			- 27,000 00		- 3,375 00	01
2	M40 111222 0 101	EI		100	0396	01	02	1,000 00			30,000 00		3,750 00	01
3	M40 111222 0 101	EI		100	0396	01	31	- 1,000 00			- 30,000 00		- 3,750 00	01
4	M40 111222 0 101	EI		100	0396	01	31	1,000 00			32,000 00		4,000 00	01
													625 00	
													625 00	

6.6 Indian Recoupments

You may recoup overpayments on Indian leases (with certain restrictions) depending on the type of lease you have:

- **Tribal lease.** You can recoup prior overpayments as a credit against the current month's rent or royalties due on the **same** lease. If you receive Tribal approval, you can recoup against other leases owned by the same Tribe. You must send a copy of written Tribal approval to us with your Form MMS-2014. You may recoup up to 100 percent of only the current net royalties. You cannot create a "negative" lease payment on your Form MMS-2014.
- **Allotted lease.** You can recoup prior overpayments as a credit against current month's rent or royalties due on the **same** lease. Your recoupment cannot reduce the allottee's current net royalties by more than 50 percent.

If the overpayment you are recovering exceeds the limit for a single report month, you must establish a recoupable balance to carry forward to future months. Listed below are the transaction codes you will use (these are **transaction** codes, not adjustment reason codes):

Code	Description
50	Recoupable balance. To establish a balance against which you can recoup.
51	Recoupment taken. To recoup your Indian overpayment.

You must set up your recoupable balance as a three-line entry. You must first credit out the original report line, re-report the adjusted report line (see "[Reporting an Adjustment](#)" on p. 6-2), and set up the recoupable balance (TC 50) on the third line. **This three-line entry must sum to zero.** Below are examples of how to report the recoupable balance, as well as the actual recoupment (TC 51), on Form MMS-2014.

6. Adjustments, Recoupments, and Refunds

Tribal recoupment example

Following is an example of how to report recoupments for Tribal lease overpayments:

- An Indian Tribe owns lease M34-000995-0.
- The current report month is October 1996.
- The company sold 1,000 tons of coal during the July 1996 sales month.
- They originally reported sales at \$18/ton but now need to correct the price to \$13.50/ton.
- The lease has a 20-percent royalty rate.
- The net overpayment is \$900.

The first illustration shows their line as originally reported for the July 1996 sales month.

4	6	7	8	9	10	11	12	13	14	15	16	17	18	19
	ACCOUNTING IDENTIFICATION NUMBER	PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASURE-MENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1	M34 000995 0 101	EC		100	0796	01		1,000 00			18,000 00		3,600 00	02
2														
3														
13													3,600 00	
													3,600 00	

6. Adjustments, Recoupments, and Refunds

The next illustration shows the company reversing their original entry and reporting it correctly on line 2. They set up a recoupable balance on line 3. Note that the three lines sum to zero.

4	6	ACCOUNTING IDENTIFICATION NUMBER	7	8	9	10	11	12	13	14	15	16	17	18	19
			PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASUREMENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1		M34 000995 0 101	EC		100	0796	01	01	- 1,000 00			- 18,000 00		- 3,600 00	02
2		M34 000995 0 101	EC		100	0796	01	01	1,000 00			13,500 00		2,700 00	02
3		M34 000995 0 000			000	0796	50							900 00	02
														0 00	
														0 00	

The last illustration shows how the company will begin reporting and taking their recoupment in subsequent months. Because they are recouping against a Tribal lease, they can recoup 100 percent of the revenues for that lease for that month.

4	6	ACCOUNTING IDENTIFICATION NUMBER	7	8	9	10	11	12	13	14	15	16	17	18	19
			PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASUREMENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1		M34 000995 0 101	EC		100	1096	01		37 00			500 00		100 00	02
2		M34 000995 0 000			000	1096	51							- 100 00	02
3															
														0 00	
														0 00	

The company's recoupable balance is now \$800, to be recouped against future royalty payments.

6. Adjustments, Recoupments, and Refunds

Tribal recoupment example with allowances taken

Following is an example of how to report recoupments for Tribal lease overpayments while also taking allowances against the lease:

- An Indian Tribe owns lease M34-000996-0.
- The current report month is October 1996.
- The company originally reported 1,000 tons of coal during the July 1996 sales month but now needs to correct it to 900 tons.
- They reported sales at \$18/ton.
- The lease has a 20-percent royalty rate.
- The company has an approved transportation allowance (TC 11) at \$0.50/ton and a coal washing allowance (TC 15) at \$8/ton.
- The net overpayment is \$190.

The first illustration shows their royalty and allowances as originally reported for the July 1996 sales month.

4	6	7	8	9	10	11	12	13	14	15	16	17	18	19
	ACCOUNTING IDENTIFICATION NUMBER	PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASURE-MENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1	M34 000996 0 101	EC		100	0796	01		1,000 00			18,000 00		3,600 00	02
2	M34 000996 0 101	EC		100	0796	11							- 100 00	02
3	M34 000996 0 101	EC		100	0796	15							- 1,600 00	02
13													1,900 00	
													1,900 00	

The next illustration shows the company reversing their original entries (including allowances) and reporting them correctly on lines 4, 5, and 6. They set up a recoupable balance on line 7. Note that all the lines sum to zero.

6. Adjustments, Recoupments, and Refunds

4	6	ACCOUNTING IDENTIFICATION NUMBER	7	8	9	10	11	12	13	14	15	16	17	18	19
			PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASUREMENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1		M34 000996 0 101	EC		100	0796	01	02	- 1,000 00			- 18,000		- 3,600 00	02
2		M34 000996 0 101	EC		100	0796	11	02						100 00	02
3		M34 000996 0 101	EC		100	0796	15	02						1,600 00	02
4		M34 000996 0 101	EC		100	0796	01	02	900 00			16,200 00		3,240 00	02
5		M34 000996 0 101	EC		100	0796	11	02						- 90 00	02
6		M34 000996 0 101	EC		100	0796	15	02						- 1,440 00	02
7		M34 000996 0 000			000	0796	50							190 00	02
														0 00	
														0 00	

The last illustration shows how the company reports and takes recoupment in subsequent months. Because they are recouping against a Tribal lease, they can recoup 100 percent of the revenues from that lease for that month.

4	6	ACCOUNTING IDENTIFICATION NUMBER	7	8	9	10	11	12	13	14	15	16	17	18	19
			PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASUREMENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1		M34 000996 0 101	EC		100	1096	01		70 00			1,250 00		250 00	02
2		M34 000996 0 101	EC		100	1096	11							- 7 00	02
3		M34 000996 0 101	EC		100	1096	15							- 112 00	02
4		M34 000996 0 000			000	1096	51							- 131 00	02
														0 00	
														0 00	

The company recouped only \$131 of the available \$190 because they could take only from the net amount of royalties less all allowances. Their recoupable balance is now \$59, to be recouped against future revenues.

6. Adjustments, Recoupments, and Refunds

Allotted recoupment example

Following is an example of how to report recoupments for allotted lease overpayments:

- An allottee owns lease M34-000997-0.
- The current report month is October 1996.
- The company sold 1,000 tons of coal during the July 1996 sales month.
- They originally reported sales at \$18/ton but now need to correct the price to \$13.50/ton.
- The lease has a 20-percent royalty rate.
- The net overpayment is \$900.

The first illustration shows their line as originally reported for the July 1996 sales month.

4	6	7	8	9	10	11	12	13	14	15	16	17	18	19
	ACCOUNTING IDENTIFICATION NUMBER	PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASURE-MENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1	M34 000997 0 101	EC		100	0796	01		1,000 00			18,000 00		3,600 00	02
2														
3														
13														
													3,600 00	
													3,600 00	

6. Adjustments, Recoupments, and Refunds

The next illustration shows the company reversing their original entry and reporting it correctly on line 2. They set up a recoupable balance on line 3. Note that the three lines sum to zero.

4	6	ACCOUNTING IDENTIFICATION NUMBER	7	8	9	10	11	12	13	14	15	16	17	18	19
			PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASUREMENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1		M34 000997 0 101	EC		100	0796	01	01	- 1,000 00			- 18,000 00		- 3,600 00	02
2		M34 000997 0 101	EC		100	0796	01	01	1,000 00			13,500 00		2,700 00	02
3		M34 000997 0 000			000	0796	50							900 00	02
														0 00	
														0 00	

The last illustration shows how the company will report and take a recoupment in subsequent months. Because they are recouping against an allotted lease, they can recoup only 50 percent of the net revenues paid for that lease for that month.

4	6	ACCOUNTING IDENTIFICATION NUMBER	7	8	9	10	11	12	13	14	15	16	17	18	19
			PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASUREMENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1		M34 000997 0 101	EC		100	1096	01		500 00			6,750 00		1,350 00	02
2		M34 000997 0 000			000	1096	51							- 675 00	02
3															
														675 00	
														675 00	

The company's recoupable balance is now \$225, to be recouped against future revenues.

6. Adjustments, Recoupments, and Refunds

Allotted recoupment example with allowances taken

Following is an example of how to report recoupments for allotted lease overpayments while also taking allowances against the lease:

- An allottee owns lease M34-000998-0.
- The current report month is October 1996.
- The company originally reported 1,000 tons of coal during the July 1996 sales month but now needs to correct it to 900 tons.
- They reported sales at \$18/ton.
- The lease has a 20-percent royalty rate.
- The company has an approved transportation allowance (TC 11) at \$0.50/ton and a coal washing allowance (TC 15) at \$8/ton.
- The net overpayment is \$190.
- The company also recoups rental against royalties according to their lease terms.

The first illustration shows royalty and allowances as originally reported for the July 1996 sales month.

4	6	7	8	9	10	11	12	13	14	15	16	17	18	19
	ACCOUNTING IDENTIFICATION NUMBER	PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/ YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASURE- MENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1	M34 000998 0 101	EC			0796	01		1,000 00			18,000 00		3,600 00	02
2	M34 000998 0 101	EC			0796	11							- 100 00	
3	M34 000998 0 101	EC			0796	15							- 1,600 00	
13													1,900 00	
													1,900 00	

The next illustration shows the company reversing their original entries (including allowances) and reporting them correctly on lines 4, 5, and 6.

6. Adjustments, Recoupments, and Refunds

They set up a recoupable balance on line 7. Note that all the lines sum to zero.

4	6	ACCOUNTING IDENTIFICATION NUMBER	7	8	9	10	11	12	13	14	15	16	17	18	19
		PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/YEAR	TRANS CODE	ADJ REAS CODE		SALES QUANTITY	QUALITY MEASUREMENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1		M34 000998 0 101	EC		100 0796	01	02		- 1,000 00			- 18,000 00		- 3,600 00	02
2		M34 000998 0 101	EC		100 0796	11	02							100 00	02
3		M34 000998 0 101	EC		100 0796	15	02							1,600 00	02
4		M34 000998 0 101	EC		100 0796	01	02		900 00			16,200 00		3,240 00	02
5		M34 000998 0 101	EC		100 0796	11	02							- 90 00	02
6		M34 000998 0 101	EC		100 0796	15	02							- 1,440 00	02
7		M34 000998 0 000			000 0796	50								190 00	02
														0 00	
														0 00	

The last illustration shows how the company will report and take a recoupment in subsequent months. Because they are recouping against an allotted lease, they can recoup up to 50 percent of the net royalty revenues paid for that lease for that month. However, they may recoup 100 percent of any recoupable rentals paid on the lease.

4	6	ACCOUNTING IDENTIFICATION NUMBER	7	8	9	10	11	12	13	14	15	16	17	18	19
		PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/YEAR	TRANS CODE	ADJ REAS CODE		SALES QUANTITY	QUALITY MEASUREMENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1		M34 000998 0 101	EC		100 1096	01			70 00			1,250 00		250 00	02
2		M34 000998 0 101	EC		100 1096	11								- 7 00	02
3		M34 000998 0 101	EC		100 1096	15								- 112 00	02
4		M34 000998 0 000			000 1096	25								- 100 00	02
5		M34 000998 0 000			000 1096	51								- 15 00	02
														16 00	
														16 00	

The company recouped 100 percent of the rent but only 50 percent of the net current royalties (gross royalties minus allowances **and** the

applicable rent recoupment). Their recoupable balance is now \$175, to be recouped against future revenues.

6.7 Federal Recoupments

There are no limitations on the amount of overpayment you can recoup in a single month on a Federal onshore lease. Also, you may apply overpayments on one Federal lease to royalties due on any Federal lease during the same report month.

Federal onshore recoupment example

Following is an example of how to report correcting adjustments on a Federal lease.

- The lease number is M40-046810-0.
- A payor produces coarse muriate of potash (product code JA) by surface mining.
- The applicable royalty rate is 5 percent.
- The payor incorrectly reported the sales quantity for November 1995 and discovered the error during January 1996.
- The payor reversed the original royalty line and correctly reported it during the January 1996 sales month.

6. Adjustments, Recoupments, and Refunds

4	6	7	8	9	10	11	12	13	14	15	16	17	18	19
	ACCOUNTING IDENTIFICATION NUMBER	PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASUREMENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1	M40 046810 0 101	JA		100	0196	01		300 00			9,000 00		450 00	03
2	M40 052311 0 101	JA		100	0196	01		900 00			27,000 00		1,350 00	03
3	M40 046810 0 101	JA		100	1195	01	02	-2,200 00			-66,000 00		-3,300 00	03
4	M40 046810 0 101	JA		100	1195	01	02	1,200 00			36,000 00		1,800 00	03
13														
													300 00	
													300 00	

Note that the payor recouped part of the revenue from a second lease, M40-052311-0, because lease M40-046810-0 did not have enough royalty revenue this month.

6.8 Indian Refunds

If you are unable to recoup an Indian overpayment and want to request a refund, you must contact the appropriate BIA agency, area office, or Tribe directly. After receiving refund approval, immediately contact MMS because we may require you to submit a correcting Form MMS-2014.

NOTE

Because companies pay the royalty recipients directly, we do not receive any Indian royalties. Thus, we cannot issue Indian refunds.

6.9 Federal Refunds

MMS issues refunds when:

- You are no longer an active payor in our automated system, or
- You have no producing Federal leases in our system, or

6. Adjustments, Recoupments, and Refunds

- Your recoupment would take an unreasonable amount of time (more than 1 year) to be recouped.

You must send us a written request with appropriate justification for the refund (see the correspondence address on [p. 2-9](#)). Include the following in your request:

- A signed statement certifying the following:
 - You have not previously submitted a request for refund.
 - You have not already recouped the overpayment.
 - A refund for the amount shown is due and payable.
- A request for a specific amount.
- An explanation of why and how the overpayment occurred.
- A schedule, by lease, providing the following data for each sales month:
 - Royalty paid to MMS
 - Corrected royalty amount due
 - Royalty overpayment
- Sufficient documentation to support the validity of the overpayment; that is, copies of canceled checks, copies of previously filed royalty reports (including the adjusted reports), and copies of worksheets used to calculate the revised royalty amount due and resulting overpayment. The type and amount of data necessary to support each refund request will vary depending on the reasons for the overpayment.

- If you request a refund instead of a recoupment, you must justify why a refund is warranted.

NOTE

Congress repealed section 10 of the Outer Continental Shelf (OCS) Lands Act of 1953 as part of the Royalty Simplification and Fairness Act (1996). An offshore refund no longer requires congressional review or a 2-year statute of limitations.

6.10 Bidding Rights

The Government may award bidding rights credits that you can use for payment of royalties, rentals, bonuses, etc., on Federal leases. The award document may permit you to assign the credits, in whole or in part, and may restrict the percentage amount you can use for any particular reporting transaction. Treat all credits for bidding rights as single-line, lease-level adjustments on Form MMS-2014 using *M44-444444-0* (a false lease number reserved for this purpose), transaction code *02*, and adjustment reason code *50*.

6. Adjustments, Recoupments, and Refunds

Bidding rights example

A company was awarded \$100,000 in bidding rights credits. The terms of the award restrict the amount of money they may credit on Form MMS-2014 to 50 percent of the total monies due on any one lease. However, the terms also allow them to use these credits on any type of lease payments. They are paying both royalties for the August 1996 sales month and rental due September 1, 1996.

4	6	7	8	9	10	11	12	13	14	15	16	17	18	19
	ACCOUNTING IDENTIFICATION NUMBER	PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/ YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASURE- MENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1	M33 123456 0 201	EC		100	0896	01		105,000 00			2,000,000 00		160,000 00	03
2	M33 123456 0 000			000	0996	04							6,000 00	03
3	M44 444444 0 000				0896	02	50						- 83,000 00	03
13													83,000 00	
													83,000 00	

The company was able to use only \$83,000 of their bidding rights credits (50 percent of the net monies paid). They can use the remaining \$17,000 the next sales month, assuming they have at least \$34,000 in net revenues.

7. Special Instructions for Major Minerals Other Than Coal

This chapter covers special reporting circumstances for sodium/potassium, lead/zinc/copper, phosphate, and uranium leases. Although these examples include rent, allowance, and royalty transactions, you should also refer to the general reporting instructions and examples in chapters 4, 5, and 6 to ensure proper reporting.

7.1 Sodium/Potassium Leases

Terms for sodium/potassium leases from Federal and Indian lands can vary considerably. You must make lease-level payments on a calendar-year basis. Currently, most royalty rates for sodium and potassium leases are generally 2 to 5 percent of the gross value of the product sold at the point of shipment to market. Effective February 1996, all new sodium leases in the Green River Basin in Wyoming will be issued with an 8-percent royalty rate, and existing leases will be renewed at 6 percent. The point of royalty determination for sodium and potassium is the point of shipment, generally the processing plant or regional distribution point, whether on or off the lease. The method of valuing and reporting sodium and potassium lease production is significantly different from other solid minerals (see [“Claiming an allowance” on p. 5-17](#)). The following sodium and potassium reporting examples encompass the major differences.

NOTE

Because of the complexities of valuing and calculating your sodium and potassium royalties, please call our Royalty Valuation Division with your valuation questions and the Solid Minerals Reporting Section with your reporting questions. (See [“How to Contact MMS” on page 2-6](#) for addresses and phone numbers.)

Sodium reporting example

The following example pertains to a Wyoming trona operation but applies to all soda ash producers.

- A company operates on Federal trona lease M75-654321-0.
- The applicable royalty rate is 5 percent.
- The company sold 5,000 tons of light soda ash (product code SK) at its processing plant for \$92/ton.
- They sold 6,000 tons of light soda ash at \$100/ton, delivered to a sales point in Utah.
- The company sold 10,000 tons of dense soda ash (product code SL) at its processing plant for \$82/ton.
- They sold 12,000 tons of dense soda ash at \$86/ton, delivered to a sales point in Utah.
- All sales are through arm's-length contracts.
- The report month is December 1995.
- Recoupable rent (transaction code [TC] 05) of \$3/acre for 2,500 acres is due in January 1996. (Rent from the expiring year was fully recouped in earlier reports.)
- The company's cost to transport both the light and dense soda ash from Green River, Wyoming, to the sales point was \$5/ton.
- The company computed the sales value (field 16) of the light soda ash as follows:
 - The value for royalty purposes of the 5,000 tons of light soda ash sold at the processing plant is its sales value. The sales price equals \$92/ton. This is also the unit value for royalty purposes. The sales value is:

$$5,000 \text{ tons} \times \$92/\text{ton} = \$460,000$$

7. Special Instructions for Major Minerals Other Than Coal

- The net sales price of the 6,000 tons of light soda ash transported to a remote point of sale equals \$100/ton minus \$5/ton, or \$95/ton. This is also the unit value for royalty purposes, because it is greater than \$92/ton—the unit sales value of the light soda ash sold at the processing plant. The sales value is:

$$6,000 \text{ tons} \times \$95/\text{ton} = \$570,000$$

- The sales value of the 11,000 tons of light soda ash is:

$$(5,000 \text{ tons} \times \$92/\text{ton}) + (6,000 \text{ tons} \times \$95/\text{ton}) = \$1,030,000$$

- The company computed the sales value (field 16) of the dense soda ash as follows:

- The value for royalty purposes of the 10,000 tons of dense soda ash sold at the processing plant is its sales value. The unit sales value is \$82/ton. The sales value is:

$$10,000 \text{ tons} \times \$82/\text{ton} = \$820,000$$

- The unit value for royalty purposes of the 12,000 tons of dense soda ash sold at a remote delivery point is generally the net sales price, which equals \$86/ton minus \$5/ton, or \$81/ton. However, the unit sales value equals \$82/ton, because the unit sales value of transported soda ash can be no lower than the **weighted average price** of the same product sold at the processing plant.

- The sales value of the 22,000 tons of dense soda ash is:

$$(10,000 + 12,000 \text{ tons}) \times \$82/\text{ton} = \$1,804,000$$

4	6	ACCOUNTING IDENTIFICATION NUMBER	7	8	9	10	11	12	13	14	15	16	17	18	19
			PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASURE-MENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1		M75 654321 0 201	SK		100	1195	01		11,000 00			1,030,000 00		51,500 00	03
2		M75 654321 0 201	SL		100	1195	01		22,000 00			1,804,000 00		90,200 00	03
3		M75 654321 0 000			000	0196	05							7,500 00	03
														149,200 00	
														149,200 00	

Potash reporting example

This example applies to an underground New Mexico potash operation on Federal lease M40-123321-0.

- A company sells only one potash product, free on board (f.o.b.) Carlsbad, New Mexico, in bulk and in bags:
 - Standard muriate of potash (product code JD) in bulk; 100 tons at \$70/ton and 75 tons at \$75/ton. The sales contract is arm's-length (selling arrangement 100).
 - Standard muriate of potash (JD) in bags; 100 tons at \$90/ton. The sales contract is arm's-length (selling arrangement 100).
 - Standard muriate of potash (JD) in bulk; 80 tons at \$50/ton. The sales contract is non-arm's-length (selling arrangement 200).
 - Standard muriate of potash (JD) in bulk; 50 tons at \$80/ton. The sales contract is non-arm's-length (selling arrangement 200).
 - Standard muriate of potash (JD) in bags; 40 tons at \$90/ton. The sales contract is non-arm's-length (selling arrangement 200).
- The royalty rate is 2 percent.
- The report month is December 1995.
- The recoupable rent (TC 05) of \$2/acre for 5,000 acres is due on January 1, 1996. (Rent from the expiring year was fully recouped in earlier reports.)
- The company computed the sales value of the bulk potash sold under arm's-length contracts as follows:

$$(100 \text{ tons} \times \$70/\text{ton}) + (75 \text{ tons} \times \$75/\text{ton}) = \$12,625$$

The company computed the unit sales value as follows:

$$\frac{(100 \text{ tons} \times \$70/\text{ton}) + (75 \text{ tons} \times \$75/\text{ton})}{100 \text{ tons} + 75 \text{ tons}} = \$72.14/\text{ton}$$

This is the bulk potash weighted average unit sales value. If some bulk product were sold at a remote delivery point, the bulk potash

weighted average unit sales value would be computed by the same method, but using the sales value of the delivered product in the computation.

- The company computed the sales value of the bagged potash sold under arm's-length contracts as follows:

$$100 \text{ tons} \times \$72.14/\text{ton} = \$7,214$$

The unit sales value of the bagged potash is the bulk potash weighted average unit sales value.

- The company computed the sales value of the bulk potash sold at \$50/ton under non-arm's-length contracts as follows:

$$80 \text{ tons} \times \$72.14/\text{ton} = \$5,771.20$$

The unit sales value is the bulk potash arm's-length weighted average unit sales value.

- The company computed the sales value of the bulk potash sold at \$80/ton under non-arm's-length contracts as follows:

$$50 \text{ tons} \times \$80/\text{ton} = \$4,000$$

While the unit sales value of a non-arm's-length sale is generally the bulk potash arm's-length weighted average unit sales value (see above), the unit sales value of a non-arm's-length sale can be no lower than the actual sales price.

- The company computed the sales value of the bagged potash sold under non-arm's-length contracts as follows:

$$40 \text{ tons} \times \$72.14/\text{ton} = \$2,885.60$$

7. Special Instructions for Major Minerals Other Than Coal

The sales value of bagged product sold under non-arm's-length contracts is equal to the bulk potash arm's-length weighted average unit sales value.

4	6	7	8	9	10	11	12	13	14	15	16	17	18	19
	ACCOUNTING IDENTIFICATION NUMBER	PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASURE-MENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1	M40 123321 0 201	JD		100	1195	01		275 00			19,839 00		396 78	01
2	M40 123321 0 201	JD		200	1195	01		170 00			12,656 80		253 14	01
3	M40 123321 0 000			000	0196	05							10,000 00	01
13													10,649 92	
													10,649 92	

7.2 Lead/Zinc/Copper Leases

Royalty provisions for most lead/zinc/copper leases on Federal acquired lands stipulate that royalties are calculated as a percentage of the gross value of minerals mined and milled at the point of shipment to market. Further, this point of shipment to market is commonly defined as being located at the mill, and the products of the mill are mineral concentrates.

You generally determine the gross value of the mineral concentrates by using either of the following two methods (although other valuation procedures may be appropriate):

- The price paid for any sale of your concentrate under an arm's-length (free-market) contract less any transportation allowances, or
- The net smelter return method of determining concentrate value for royalty purposes where the concentrate is processed and metal is later sold.

Concentrate method. Because most lease terms stipulate that royalties are based on the gross value of concentrates produced, you will report the sales quantity (field 13 on Form MMS-2014) in tons of concentrate. The applicable product codes are PC (lead concentrate),

ZA (zinc concentrate), and CH (copper concentrate). Report the total value sold (for example, the summation of the value of zinc, cadmium, and silver in the zinc concentrate) as the sales value (field 16 on Form MMS-2014).

If you sell the concentrate (before it is processed into a metal), report your gross sales and royalty due as a separate line item on Form MMS-2014, followed by a second line for any transportation allowances (TC 11). (See [“Reporting a transportation allowance—TC 11” on page 5-19](#) for instructions to report a transportation allowance.)

If you sell concentrate to a smelter and receive provisional payments for the sales, you must report and pay royalties when these sales are made. You will not deduct processing or transportation allowances until final settlement.

When you receive the final payment, you must adjust the previously reported provisional figures. Do not net this adjustment in the current month’s royalty payment. Instead, reverse the original royalty line with the provisional figures. On a separate line, enter the corrected figures with the total payment (provisional plus final). Use the appropriate adjustment reason code (normally 31) for both the reversed and corrected lines. Report the applicable transportation allowance on a third line.

Net smelter return method. This method computes the equivalent sales value of the concentrate (field 16 on Form MMS-2014) by subtracting various treatment, refining, tolling, and freight charges from the gross proceeds received for sale of your metal in arm’s-length contracts. You must attach a worksheet to Form MMS-2014 line-itemizing these deductions. The worksheet must show the gross value of the metal, the types and amounts of charges deducted, concentrate grade, impurities, etc.

If you use the net smelter return method to compute your royalties, the processing and transportation charges are already deducted from the sales price of the metal. You will report only one line on Form MMS-2014 (net of charges).

NOTE

Because of the complexities of valuing and calculating your lead/zinc/copper royalties, please call our Royalty Valuation Division with your valuation questions and the Solid Minerals Reporting Section with your reporting questions. (See [“How to Contact MMS”](#) on [page 2-6](#) for addresses and phone numbers.)

Lead/zinc/copper reporting example

This example illustrates reporting on lead/zinc/copper lease M89-141414-0:

- A company sells lead concentrate under an arm’s-length contract.
- They ship the zinc and copper concentrate to a tolling facility that makes partial advance (provisional) payments subject to settlement several months later.
- The company has transportation allowances for the zinc and copper, to be deducted at the time of final settlement. They also have an allowance for the lead concentrate.
- The applicable royalty rate is 5 percent.
- Lease terms provide that production halts rental requirements.
- The report month is April 1996.

7. Special Instructions for Major Minerals Other Than Coal

4	6	7	8	9	10	11	12	13	14	15	16	17	18	19
	ACCOUNTING IDENTIFICATION NUMBER	PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASURE-MENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1	M89 141414 0 201	PC		100	0396	01		1,900 00			570,000 00		28,500 00	03
2	M89 141414 0 201	PC		100	0396	11							- 3,800 00	03
3	M89 141414 0 201	ZA		100	0396	01		215 00			115,000 00		5,750 00	03
4	M89 141414 0 201	CH		100	0396	01		50 00			21,000 00		1,050 00	03
5	M89 141414 0 201	ZA		100	0195	01	01	- 200 00			- 100,000 00		- 5,000 00	03
6	M89 141414 0 201	ZA		100	0195	01	01	200 00			106,000 00		5,300 00	03
7	M89 141414 0 201	ZA		100	0195	11							- 110 00	03
8	M89 141414 0 201	CH		100	0195	01	01	- 70 00			- 28,000 00		- 1,400 00	03
9	M89 141414 0 201	CH		100	0195	01	01	70 00			26,600 00		1,330 00	03
10	M89 141414 0 201	CH		100	0195	11							- 125 00	03
13													31,495 00	
													31,495 00	

Line 1 of the example shows that 1,900 tons of lead concentrate were sold at a point remote from the concentrate mill during the March 1996 sales month. The total sales value of this concentrate (including the value of the contained lead, silver, and copper) was \$570,000, resulting in a royalty payment of \$28,500.

Line 2 shows a transportation allowance for the lead concentrate that resulted in a deduction of \$3,800.

Lines 3 and 4 report the current provisional payments for the zinc and copper concentrates shipped to the tolling facility. The company does not report the transportation allowances related to these concentrates until final settlement.

Lines 5 and 6, and 8 and 9, respectively, show the final settlements for zinc and copper concentrates originally reported in the January 1995 sales month. Lines 5 and 8 are shown exactly as reported in the original report except that negative numbers are used; this deletes the original line. The corrected figures are entered on lines 6 and 9.

Lines 7 and 10 report the transportation allowances for the zinc and copper concentrates deducted from the final January 1995 figures.

Net smelter return method reporting example

The following example shows how a company determined their lead concentrate's value using the net smelter return method:

- The accounting identification (AID) number is M89-098711-0-201.
- The company sold the lead metal under an arm's-length contract.
- They received no provisional payments; the one-line transaction reflects total sales and royalty data.
- Lead concentrate smelting and refining charges amounted to \$12,000.
- Freight charges totaled \$10,000.
- The company processed 1,900 tons of lead concentrate and sold the processed lead metal for \$570,000.
- The royalty rate is 5 percent.

The basic concentrate calculation is as follows:

Gross proceeds of lead metal sold	\$570,000
Treatment and refining charges	– 12,000
Transportation charges	<u>– 10,000</u>
Concentrate sales value (field 16 on Form MMS-2014)	\$548,000
5-percent royalty rate	<u>× 0.05</u>
Royalty due (field 18 on Form MMS-2014)	\$27,400

7. Special Instructions for Major Minerals Other Than Coal

4	6	7	8	9	10	11	12	13	14	15	16	17	18	19
	ACCOUNTING IDENTIFICATION NUMBER	PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/ YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASURE -MENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1	M89 098711 0 201	PC		100	0496	01		1,900 00			548,000 00		27,400 00	03
2														
3														
													27,400 00	
													27,400 00	

Net profit share Indian copper leases. If you have a net profit share (NPS) Indian copper lease, you must use TC 39 on your Form MMS-2014 during **unprofitable** sales months and TC 40 during **profitable** sales months. Form MMS-2014 must include **all** production and revenue attributable to the NPS lease.

Follow these instructions to report an NPS line on the Form MMS-2014:

Field No.	Field title	Instructions
6	AID Number	Enter your 10-digit MMS-assigned lease number and 3-digit revenue source assigned on your Payor Confirmation Report (PCR).
7	Product Code	Enter your two-character product code assigned on your PCR.
8	Regulated Price Code	Leave blank.
9	Selling Arrangement Code	Enter your three-digit selling arrangement code assigned on your PCR.
10	Sales Month/ Year	Enter the month/year in which the product was sold in the MMY format. For example, enter January 1996 as <i>0196</i> .

7. Special Instructions for Major Minerals Other Than Coal

Field No.	Field title	Instructions
11	Transaction Code	Enter <i>39</i> if reporting an unprofitable month and <i>40</i> if reporting a profitable month.
12	Adjustment Reason Code	Leave blank.
13	Sales Quantity	Enter the volume of product for the reported sales month.
14	Quality Measurement	Leave blank.
15	Calculation Method	Leave blank.
16	Sales Value	If reporting an unprofitable month, enter the corresponding dollar value of the Sales Quantity (field 13). If reporting a profitable month, enter the NPS base calculated at the end of the sales month.
17	Royalty Quantity	Leave blank.
18	Royalty Value	Leave blank if reporting an unprofitable month. Enter the Sales Value (field 16) times the NPS rate specified in the lease if reporting a profitable month.
19	Payment Method Code	Enter <i>02</i> .

7. *Special Instructions for Major Minerals Other Than Coal*

Unprofitable NPS Indian copper lease example

Following is an example of how to report on an unprofitable NPS Indian copper lease:

- The AID number is M09-100000-0-101.
- The current report month is August 1996.
- The company sold copper through an arm’s-length contract.
- The copper was removed and sold in July 1996.
- The company sold 1,000 pounds at \$26.25/lb.
- The lease terms specify a 50-percent NPS rate.

4	6	7	8	9	10	11	12	13	14	15	16	17	18	19
	ACCOUNTING IDENTIFICATION NUMBER	PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/ YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASURE- MENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1	M09 100000 0 101	CU		100	0796	39		1,000 00			26,250 00			02
2														
3														
13														

7. *Special Instructions for Major Minerals Other Than Coal*

Profitable NPS Indian copper lease example

Following is an example of how to report on a profitable NPS Indian copper lease:

- The AID number is M09-100001-0-101.
- The current report month is August 1996.
- The company sold copper through an arm’s-length contract.
- The copper was removed and sold in July 1996.
- The company sold 1,000 pounds at \$26.25/lb.
- The lease terms specify a 50-percent NPS rate.
- There is a \$10,000 NPS base at the end of July 1996.
- The company paid the Indians directly.

4	6	7	8	9	10	11	12	13	14	15	16	17	18	19
	ACCOUNTING IDENTIFICATION NUMBER	PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/ YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASURE- MENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1	M09 100001 0 101	CU		100	0796	40		1,000 00			10,000 00		5,000 00	02
2														
3														
13													5,000 00	
													5,000 00	

7.3 Phosphate Leases

Phosphate valuation for royalty purposes depends on whether the ore is located in the eastern or western United States and whether ownership is Federal or Indian:

- Value **eastern Federal** phosphate lease production on gross proceeds of the phosphate concentrate (beneficiated phosphate rock).
- Value **western Federal** phosphate lease production by calculating an annual value using the indexed 1979 phosphorus pentoxide (P_2O_5) unit value and the Gross National Product-Implicit Price Deflator (GNP-IPD) index as published by the Department of Commerce, Bureau of Economic Analysis.
- Value **Indian** phosphate lease production by calculating an annual value using the indexed 1979 P_2O_5 unit value and the Consumer Price Index (CPI) published by the Department of Labor, Bureau of Labor Statistics.

Annually, the Solid Minerals Valuation and Reporting Branch, using the GNP-IPD index, calculates the P_2O_5 unit value to be used for the calendar year and issues that value to known Federal phosphate producers. If you need the phosphate unit value for current-year Federal or Indian production, please contact the Solid Minerals Valuation and Reporting Branch as indicated on [page 2-8](#).

7. Special Instructions for Major Minerals Other Than Coal

Calculating royalties using the index method. Calculate royalties using the index method (GNP-IPD or CPI) in the following manner:

STEP 1. Establish the current value per P_2O_5 unit. A P_2O_5 unit is 1 percent P_2O_5 content per dry ton of ore. To calculate the current value per P_2O_5 unit, divide the current annual index by the 1979 index, and then multiply the quotient by the 1979 unit value (\$0.337).

$$\frac{\text{current index}}{\text{1979 index}} \times \frac{\text{1979 value}}{P_2O_5} = \frac{\text{current value}}{P_2O_5} \quad (1)$$

STEP 2. Compute the sales value. Multiply the current value per P_2O_5 unit by the average P_2O_5 units per ton and the dry tons produced or sold (depending on lease terms).

$$\frac{\text{current value}}{P_2O_5} \times \frac{P_2O_5}{\text{ton}} \times \text{sales quantity in tons} = \text{sales value} \quad (2)$$

Enter this calculated sales value in field 16 of Form MMS-2014.

STEP 3. Compute the royalty value. Multiply the calculated sales value by the royalty rate.

$$\text{sales value} \times \text{royalty rate} = \text{royalty value} \quad (3)$$

Enter this calculated royalty value in field 18 of Form MMS-2014.

Western phosphate lease example

The following example illustrates the calculations necessary for a Federal western phosphate lease:

- The current report month is August 1996.
- The AID number is M89-082313-0-101.
- The product is phosphate raw ore, product code PK.
- Lease terms specify the royalty rate is 5 percent, and the product value is based on the indexed 1979 phosphate value.
- Royalty determination occurs prior to sale at the point of shipment to market.
- The company sold 4,000 tons.
- The average P₂O₅ units per ton is 31.
- Using equation 1 on [page 7-16](#), the company calculates the current value per P₂O₅ unit as follows:
 - The 1979 index is 55.3.
 - The current 1995 index is 107.5.
 - The 1979 unit value is \$0.337.
 - The current value per P₂O₅ unit is:

$$\frac{107.5}{55.3} \times \$0.337 = \$0.655$$

- Using equation 2 on [page 7-16](#), the company calculates the sales value (field 16) as follows:

$$\$0.655 \times 31 \times 4,000 = \$81,220.00$$

7. Special Instructions for Major Minerals Other Than Coal

- Using equation 3 on [page 7-16](#), the company calculates the royalty value (field 18) as follows:

$$\$81,220 \times 5\% = \$4,061$$

- The selling arrangement code (field 9) must be 300, as this is a western phosphate lease (see [“Selling arrangement” on p. 4-3](#)).

4	6	7	8	9	10	11	12	13	14	15	16	17	18	19
	ACCOUNTING IDENTIFICATION NUMBER	PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASUREMENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1	M89 082313 0 101	PK		300	0796	01		4,000 00			81,220 00		4,061 00	01
2														
3														
13														
													4,061 00	
													4,061 00	

7.4 Development Contracts

Leases included in a development contract and approved for reporting at the development contract level are reported on Form MMS-2014 at that level. You will report all of the leases' rentals and royalties under one unique development AID number that we assign.

7.5 Uranium Leases

Royalty provisions for uranium production on Federal and Indian acquired lands vary according to specific lease terms. The most common royalty rates are expressed as a percentage of the value of produced uranium in dry tons. Determine this value either by using the gross proceeds of the unprocessed uranium ore sales or by using relatively complex schedules that ascertain the value per pound of uranium oxide (U₃O₈) contained in the ore.

Because uranium royalties are based on the value of products contained in the ore, the point of royalty determination occurs prior to any processing facility. However, royalties paid on associated vanadium (and other byproducts) produced with the uranium are based on sales of the processed product. If you have specific questions about valuing uranium, please contact our Solid Minerals Valuation and Reporting Branch (see [p. 2-8](#)).

Uranium reporters frequently make adjustments to previous royalty payments in response to average weighted sales price recalculations. Refer to [chapter 6](#) for more information on adjustments.

8. Special Instructions for Coal Leases

The laws and regulations governing coal leases have changed significantly during the past several years, resulting in a variety of new rental and royalty terms. This chapter discusses reporting circumstances common to the coal industry. Although these examples include rent, allowance, and royalty transactions, you should also refer to the general reporting instructions and examples in chapters 4, 5, and 6 to ensure proper reporting.

8.1 Leases with Pre-1976 Terms

Federal coal leases issued prior to August 4, 1976, that have not been readjusted since that date generally provide for:

- Cents-per-ton royalties,
- Rentals that may be recouped against either production or minimum royalties,
- Quarterly reporting, and
- Quarterly payments.

In many instances, rentals and minimum royalties run concurrently. For example, rent is required at the beginning of the lease year but is recoupable against the minimum royalty required at the end of the year. Also, although most pre-1976 lease terms state that royalties accrue on the tons produced, we require that you report and base your royalty payments on tonnage sold, unless we or the Bureau of Land Management (BLM) have issued an order to pay on tons produced.

You are not required to fill in a sales value (field 16) on Form MMS-2014 for cents-per-ton leases. Also, your selling arrangement code (field 9) will always be **300** for these leases.

8. Special Instructions for Coal Leases

Pre-1976 lease example

Following is an example of a quarterly report for pre-1976 coal lease M32-482191-0. Note that quarterly transactions use the last month in the applicable quarter as the sales month/year (field 10).

- The lease terms require quarterly reporting and payment.
- The royalty rate is \$0.15/ton sold.
- The selling arrangement code is 300 (see [“Selling arrangement” on p. 4-3](#)).
- The company previously paid \$1,600 in recoupable rent, due by the March 1 anniversary date, on the February 1996 Form MMS-2014.
- They are now reporting and paying royalties for the first quarter of 1996 on their April 1996 Form MMS-2014.
- They are also recouping their rent against the first quarter 1996 royalties. (See [“How to Report and Pay Lease-Level Transactions” on page 5-1](#) for more information on recoupments.)

4	6	7	8	9	10	11	12	13	14	15	16	17	18	19
	ACCOUNTING IDENTIFICATION NUMBER	PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASUREMENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1	M32 482191 0 101	ED		300	0396	01		40,000 00					6,000 00	01
2	M32 482191 0 000			000	0396	25							- 1,600 00	01
3														
13													4,400 00	
													4,400 00	

8.2 **Leases with Post-1976 Terms**

Federal coal leases issued or readjusted since August 4, 1976, are subject to the Federal Coal Leasing Amendments Act of 1975 (FCLAA) and provide for:

- Nonrecoupable rentals,
- No minimum royalties,
- Ad valorem royalty rates,
- The opportunity to pay advance royalties in lieu of continued operations,
- Monthly reporting and payment requirements, and
- Allowable transportation and processing allowances.

8. Special Instructions for Coal Leases

Post-1976 lease example

Following is an example of readjusted coal lease M74-021111-0:

- The lease terms require monthly reports and payments.
- The report month is July 1996.
- The applicable royalty rate is 8 percent.
- Nonrecoupable rent of \$3/acre on 2,500 acres is due August 1.
- The company sold 40,000 tons of coal at \$26/ton during the June 1996 sales month.
- They took a transportation allowance at \$4/ton; the allowance royalty value is \$12,800 (40,000 tons at \$4/ton at 8 percent).
- They also took a processing (washing) allowance at \$4.16/ton; the allowance royalty value is \$13,312 (40,000 tons at \$4.16/ton at 8 percent).

4	6	7	8	9	10	11	12	13	14	15	16	17	18	19
	ACCOUNTING IDENTIFICATION NUMBER	PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASURE-MENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1	M74 021111 0 201	ED		100	0696	01		40,000 00			1,040,000 00		83,200 00	03
2	M74 021111 0 201	ED		100	0696	11							- 12,800 00	03
3	M74 021111 0 201	ED		100	0696	15							- 13,312 00	03
4	M74 021111 0 000			000	0896	04							7,500 00	03
13													64,588 00	
													64,588 00	

8.3 Advance Royalties

For Federal coal leases subject to FCLAA, you may request BLM to approve payment of advance royalties in lieu of continued operation production requirements. BLM will notify MMS of approvals and will supply us with the information we require to calculate total advance

royalty payments (in accordance with 43 CFR 3483.4). MMS will send notification of approval along with due dates, advance royalty payments due, and intent to assess BLM-mandated late-interest payments, if applicable.

Most coal leases with advance royalty provisions permit advance royalty recoupment with certain limitations, as specified by the lease terms or the regulations at 43 CFR 3483.4. After you report advance royalties on Form MMS-2014, show all recoupments as separate line items.

As with rentals and minimum royalties (see [“How to Report and Pay Lease-Level Transactions” on p. 5-1](#)), you must show advance royalty transactions at the lease level on Form MMS-2014. Follow these instructions:

Field No.	Field title	Instructions
6	Accounting Identification Number (AID)	Enter the 10-digit MMS-assigned lease number followed by <i>000</i> as the last three digits.
7	Product Code	Leave blank.
8	Regulated Price Code	Leave blank.
9	Selling Arrangement	Leave blank.
10	Sales Month/Year	Enter the first month of the lease or continued operations year, as applicable, using an MMY format; for example, enter January 1996 as <i>0196</i> . (When recouping your advance royalty, enter the same sales month in field 10 as the royalty line against which you are taking the recoupment.)
11	Transaction Code	Enter <i>32</i> . (Use transaction code [TC] <i>33</i> to recoup advance royalties.)
12	Adjustment Reason Code	Leave blank.

8. Special Instructions for Coal Leases

Field No.	Field title	Instructions
13	Sales Quantity	Leave blank.
14	Quality Measurement	Leave blank.
15	Calculation Method	Leave blank.
16	Sales Value	Leave blank.
17	Royalty Quantity	Leave blank.
18	Royalty Value	Enter the advance royalty amount on which you are reporting and paying.
19	Payment Method Code	Enter 01, 02, or 03, as defined in the Report Control Block.

Advance royalties reporting example

The following example illustrates an advance royalty payment:

- BLM authorized a company to pay \$130,000 in advance royalties in lieu of continued operations on coal lease M31-003824-0.
- The continued operations year began August 1, 1996.
- The report month is July 1996.
- The company holds a second Federal lease (M31-431513-0) on which royalties of \$37,440 were due; this transaction is unrelated to advance royalties.

8. Special Instructions for Coal Leases

4	6	7	8	9	10	11	12	13	14	15	16	17	18	19
	ACCOUNTING IDENTIFICATION NUMBER	PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASURE-MENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1	M31 003824 0 000			000	0896	32							130,000 00	03
2	M31 431513 0 201	ED		100	0696	01		23,400 00			468,000 00		37,440 00	03
3														
13														
													167,440 00	
													167,440 00	

The next illustration shows subsequent recoupment of advance royalties paid:

- The company owes \$29,760 on lease M31-003824-0 for September 1996 royalties.
- They also owe royalties on their second lease.

4	6	7	8	9	10	11	12	13	14	15	16	17	18	19
	ACCOUNTING IDENTIFICATION NUMBER	PROD CODE	REG PRICE CODE	SELL ARR CODE	SALES MO/YEAR	TRANS CODE	ADJ REAS CODE	SALES QUANTITY	QUALITY MEASURE-MENT	CALC METH	SALES VALUE	ROYALTY QUANTITY	ROYALTY VALUE	PMT METH CODE
1	M31 003824 0 201	ED		100	0996	01							29,760 00	03
2	M31 003824 0 000			000	0996	33							- 29,760 00	03
3	M31 431513 0 201	ED		100	0996	01		39,062 00			781,250 00		62,500 00	03
13														
													62,500 00	
													62,500 00	

The company can recoup only against the lease on which they made an advance royalty payment. They cannot recoup against the second lease's royalty. They will recoup the balance of the advance royalty against future royalties.

8.4 **Retroactive Price Adjustments**

Coal contracts frequently contain provisions for retroactive price adjustments on the basis of certain indexes and actual production costs. These factors become known after you have sold the product and determined the royalty, which necessitates using adjustment transactions on Form MMS-2014.

Our policy requires that royalty payments on retroactive price adjustments are due no later than the end of the month following the month that you (1) invoiced the price adjustments as due and payable in accordance with contract terms, or (2) received payment—whichever comes first.

If you do not timely enforce the price escalators in your contracts, you may be subject to late-payment assessments on the amount of the under-billing in the sales price from the time the additional cost was to become effective until the time you paid the royalty based on the additional cost. To avoid late-payment charges when questions of contract diligence come up, you must demonstrate that you timely invoiced for the additional price increments and, if necessary, timely pursued remedies set forth in the coal supply contract, or took other reasonable measures to enforce payment increases.

8.5 **Logical Mining Units**

A logical mining unit (LMU) is a BLM-approved area of land where an operator can develop the recoverable coal resources in an efficient, economical, and orderly manner as a unit. All rentals for coal leases within an LMU are due on or before the anniversary of the LMU effective date. We will send you a letter detailing your rental obligations when BLM approves or modifies the LMU.

A. Lease Prefix Conversion Tables

Use tables A-1 and A-2, respectively, to convert prefixes assigned by the Bureau of Land Management (BLM) or Bureau of Indian Affairs (BIA) on a Federal or Indian mining lease to the prefix used by MMS. When corresponding with or reporting to MMS, always use the MMS-assigned lease number.

TABLE A-1. *Federal lease prefix conversions*

States	BLM-assigned prefixes	MMS mining prefix
Alaska	ANCHORAGE	M01
Alaska	FAIRBANKS	M02
Arizona	AR, A,A...(ARIZONA) ^a	M11
Arkansas	BLM-A	M62
Arkansas	ES or EASTERN STATES	M63
Arkansas	BLM	M64
California	S	M03
California	R	M04
California	LA	M06
California	CA	M16
Colorado	D or DENVER	M49
Colorado	C or COLORADO	M50
Colorado	P or PU or PUEBLO	M51
Colorado	BLM-A	M54

A. Lease Prefix Conversion Tables

TABLE A-1. Federal lease prefix conversions (continued)

States	BLM-assigned prefixes	MMS mining prefix
Eastern States ^b	BLM-A	M88
Eastern States ^b	ES or EASTERN STATES	M89
Idaho	I or IDAHO	M12
Idaho	BLACKFOOT ^c	M13
Minnesota	M or MINNESOTA	M86
Minnesota	BLM-A	M88
Minnesota	ES or EASTERN STATES	M89
Missouri	BLM-A	M62
Missouri	ES or EASTERN STATES	M63
Missouri	BLM	M64
Montana	M or MONTANA	M18
Montana	MONTANA...(GF) ^a	M20
Montana	BILLINGS or MONTANA...(BIL) ^a	M21
Montana	CASPER	M22
Montana	GREAT FALLS or GF	M25
Montana	BLM-A	M31
Montana	BLM	M32
Nevada	N	M07
Nevada	CC	M08
Nevada	BLACKFOOT ^c	M13
New Mexico	LC or LAS CRUCES	M39

TABLE A-1. Federal lease prefix conversions (continued)

States	BLM-assigned prefixes	MMS mining prefix
New Mexico	NM or NEW MEXICO	M40
New Mexico	SF or SANTA FE	M41
New Mexico	BLM-A	M43
North Dakota	M...(ND) or MONTANA (ND) ^a	M19
North Dakota	BISMARCK or B	M23
North Dakota	NORTH DAKOTA or ND	M24
North Dakota	BLM-A	M31
North Dakota	BLM	M32
North Dakota	BLM...(ND) ^a	M33
Oklahoma	BLM-C	M60
Oklahoma	BLM-I	M61
Oklahoma	BLM	M64
Oklahoma	NM...(OK) ^a	M65
Oklahoma	TRANS NM...(OK) ^a	M66
Oregon	O or OREGON	M05
Oregon	BLACKFOOT ^c	M13
South Dakota	M...(SD) or SOUTH DAKOTA or SD ^a	M36
Texas	T or TEXAS	M42
Texas	BLM-A	M43
Utah	SL or SALT LAKE	M72
Utah	U or UTAH	M73

A. Lease Prefix Conversion Tables

TABLE A-1. Federal lease prefix conversions (continued)

States	BLM-assigned prefixes	MMS mining prefix
Utah	BLM-A	M77
Washington	WASH	M10
Washington	OR...(WASH) ^a	M10
Wyoming	CASPER	M22
Wyoming	B or BUFFALO or WYOMING...(BUFF) ^a	M29
Wyoming	BLM-A	M31
Wyoming	BLM	M32
Wyoming	C or CH or CHEYENNE or WYOMING...(CHEY) ^a	M52
Wyoming	E or EVANSTON	M74
Wyoming	W or WYOMING	M75
Offshore (Gulf of Mexico)	(Varies)	M92

- a. The three dots (ellipsis) indicate the lease number is between the letters shown.
- b. Includes all States east of the Mississippi River.
- c. Name of the issuing office, not the Tribe.

TABLE A-2. *Indian lease prefix conversions*

States	MMS mining prefix	BIA-assigned prefixes
Alaska	M82	ALL INDIAN PREFIXES
Arizona, California, Idaho, Nevada, Oregon, and Washington	M14 M15 M09	14-20-0603 14-20-0450 ALL OTHER INDIAN PREFIXES IN THESE STATES
Colorado	M55	ALL INDIAN PREFIXES
Montana, North Dakota, South Dakota, and Wyoming	M34 M35	14-20-0252 ALL OTHER INDIAN PREFIXES IN THESE STATES
Minnesota	M90	ALL INDIAN PREFIXES
New Mexico and Texas	M45 M46 M44	14-20-603 NOO-C-1420 ALL OTHER INDIAN PREFIXES IN THESE STATES
Oklahoma, Arkansas, and Missouri	M67	ALL INDIAN PREFIXES
Utah	M78	ALL INDIAN PREFIXES
Other States, including all States east of the Mississippi River	M90	ALL INDIAN PREFIXES

B. Product Codes

Use this appendix to convert the product name to the product code. "Tons" are in short tons (2,000 pounds) unless specified as long tons (2,200 pounds).

Product name	Product code	Unit of measure
Amethyst	AA	grams
Anhydrous Sodium Sulfate	SN	tons
Asbestos	AB	pounds
Asphalt	AD	tons
Barite	BB	tons
Basalt	BC	tons
Bentonite	BD	tons
Bitumen—processed	BF	tons
Bitumen—raw	BA	tons
Borate/Potash Brine	NP	tons
Borate/Sulfate Brine	NQ	tons
Borax—anhydrous	BH	tons
Borax—coarse	BG	tons
Borax—decahydrate	BJ	tons
Borax—pentahydrate	BL	tons
Borax Ore	BW	tons
Boric Acid	BM	tons
Boric Oxide	BO	tons
Boric Slag	BN	tons

B. Product Codes

Product name	Product code	Unit of measure
Borrow Sand and Gravel	BS	tons
Brine	ND	barrels
Burkeite Brine	BR	tons
Burkeite Cake	BP	tons
Cadmium	CD	pounds
Calcium Chloride	CA	pounds
Calcium Silicate Slag	CS	tons
Carbon Dioxide	CO	tons
Carbonated Liquor	MD	tons
Chat	CB	tons
Cinders	CC	tons
Clay	CG	tons
Coal—Anthracite—processed	EA	tons
Coal—Anthracite—raw	EB	tons
Coal—Bituminous—processed	EC	tons
Coal—Bituminous—raw	ED	tons
Coal—Fines Circuit	ES	tons
Coal—Lignite—processed	EF	tons
Coal—Lignite—raw	EG	tons
Coal—Subbituminous—processed	EH	tons
Coal—Subbituminous—raw	EI	tons
Coal Resin	ER	tons
Coal Waste—sub-economic	EW	tons

Product name	Product code	Unit of measure
Compactor Feed	MF	tons
Copper	CU	pounds
Copper Concentrate	CH	tons
Copper Concentrate—mill equivalent	CI	tons
Copper Ore	CJ	tons
Dawsonite	DA	tons
Feldspar Concentrate	FA	tons
Ferro Phosphorous Slag	FB	tons
Fluorspar—raw ore	FR	tons
Fluorspar Concentrate—chemical grade	FD	tons
Fluorspar Concentrate—industrial grade	FC	tons
Garnet—gem	GA	kilos
Garnet Concession Sale	GC	tickets
Garnet Sands	GB	tons
Gilsonite	GF	tons
Glaserite	GL	tons
Gold Metal	AU	ounces
Gold Ore	AV	tons
Gold Placer	AP	ounces
Granite	GG	tons
Gypsum	GH	tons
Hi-Carbonate Brine	NS	tons
Ilmenite—raw ore	IA	tons

B. Product Codes

Product name	Product code	Unit of measure
Intermediate Brine	IB	tons
Iron Concentrate	FF	long tons
Iron Ore	FE	tons
Kyanite	KA	tons
Langbeinite—coarse	LB	tons
Langbeinite—granular	LC	tons
Langbeinite—raw ore	LA	tons
Langbeinite—special	LS	tons
Langbeinite—standard	LD	tons
Lead	PB	tons
Lead Concentrate	PC	tons
Lead Concentrate—mill equivalent	PE	tons
Lead Ore	PF	tons
Leonardite	LT	tons
Limestone	PG	tons
LLX/BAX Brine	NL	tons
Magnesium Chloride Brine	MG	tons
Manganese	MN	tons
Manure Salts	MS	tons
Mercury	HG	pounds
Mica	MA	tons
Mine Water	TW	tons
Mixed Potash—raw ore	JE	tons

Product name	Product code	Unit of measure
Mixed Sulfate Cake	MC	tons
Molybdenum	MO	pounds
Molybdenum Concentrate	MB	tons
Muriate of Potash—chemical	JC	tons
Muriate of Potash—coarse	JA	tons
Muriate of Potash—fine	JB	tons
Muriate of Potash—granular	JL	tons
Muriate of Potash—industrial	JI	tons
Muriate of Potash—soluble	JS	tons
Muriate of Potash—standard	JD	tons
Nahcolite	NC	tons
Nickel	NI	pounds
Olivine Concentrate	OB	tons
Peat	PI	tons
Phosphate Concentrate	PJ	tons
Phosphate Pebble	PH	tons
Phosphate Raw Ore	PK	tons
Phosphate Rock	PL	tons
Phosphatic Clay	PM	tons
Potassium Sulfate—granular	PT	tons
Potassium Sulfate—special standard	PS	tons
Potassium Sulfate—standard	PN	tons
Precipitation Dust	PQ	tons

B. Product Codes

Product name	Product code	Unit of measure
Purge Liquor	PP	tons (equivalent)
Quartz	QA	pounds
Quartz—crystal	QB	tickets/ pounds
Rip Rap	RP	tons
Salt	SA	tons
Salt—waste	SW	tons
Salt Cake	SD	tons
Sand/Gravel	SF	tons
Sand/Gravel	SG	cubic yards
Scoria	SC	cubic yards
Silica Sand	SE	tons
Silver	AG	ounces
Slag—metal	SH	tons
Soda Ash	SJ	tons
Soda Ash—dense	SL	tons
Soda Ash—light	SK	tons
Soda Ash—standard	SO	tons
Sodium (metal)	NA	tons
Sodium Bicarbonate	SB	tons
Sodium Bicarbonate—animal feed	SM	tons
Sodium Bicarbonate—industrial	SI	tons
Sodium Brine	NB	tons

Product name	Product code	Unit of measure
Sodium Cyanide—caustic	SR	tons
Sodium Decahydrate	TD	tons
Sodium Sesquicarbonate	SP	tons
Sodium Tripolyphosphate	SQ	tons
Spent Brine	RA	tons
Sulfide	SU	tons
Sulfur	SS	long tons
Sulfuric Acid	SZ	tons
Supo End Liquor	ME	tons
Sylvite—raw ore	SY	tons
Tar Sands	TS	tons
Tetrasodium Pyrophosphate	ST	tons
Titanium Oxide	TF	tons
Tripoli	TG	tons
Trona—raw (California)	TR	tons
Trona Ore (Wyoming)	TJ	tons
Tungsten	WW	tons
Uranium—raw ore	UA	tons
Uranium Concentrates—yellow cake	UU	pounds
Vanadium	VV	tons
Wavellite	WA	specimen
Yttrium	YY	tons
Yttrium Ore	YO	tons

B. Product Codes

Product name	Product code	Unit of measure
Zinc	ZN	tons
Zinc Concentrate	ZA	tons
Zinc Concentrate—mill equivalent	ZB	tons

C. Transaction Codes

Use this appendix to determine the proper transaction codes to use on your Forms MMS-2014.

Description	Use	Code
Royalty due	To report the sales quantity and sales value for a reporting period and the resulting royalty value.	01
Minimum royalty payment	To report the minimum royalty payment for a lease or to report a bidding rights credit with adjustment reason code 50.	02
Rental	To report the rental payment for a lease if you cannot use it as a credit toward future royalties.	04
Recoupable rental	To report the rental payment for a lease if you can use it as a credit toward future royalties.	05
Transportation allowance claimed	To report a transportation allowance against royalty due on an accounting identification (AID) number.	11
Other allowances claimed	To report taxes paid on Indian leases, Federal black lung excise tax, abandoned mine lands reclamation fees, and severance tax allowances. Use this transaction code only with adjustment reason codes 80, 81, and 82 (see app. D) on Federal leases only.	12
Processing allowance claimed	To report a processing or coal washing allowance against the royalty due on an AID number.	15

C. Transaction Codes

Description	Use	Code
Recouping advance rental credit	To credit up to the amount of the rental against royalties due, if you reported rental using transaction code 05.	25
Advance royalty payment	To report advance royalties due.	32
Recouping advance royalty payments	To credit up to the amount of the advance royalty against royalties due, if you reported advance royalty using transaction code 32.	33
Net profit share—unprofitable month	To report an unprofitable month on a net profit share lease.	39
Net profit share—profitable month	To report a profitable month on a net profit share lease.	40
Establishing recoupable balances	To set up a recoupable balance against a specific Indian lease.	50
Recouping credit balances	To recoup established recoupable credit balances on Indian leases.	51

D. Adjustment Reason Codes

Use this appendix to determine the proper adjustment reason codes to use on your Forms MMS-2014.

Description	Use	Code
Incorrect pricing	To adjust a line item previously reported at an incorrect price.	01
Incorrect volume	To adjust a line item previously reported as an incorrect quantity or a zero quantity.	02
Incorrect royalty rate	To adjust a line item previously reported at an incorrect royalty rate.	03
Adjustments for allowances	To report adjustments for incorrect allowances improperly deducted on a prior report when only the allowance was in error.	04
Other adjustments	To adjust line entries previously reported with coding or typographical errors when the adjustment results in additional royalty payments.	10
Retroactive mandatory price adjustments	To adjust the price of a previously reported product for which a law, regulation, or lease term requires a pricing change.	31
Duplicate reporting	To reverse a line entry reported more than once.	36

D. Adjustment Reason Codes

Description	Use	Code
NOTE	<p>The following four codes are for audit adjustments only. You must report royalties paid as a result of an audit on a special green Form MMS-2014 using these adjustment reason codes. Your Bill for Collection indicates whether MMS conducted the audit alone or jointly with a State, Indian Tribe, or Bureau of Indian Affairs (BIA) agency.</p>	
Joint audit royalty report	To report post-1983 entries resulting from an audit conducted jointly by MMS and a State, Indian Tribe, or BIA agency.	40
Audit exception royalty report	To report post-1983 entries resulting from an audit conducted solely by MMS.	41
Joint audit royalty report prior to 1983	To report pre-1983 entries resulting from an audit conducted jointly by MMS and a State, Indian Tribe, or BIA agency.	42
Audit exception royalty report prior to 1983	To report pre-1983 entries resulting from an audit conducted solely by MMS.	43
Bidding rights adjustments	To show, by single-line entry, the amount the authorized bidding rights reduce the current total payment.	50
Black lung excise tax exclusion ¹	To record the coal value exclusion for black lung excise tax. All lines reporting this exclusion, including the initial report and any subsequent adjustments, must contain this adjustment reason code.	80

Description	Use	Code
Abandoned mine land reclamation fee exclusion ¹	To report the coal value exclusions for abandoned mine land reclamation fees. All lines reporting this exclusion, including the initial report and any subsequent adjustments, must contain this adjustment reason code.	81
Severance taxes exclusion ¹	To report the coal value exclusion for severance taxes. All lines reporting this exclusion, including the initial report and any subsequent adjustments, must contain this adjustment reason code.	82

¹ These exclusions are available to coal lessees only between March 1, 1989, and September 30, 1990, unless specified otherwise by lease terms.

E. Payment Method Codes

Use this appendix to determine the proper payment method codes to use on your Forms MMS-2014.

Description	Use	Code
Amount of checks to MMS	To report each line item that contains a royalty value paid to MMS as part of a check or other payment document.	01
Amount of payments to others	To report each line item that contains a royalty value paid to a party other than MMS (Indian Tribe, Indian allottee, Bureau of Indian Affairs).	02
Amount of electronic funds transfer (EFT) to MMS	To report each line item that contains a royalty value paid to MMS as part of an EFT message.	03

F. Forms

This appendix contains the following blank forms, which you may copy and use:

- Payor Information Form (PIF), Form MMS-4030
- Report of Sales and Royalty Remittance, Form MMS-2014



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Release History

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1.0	02/20/97		Royalty Valuation Division	AMS/OC ^a

a. American Management Systems/Operations Corporation, Inc.



As the Nation's principal conservation agency, the Department of the Interior has responsibility for most of our nationally owned public lands and natural resources. This includes fostering sound use of our land and water resources; protecting our fish, wildlife, and biological diversity; preserving the environmental and cultural values of our national parks and historical places; and providing for the enjoyment of life through outdoor recreation. The Department assesses our energy and mineral resources and works to ensure that their development is in the best interests of all our people by encouraging stewardship and citizen participation in their care. The Department also has a major responsibility for American Indian reservation communities and for people who live in island territories under U.S. administration.



As a bureau of the Department of the Interior, the Minerals Management Service's (MMS) primary responsibilities are to manage the mineral resources located on the Nation's Outer Continental Shelf (OCS), collect revenue from the Federal OCS and onshore Federal and Indian lands, and distribute those revenues.

Moreover, in working to meet its responsibilities, the **Offshore Minerals Management Program** administers the OCS competitive leasing program and oversees the safe and environmentally sound exploration and production of our Nation's offshore natural gas, oil, and other mineral resources. The MMS **Royalty Management Program** meets its responsibilities by ensuring the efficient, timely, and accurate collection and disbursement of revenue from mineral leasing and production due to Indian tribes and allottees, States, and the U.S. Treasury.

The MMS strives to fulfill its responsibilities through the general guiding principles of (1) being responsive to the public's concerns and interests by maintaining a dialogue with all potentially affected parties and (2) carrying out its programs with an emphasis on working to enhance the quality of life for all Americans by lending MMS assistance and expertise to economic development and environmental protection.