



United States Department of the Interior



MINERALS MANAGEMENT SERVICE
Minerals Revenue Management
P. O. Box 25165
Denver, Colorado 80225-0165
www.mrm.mms.gov

APR 28 2010

Dear Geothermal Reporter:

This letter is to revise reporting instructions on the Report of Sales and Royalty Remittance (Form MMS-2014) for leases producing fluid geothermal resources and geothermal byproducts. This revision is based on regulations contained in 30 CFR Part 206.

Class I Geothermal Leases (issued before August 8, 2005)

The royalty calculation for most Class I leases continues to be the netback method.

- Use Transaction Code (TC) 01 to report sales of electricity generated by use of geothermal resources and report the gross proceeds from those electricity sales in the Sales Value field on the Form MMS-2014
- Report current sales period deductions for generation on the same TC 01 line using the processing allowance field and transmission/wheeling using the transportation allowance field.
- These deductions combined must not exceed 99 percent of the Sales Value reported to MMS. Under no circumstances may the deductions reduce the sales value of the geothermal resource to zero.

Class II Geothermal Leases (issued after August 8, 2005)

The royalty calculation for these leases is a percentage of gross proceeds method.

- Use TC 01 to report sales of electricity generated by use of geothermal resources and report the gross proceeds from those electricity sales in the sales value field on the Form MMS-2014.
- You may not reduce gross proceeds by any deductions or allowances.

Class III Geothermal Leases (Class I leases converted after August 8, 2005)

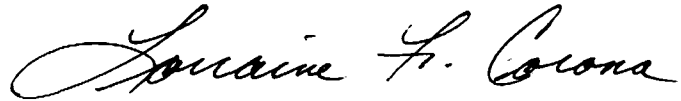
The royalty calculation for these leases is a percentage of gross proceeds method.

- Use TC 01 to report sales of electricity generated by use of geothermal resources and report the gross proceeds from those electricity sales in the sales value field on the Form MMS-2014.
- You may not reduce gross proceeds by any deductions or allowances.

We are currently revising Chapter 7 of the Minerals Revenue Reporter Handbook to reflect this change to reporting instructions. Please refer to 30 CFR Part 210 for regulatory guidance on geothermal reports and forms.

Please contact your Reporting Services contact if you have any questions regarding submission of the Form MMS-2014. Your Reporting Services contact can be found at <http://www.mrm.mms.gov/reportingservices/pdfdocs/coassign.pdf>.

Sincerely,

A handwritten signature in black ink that reads "Lorraine F. Corona". The signature is written in a cursive style with a large, looping initial "L".

Lorraine F. Corona
Reporting Services Manager