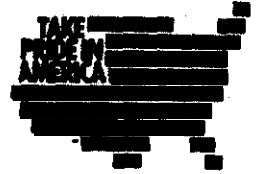




United States Department of the Interior



MINERALS MANAGEMENT SERVICE
ROYALTY MANAGEMENT PROGRAM
P.O. BOX 25165
DENVER, COLORADO 80225

IN REPLY
REFER TO:

RVSD/SM, MS 3510

SEP 18 1990

Dear Payor:

Amended coal product valuation regulations are scheduled to become effective October 1, 1990, and will apply to production occurring on and after that date. The new rules, published in the Federal Register on August 30, 1990, at 55 F.R. 35427, revise 30 CFR 206.251 and 206.257 (1990). Under the rules being adopted, Federal coal lessees no longer will be permitted to deduct or exclude the costs of Federal Black Lung excise taxes, abandoned mine lands (AML) fees, and State and local severance taxes from the value of coal for royalty purposes.

Adjustment Reason Codes 80, 81, and 82, used for the Black Lung excise tax, AML fee, and severance tax exclusions, respectively, will be accepted on Form MMS-4014, Report of Sales and Royalty Remittance, only for production occurring during the period March 1, 1989, through September 30, 1990. These codes may not be used for production occurring on or after October 1, 1990. Payors that take the exclusions for coal produced after September 30, 1990, will be required to repay the amount of the exclusion plus late-payment interest based on the amount of the exclusion taken. However, payors may report exclusions or make retroactive adjustments of previously reported exclusions provided they are applicable to production occurring during the period March 1, 1989, through September 30, 1990.

Questions related to Form MMS-4014 reporting should be directed to your Lessee Contact Branch representative. Questions related to valuation issues should be directed to Herbert B. Wincentsen, Chief, Solid Minerals Valuation Branch, Royalty Valuation and Standards Division, at (303) 231-3524.

Sincerely,

Donald J. Sant

*Acting
for*

Jerry D. Hill
Associate Director for
Royalty Management