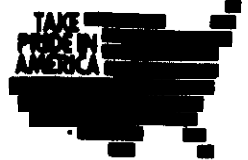




IN REPLY REFER TO:

United States Department of the Interior

MINERALS MANAGEMENT SERVICE
Royalty Management Program
P.O. Box 25165
Denver, Colorado 80225-0165



MMS-RVS-SM
Mail Stop 3510

DEC 15, 1992

Dear Payor:

Enclosed for your reference please find a new chapter of the Minerals Management Service's Solid Minerals Payor Handbook. The new chapter, entitled "Coal Product Valuation," addresses the valuation of coal produced from Federal and Indian leases, including computation procedures and reporting requirements for coal transportation and washing allowances. Regulations governing the valuation of Federal and Indian coal were revised at 30 CFR 206 effective March 1, 1989, and subsequently amended effective October 1, 1990. The new chapter is intended to provide clear and understandable guidance to payors on the regulatory requirements set forth in those revised rulemakings. To accomplish this goal, the chapter provides narrative explanations of the coal product value regulations and, where possible, has shown how the regulations would be applied in realistic examples of common valuation situations. However, because of the complexity of certain coal product valuation issues, payors are encouraged to seek guidance from MMS for valuation situations specific to their operations and selling arrangements.

Sincerely,

James W. Shaw
Associate Director for
Royalty Management

Enclosure