



United States Department of the Interior



MINERALS MANAGEMENT SERVICE

ROYALTY MANAGEMENT PROGRAM

P.O. BOX 25165

DENVER, COLORADO 80225

Mail Stop 653

APR 25 1989

IN REPLY
REFER TO:

MMS-RVS-SM

Dear Payor:

In a letter dated March 23, 1989, the Minerals Management Service (MMS) described the methods by which Federal Lessees were to report coal royalty exclusions for the cost of Federal Black Lung excise tax, abandoned mine lands (AML) reclamation fees, and severance taxes. These exclusions are available to Federal lessees under the new coal regulations at 30 CFR § 206.257 (published at 54 F.R. 1525, January 13, 1989). On page 3 of Enclosure 1 of the March letter, MMS stated that:

. . . an exclusion may be taken only after the tax or fee has actually been paid, but not earlier than the royalty on the applicable tonnage is paid. . . .

This requirement is amended to state that exclusions may be taken at the time the royalty on the applicable tonnage is paid, but not earlier than the royalty on the applicable tonnage is paid. For example, AML fees are paid quarterly, 30 days after the end of the quarter. The royalty on coal sold in January is reported and paid in February. The exclusion for January AML fees (paid in April) may be taken on the February report of royalty due for January sales.

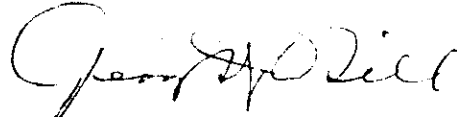
The remaining instructions regarding exclusions detailed in the March 23, 1989, letter are still applicable, including the denoting of exclusions by Transaction Codes 80, 81, and 82. However, because of the extended time required to incorporate these codes into MMS's Auditing and Financial System (AFS), MMS will internally substitute Transaction Code 12 for these codes prior to processing. Should payors receive a Rejected Royalty Line Detail Report ATL152 (ATL152) before the Transaction Codes 80, 81, and 82 have been incorporated, all codes 80, 81, and 82 reported by the lessee on Form MMS-4014 will appear on the ATL152 in the column labeled Adjustment Reason Code, and code 12 will appear in the Transaction Code column. Once codes 80, 81, and 82 have been incorporated into AFS, the ATL152 will begin showing these codes exactly as reported.

Questions regarding the amended reporting requirements of this letter should be directed to:

Chief, Solid Minerals Valuation Branch
Royalty Valuation and Standards Division
Royalty Management Program
Minerals Management Service
P. O. Box 25165, Mail Stop 653
Denver, Colorado 80225
(303) 231-3524

Questions regarding the ATL152 should be addressed to your Lessee Contact Branch representative.

Sincerely,

A handwritten signature in black ink, appearing to read "Jerry D. Hill". The signature is written in a cursive style with a large initial "J".

Jerry D. Hill
Associate Director for
Royalty Management