



United States Department of the Interior

MINERALS MANAGEMENT SERVICE

Washington, DC 20240

MAR 13 2001

Dear Reporter:

The Minerals Management Service (MMS) is proposing significant changes to the coal and non-coal solid mineral production and royalty reporting requirements. If approved, these revisions will be effective on October 1, 2001. We are advising you now, in advance of the proposed rulemaking and associated information collection, which will be published soon as a notice in the *Federal Register*, to allow you time to prepare for the revisions. This letter also alerts you to upcoming training sessions in which we will explain the changes and provide instruction for completing the new report.

What reporting changes are being proposed?

For solid mineral reporting, we are planning to eliminate:

- Form MMS-2014, Report of Sales and Royalty Remittance (OMB Control Number 1010-0022), and
- All Production Accounting and Auditing System (PAAS) submissions, including the Solid Minerals Operational Report, Parts A and B (Form MMS-4059, Parts A and B), and the Solid Minerals Facility Report, Parts A and B (Form MMS-4060, Parts A and B). (OMB Control Number 1010-0063).

Instead you would submit a single form, the Production and Royalty Report (P&R Report), Form MMS-4430 (OMB Control Number 1010-0120). You would also submit nonform information including sales summaries, contract submittal (for certain minerals), and facility data.

Why are we proposing these reporting changes?

The replacement reporting form, the P&R Report, will substantially reduce your reporting burden through the following innovations:

- The proposed P&R Report will be an electronic form that you will submit via a secure Internet site. This reporting solution offers many advantages, including access to

your historical production and royalty data via the Internet. However, we will allow electronic reporting exceptions for specific reporters in certain situations.

- The P&R Report is designed using the principles of “plain language,” which make the form easier to understand.
- No product codes, transaction codes, adjustment reason codes, or selling arrangement codes are used in the proposed form. To claim a processing or transportation allowance, you would select the “processing or transportation allowance” feature from the menu on the form. Also, you would use the lease serial number assigned by the Bureau of Land Management (BLM) or Bureau of Indian Affairs rather than the MMS-converted serial number.
- The P&R Report incorporates net reporting of adjustments. Net reporting eliminates double line entry (line reversal and reentry) now associated with Form MMS-2014 and with modified PAAS reports.
- The P&R Report provides several functional features intended to reduce your reporting burden and to promote error-free submissions including:
 - Prepopulation of certain lease data that are essential to proper reporting, such as lease number, royalty rate, and products sold.
 - Built-in arithmetic functions and tools to allocate mine-level sales back to individual leases.
 - Edit functions to prevent the submission of a form containing errors or omissions.
- This form will collect production and sales data for the entire mine, not just the Federal or Indian portion. Many mines contain a mix of Federal, State, and fee properties; production from the different leases is commingled at the time of sale. Thus, BLM’s production verification duties often begin with a known scale measurement of commingled production, which then must be allocated to the leases. Collecting the data in one submission will reduce your reporting burden.

Why are we planning to collect other nonform information?

The planned information collection, including the P&R Report, is an integrated approach to information collection. Each individual information collection, standing alone, cannot provide the data necessary to achieve our compliance performance goal. Our compliance goal is to complete our review of the Federal or Indian royalty reported as soon as possible but not to exceed 3 years from the royalty due date. To minimize the reporting burden, we plan to collect this information using your own internally generated reports.

The information we plan to collect upfront is information that we normally request during an audit, including the following:

- Sales summary data--summarized sales data detailed on an individual customer basis, including sales volume, sales proceeds, transportation or processing (and packaging) allowances, and product quality.
- Sales contracts--would be periodically submitted for certain minerals and submitted only on request for other minerals.
- Facility data--processing plant or remote storage facility information (such as input raw ore quantities and processed product output quantities) and processing losses or transfers to other secondary processing or remote storage facilities.

We believe this approach will be less burdensome and will provide equal or better data than we currently collect.

What software and hardware will you need to submit Form MMS-4430 via the Internet?

You will access the P&R Report through the Internet by using a personal computer (PC) having an IBM-compatible Central Processing Unit. Your PC would need Netscape 4.0 or higher, or Internet Explorer 4.0 or higher.

When and how would you transition from existing reports to the new reports?

- Your final submission of PAAS reports would be for the July 2001 production month, due September 15, 2001. We request early submission of July 2001 PAAS reports, by the end of August, because of our internal data processing conversion schedules.
- Your final Form MMS-2014 submission would be for the August 2001 sales month, due October 1, 2001 (September 30, 2001, is a Sunday).
- Your first submission of Form MMS-4430 would be for August 2001 production and sales. Your initial submission would be due on or before October 15, 2001. Because Form MMS-4430 collects production, sales, and royalty data, some information would duplicate information submitted on Form MMS-2014.
- All subsequent submissions of Form MMS-4430 will conform to the same reporting timeframes as Form MMS-2014 (normally no later than the end of the month following the month of production and sales).

How can you obtain more information about this proposed reporting conversion?

We are planning several training seminars throughout July and August 2001 in Denver, Colorado; Las Vegas, Nevada; and Salt Lake City, Utah. These 2-day training seminars will give you firsthand explanations of the revised information collection and also show you how to report using the new form. We will notify you of the dates and locations later this spring when arrangements are finalized.

The first day of training, we will review Internet use of the P&R Report. During the second day, we will hold 1-hour breakout sessions with individual producers. We will respond to your company's specific questions and also discuss our nonform data collections, such as the sales summary and facility data.

We strongly encourage you to participate in one of these seminars.

At your request, we will travel to your location and work with you to identify the appropriate data to fulfill our sales summary and facility data needs.

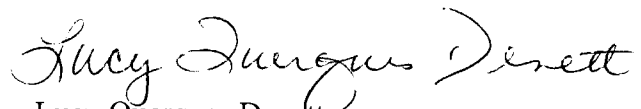
When can you comment on the proposed reporting revisions?

On or about May 1, 2001, we are planning to publish proposed regulations in the *Federal Register*. You will have the opportunity to comment on the revised information collection at that time.

Who can you call for further information?

If you have questions regarding this letter, please call Mr. Glenn Kepler of the Solid Minerals and Geothermal Compliance and Asset Management team at our toll free number (888) 201-6416 or directly at (303) 275-7207.

Sincerely,


Lucy Querques Denett
Associate Director for
Minerals Revenue Management