

Coal Revenues 1997

Report on Coal Receipts from Federal and Indian Leases



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Prepared by:

Mitchell Parker
Steve Rawlings
Claire Schaeffer
Larry Shoaff

U.S. Department of the Interior
Bruce Babbitt, Secretary

Land and Minerals Management
Bob Armstrong, Assistant Secretary

Minerals Management Service
Cynthia Quarterman, Director

Offshore Minerals Management Program
Carolita Kallaur, Associate Director

Royalty Management Program
Lucy Querques Denett, Associate Director



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Minerals Management Service
Royalty Management Program, Mail Stop 3062
P.O. Box 25165
Denver, CO 80225-0165

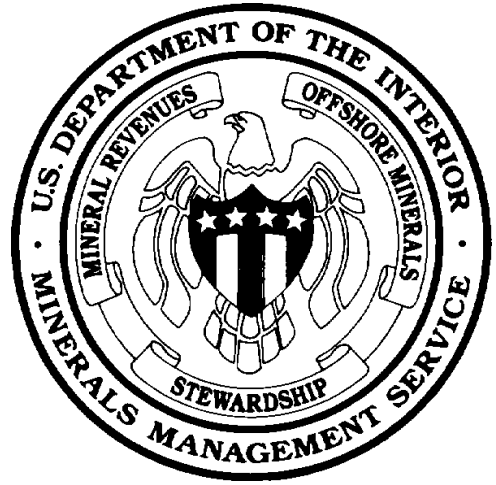
Steve Rawlings
(303) 231-3230

Claire Schaeffer
(303) 231-3067

Mitchell Parker
(303) 231-3615

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Minerals Management Service

About This Report

The Coal Revenues report provides information addressing royalty receipts from Federal and Indian mineral leases. The Minerals Management Service (MMS), Royalty Management Program, distributes the report annually to Congressional, Federal, State, Indian, and industry representatives. The narratives, figures, and tables address current year performance; however, 10 years of historical data are provided where appropriate as a service to our constituents.

Sales Volume, Sales Value, and Royalties

Sales volume represents the volume of a commodity reported sold during the year. Sales value represents the dollar value of the commodity reported sold during the year. Selected sales volume and sales value figures in this report have been adjusted to resolve distortions that may be created by communitization and unitization agreements, nonstandard leases and agreements, and prior-period adjustments. A royalty is due when production begins. Royalty payments represent a stated share or percentage of the value of the mineral produced.

Revenue Collections and Disbursements

Revenues collected from coal leases on Federal lands are distributed to States, to the U.S. Department of the Treasury, and to the Reclamation Fund. Formulas for these disbursements are governed by legislation and regulations. Since revenues collected in one month are disbursed in the following month, collection totals in a given year will not equal disbursement totals for the same year.

Public Domain Lands

The majority of Federal lands are in the public domain. Under section 35 of the Mineral Leasing Act of 1920, 30 U.S.C. 181, States other than Alaska receive 50 percent of all royalties, rents, and bonuses collected from any public domain leases located within their respective boundaries. Forty percent of remaining mineral revenues is deposited in the Reclamation Fund administered by the Bureau of Reclamation. The Reclamation Fund provides revenues to build, maintain, and operate water and associated power projects on arid and semiarid Western lands. The remaining 10 percent is directed into the General Fund of the Treasury through miscellaneous receipts.

Alaska receives 90 percent of all royalties, rents, and bonuses paid for mineral production on public domain leases in Alaska. The State also receives 50 percent of all royalties, rents, and bonuses generated from the National Petroleum Reserve Alaska (table 30).

Acquired Lands

The MMS collects all royalties, rents, and bonuses from leases issued under the Mineral Leasing Act for Acquired Lands of 1947, 30 U.S.C. 351 *et seq.*, on behalf of a number of Federal agencies. Revenues are disbursed according to laws applicable to the lands.

Indian Lands

The Bureau of Indian Affairs (BIA) collects bonuses and rents from nonproducing leases. Solid mineral royalties are paid directly to the applicable Tribes or to a designated BIA office.

Coal Revenues 1997

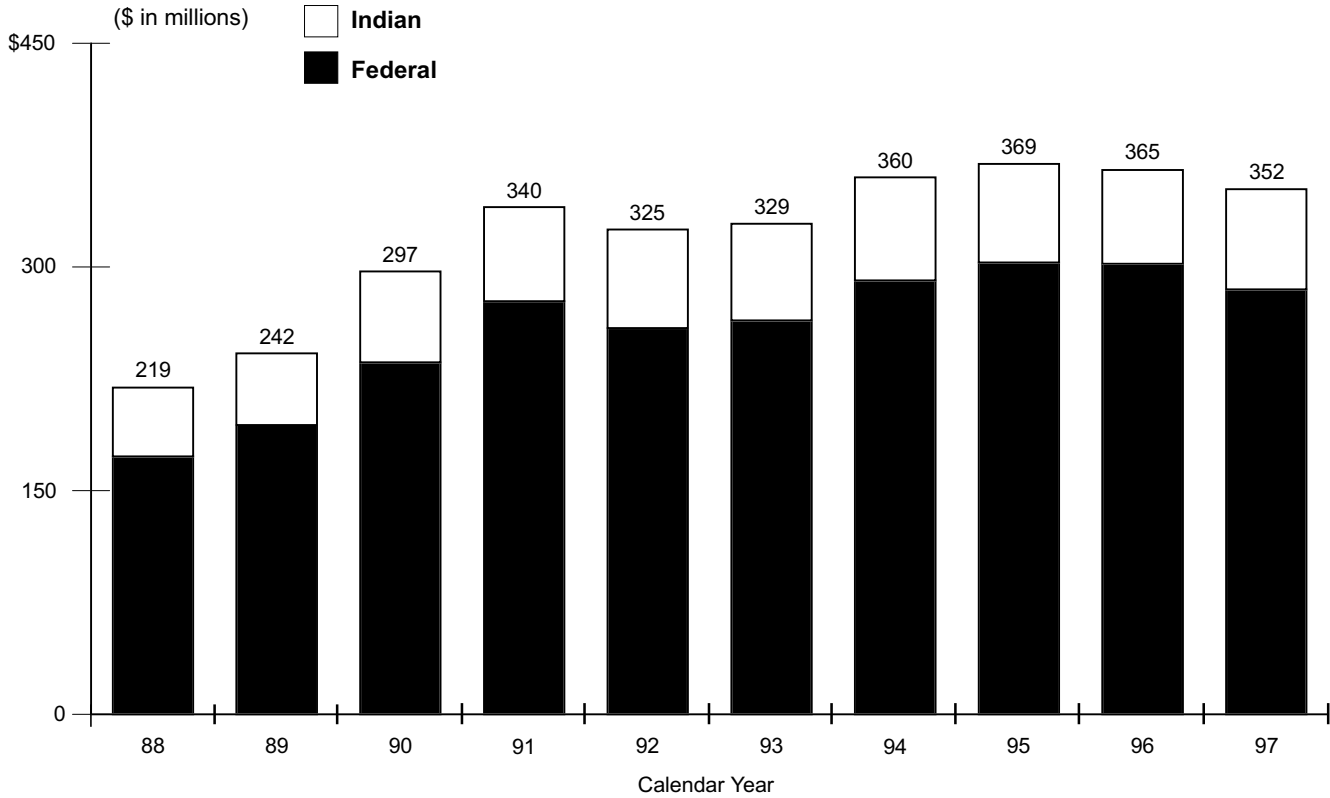


Figure 1. Revenues from Federal onshore and Indian leases by source, Calendar Years 1988-97

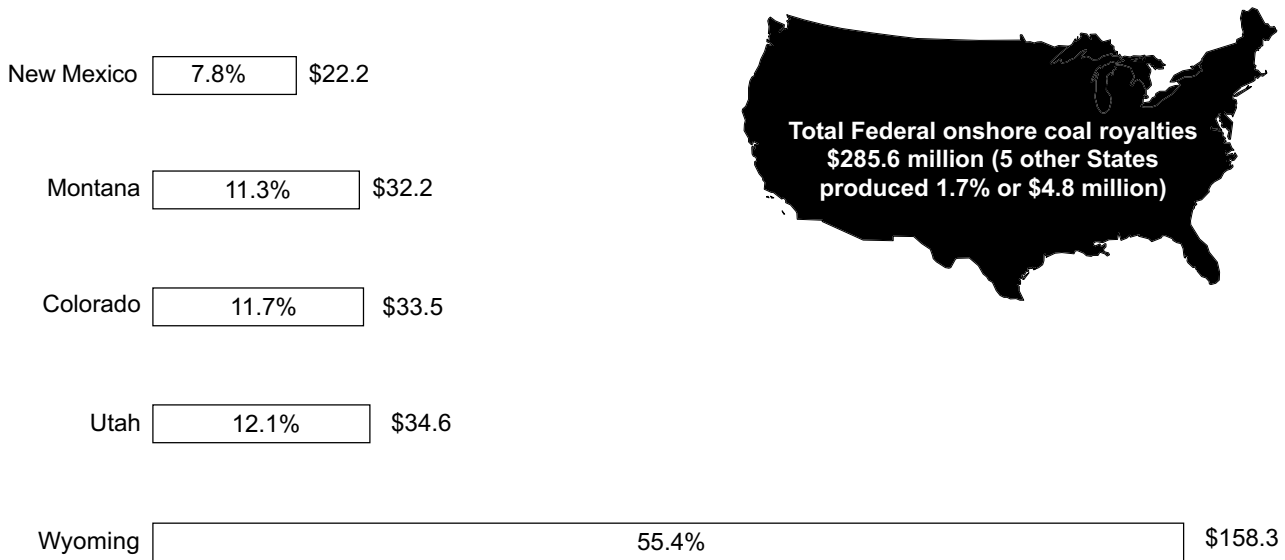


Figure 2. Federal onshore coal royalties by State, in millions, Calendar Year 1997

Coal Revenues 1997

U. S. coal production totaled 1,089 million short tons in 1997, an increase of 24.7 million short tons, or 2.3 percent compared to the corresponding period in 1996. Recent gains in mining productivity, however, have resulted in a downward trend for coal prices.

The electric utility sector, the largest consumer of coal in the United States, has recently increased its demand for low sulfur Western coal due to implementation of sulfur emission standards set by the Clean Air Act Amendments of 1990. Enforcement of Federal air quality legislation has aided western coal producers in expanding their market. For the first time in history, industry experts expect 1998 western region coal production to surpass the production of Appalachian coal.

Combined royalties from Federal onshore and Indian coal were down 3.5 percent in 1997, or \$12.7 million, when compared with the same period in 1996. Federal onshore coal royalties were down 5.4 percent, or \$16.3 million, in 1997 (table 1 and figure 1). The decline in Federal coal royalties is attributed to a drop

in coal sales volume and royalties in Wyoming. Wyoming coal royalties fell 10.4 percent, or \$18.4 million, during the year (table 1). Wyoming coal production was impacted by continual rail transport problems involving scheduling delays and railcar shortages that hampered shipments of coal getting to the marketplace. Those transportation problems are likely to persist into 1998.

Indian coal sales volume rose 22.7 percent while coal royalties increased only 5.7 percent, or \$3.6 million, in 1997 when compared to the same period in 1996 (table 1). The disparity between the increase in sales volume and royalties is due to the decline in coal prices as a result of recent gains in mining productivity. The increase occurred on Indian lands in Montana and New Mexico (table 1).

There were 164 producing coal leases on 421,060 acres on Federal and Indian lands at the end of 1997. These numbers represent a net increase of 24 leases on 29,520 acres over corresponding totals in 1996 (tables 2 and 3).

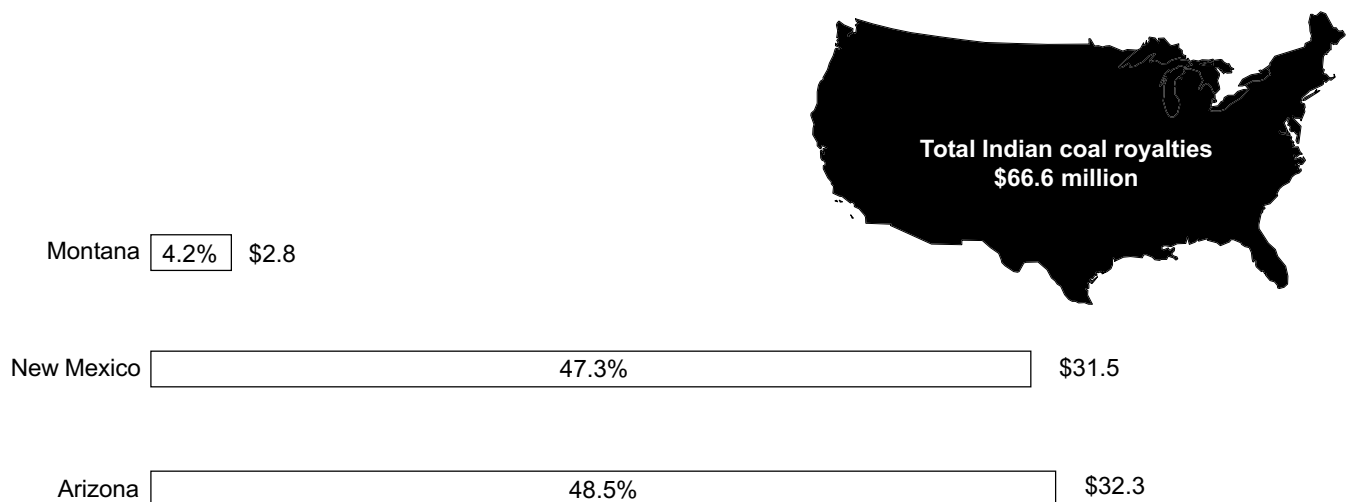


Figure 3. Indian coal royalties by State, in millions, Calendar Year 1997

Table 1. Summary of coal sales volume, sales value, and royalties, by State, from Federal onshore and Indian mineral leases, Calendar Years 1920-97

	1920-87	1988	1989	1990	1991	1992
Onshore						
Alabama						
Sales Volume	1,815,993	---	147,473	556,776	62,204	317,072
Sales Value	\$ 12,156,630	\$ ---	\$ 5,649,348	\$ 22,159,423	\$ 2,557,991	\$ 13,555,272
Royalties	\$ 542,509	\$ ---	\$ 395,580	\$ 1,549,602	\$ 213,649	\$ 813,493
Colorado						
Sales Volume	143,842,670	8,992,859	10,583,253	19,705,001	20,982,289	12,741,936
Sales Value	\$2,366,177,404	\$183,596,741	\$215,324,252	\$449,787,755	\$404,839,793	\$378,510,873
Royalties	\$ 125,948,994	\$ 12,146,642	\$ 16,103,220	\$ 37,925,085	\$ 41,113,763	\$ 30,744,661
Kentucky						
Sales Volume	2,994,873	238,423	142,121	124,650	166,538	407,074
Sales Value	\$ 26,007,368	\$ 6,023,729	\$ 3,262,187	\$ 3,124,887	\$ 4,529,508	\$ 10,536,059
Royalties	\$ 1,007,063	\$ 484,153	\$ 268,962	\$ 258,737	\$ 184,432	\$ 781,241
Montana						
Sales Volume	226,242,346	20,626,026	23,695,342	27,245,871	25,648,160	23,992,585
Sales Value	\$2,337,035,350	\$297,352,200	\$270,581,091	\$309,093,161	\$300,736,843	\$274,694,506
Royalties	\$ 123,865,414	\$ 35,591,525	\$ 26,544,365	\$ 29,154,703	\$ 35,584,991	\$ 34,095,502
New Mexico						
Sales Volume	61,180,639	3,372,358	6,207,133	6,562,018	3,505,140	3,810,064
Sales Value	\$ 905,473,471	\$ 85,091,413	\$153,466,999	\$183,376,050	\$112,802,351	\$109,031,081
Royalties	\$ 81,136,657	\$ 10,999,760	\$ 18,992,458	\$ 21,997,591	\$ 14,088,167	\$ 13,628,931
North Dakota						
Sales Volume	56,271,993	5,171,486	4,954,981	5,535,560	6,415,502	6,300,575
Sales Value	\$ 309,717,854	\$ 42,476,935	\$ 41,603,674	\$ 49,701,309	\$ 51,290,391	\$ 45,817,186
Royalties	\$ 27,212,565	\$ 4,905,510	\$ 3,646,461	\$ 4,742,167	\$ 5,757,355	\$ 2,870,833
Oklahoma						
Sales Volume	9,218,015	80,783	102,296	145,041	423,165	563,337
Sales Value	\$ 143,820,949	\$ 2,959,144	\$ 3,606,776	\$ 4,259,929	\$ 15,707,553	\$ 16,622,840
Royalties	\$ 6,384,124	\$ 69,285	\$ 109,980	\$ 264,376	\$ 1,223,282	\$ 399,483
Utah						
Sales Volume	205,030,926	14,294,720	16,528,554	17,265,793	17,421,604	18,038,117
Sales Value	\$3,009,363,335	\$395,922,539	\$404,340,212	\$439,206,512	\$432,563,452	\$451,895,213
Royalties	\$ 102,326,298	\$ 16,628,521	\$ 28,119,418	\$ 28,808,738	\$ 30,277,111	\$ 30,306,592
Washington						
Sales Volume	4,286,763	507,916	662,264	874,986	681,332	1,626,497
Sales Value	\$ 64,626,061	\$ 13,134,627	\$ 16,536,707	\$ 22,662,137	\$ 16,808,460	\$ 29,934,159
Royalties	\$ 808,495	\$ 111,788	\$ 249,132	\$ 173,787	\$ 1,089,915	\$ 2,184,653

Table 1. Summary of coal sales volume, sales value, and royalties, by State, from Federal onshore and Indian mineral leases, Calendar Years 1920-97 (cont.)

1993	1994	1995	1996	1997	1920-97	
Onshore						
Alabama						
468,669	7,188	38,375	49,377	183,813	3,646,940	Sales Volume
\$ 25,143,222	\$ 329,671	\$ 1,535,007	\$ 2,314,737	\$ 8,658,593	\$ 94,059,894	Sales Value
\$ 984,015	\$ 17,799	\$ 144,547	\$ 169,544	\$ 631,571	\$ 5,462,309	Royalties
Colorado						
12,900,971	15,473,926	18,916,944	18,765,590	22,264,286	305,169,725	Sales Volume
\$293,928,242	\$357,276,193	\$349,725,830	\$379,452,858	\$453,164,797	\$5,831,784,738	Sales Value
\$ 24,343,484	\$ 30,730,514	\$ 24,612,602	\$ 28,560,925	\$ 33,460,092	\$ 405,689,982	Royalties
Kentucky						
105,983	100,615	215,391	249,333	506,389	5,251,390	Sales Volume
\$ 2,831,522	\$ 2,708,834	\$ 5,164,667	\$ 5,998,568	\$ 12,765,063	\$ 82,952,392	Sales Value
\$ 178,379	\$ 176,527	\$ 302,741	\$ 268,385	\$ 770,371	\$ 4,680,991	Royalties
Montana						
25,954,525	30,614,717	28,038,058	24,816,378	24,501,632	481,375,640	Sales Volume
\$310,316,224	\$339,668,336	\$314,577,643	\$282,031,013	\$260,189,439	\$5,296,275,806	Sales Value
\$ 38,664,936	\$ 41,959,365	\$ 38,419,606	\$ 32,935,987	\$ 32,213,772	\$ 469,030,166	Royalties
New Mexico						
4,600,430	6,465,599	6,242,364	5,861,991	6,029,029	113,836,765	Sales Volume
\$144,734,772	\$183,233,639	\$183,915,920	\$169,569,454	\$182,388,571	\$2,413,083,721	Sales Value
\$ 16,827,125	\$ 22,910,454	\$ 22,036,406	\$ 20,844,809	\$ 22,154,041	\$ 265,616,399	Royalties
North Dakota						
2,147,490	1,695,918	2,055,226	1,835,184	3,312,647	95,696,562	Sales Volume
\$ 16,022,784	\$ 11,162,857	\$ 16,457,010	\$ 15,376,728	\$ 29,616,267	\$ 629,242,995	Sales Value
\$ 1,063,332	\$ 760,624	\$ 891,418	\$ 1,012,891	\$ 1,182,506	\$ 54,045,662	Royalties
Oklahoma						
477,756	1,050,832	520,795	769,297	576,674	13,927,991	Sales Volume
\$ 16,809,072	\$ 31,002,119	\$ 15,856,469	\$ 26,221,224	\$ 16,812,850	\$ 293,678,925	Sales Value
\$ 531,724	\$ 1,011,297	\$ 645,440	\$ 746,551	\$ 461,214	\$ 11,846,756	Royalties
Utah						
18,856,003	22,138,833	23,577,179	26,403,884	23,886,795	403,442,408	Sales Volume
\$469,454,895	\$486,256,622	\$546,283,017	\$582,264,498	\$507,480,897	\$7,725,031,192	Sales Value
\$ 31,024,952	\$ 33,993,292	\$ 37,691,167	\$ 39,456,175	\$ 34,635,367	\$ 413,267,631	Royalties
Washington						
686,337	280,398	426,643	570,668	947,003	11,550,807	Sales Volume
\$ 16,086,103	\$ 6,796,617	\$ 9,323,994	\$ 16,946,521	\$ 24,122,456	\$ 236,977,842	Sales Value
\$ 115,583	\$ 502,197	\$ 658,644	\$ 1,233,841	\$ 1,723,179	\$ 8,851,214	Royalties

Table 1. Summary of coal sales volume, sales value, and royalties, by State from Federal onshore and Indian mineral leases, Calendar Years 1920-97 (cont.)

	1920-87	1988	1989	1990	1991	1992
Onshore, cont'd						
Wyoming						
Sales Volume	836,689,354	145,925,209	146,264,126	175,013,698	177,695,331	170,712,594
Sales Value	\$ 8,527,169,242	\$ 1,403,440,463	\$ 1,586,288,562	\$ 1,314,225,312	\$ 1,278,358,963	\$ 1,198,565,813
Royalties	\$ 247,041,292	\$ 91,858,561	\$ 100,112,259	\$ 111,192,225	\$ 147,158,539	\$ 143,718,541
Onshore Total						
Sales Volume	1,547,573,572	199,209,780	209,287,543	253,029,394	253,001,265	238,509,851
Sales Value	\$ 17,701,547,664	\$ 2,429,997,791	\$ 2,700,659,808	\$ 2,797,596,475	\$ 2,620,195,305	\$ 2,529,163,002
Royalties	\$ 716,273,411	\$ 172,795,745	\$ 194,541,835	\$ 236,067,011	\$ 276,691,204	\$ 259,543,930
	1937-87	1988	1989	1990	1991	1992
Indian						
Arizona						
Sales Volume	152,276,770	12,318,335	11,118,215	12,621,393	17,877,672	12,951,372
Sales Value	\$ 1,709,640,860	\$ 238,341,308	\$ 226,502,328	\$ 243,469,458	\$ 284,020,527	\$ 264,235,116
Royalties	\$ 65,519,610	\$ 21,739,989	\$ 19,374,672	\$ 29,236,716	\$ 33,174,586	\$ 33,054,116
Montana						
Sales Volume	44,215,195	1,926,826	2,614,973	2,730,964	2,979,447	2,299,856
Sales Value	\$ 363,896,035	\$ 14,990,558	\$ 18,855,032	\$ 18,422,448	\$ 18,395,721	\$ 11,591,274
Royalties	\$ 22,504,217	\$ 1,126,593	\$ 1,489,332	\$ 1,499,932	\$ 1,367,295	\$ 1,175,285
New Mexico						
Sales Volume	168,557,117	11,984,923	13,249,499	12,713,961	11,233,313	12,893,539
Sales Value	\$ 1,652,311,753	\$ 237,139,427	\$ 253,595,409	\$ 269,740,481	\$ 241,543,336	\$ 272,059,280
Royalties	\$ 81,272,050	\$ 23,825,185	\$ 26,813,923	\$ 30,054,848	\$ 28,341,403	\$ 31,689,497
Indian Total						
Sales Volume	365,049,082	26,230,084	26,982,687	28,066,318	32,090,432	28,144,767
Sales Value	\$ 3,725,848,648	\$ 490,471,293	\$ 498,952,769	\$ 531,632,387	\$ 543,959,584	\$ 547,885,670
Royalties	\$ 169,295,877	\$ 46,691,767	\$ 47,677,927	\$ 60,791,496	\$ 62,883,284	\$ 65,918,898
	1920-87	1988	1989	1990	1991	1992
Federal and Indian Total						
Sales Volume	1,912,622,654	225,439,864	236,270,230	281,095,712	285,091,697	266,654,618
Sales Value	\$ 21,427,396,312	\$ 2,920,469,084	\$ 3,199,612,577	\$ 3,329,228,862	\$ 3,164,154,889	\$ 3,077,048,672
Royalties	\$ 885,569,288	\$ 219,487,512	\$ 242,219,762	\$ 296,858,507	\$ 339,574,488	\$ 325,462,828

Table 1. Summary of coal sales volume, sales value, and royalties, by State, from Federal onshore and Indian mineral leases, Calendar Years 1920-97 (cont.)

1993	1994	1995	1996	1997	1920-97	
Onshore, cont'd						
Wyoming						
\$ 191,365,381	\$ 214,691,710	\$ 268,483,700	\$ 248,866,650	\$ 248,062,055	\$ 2,823,769,808	Sales Volume
\$1,292,147,079	\$1,433,629,577	\$1,478,211,828	\$1,450,325,503	\$1,320,279,624	\$22,282,641,966	Sales Value
\$ 150,508,600	\$ 159,208,542	\$ 178,202,333	\$ 176,655,794	\$ 158,319,997	\$ 1,663,976,683	Royalties
Onshore Total						
\$ 257,563,545	\$ 292,519,736	\$ 348,514,675	\$ 328,188,352	\$ 330,270,323	\$ 4,257,668,036	Sales Volume
\$2,587,473,915	\$2,852,064,465	\$2,921,051,385	\$2,930,501,104	\$2,815,478,557	\$44,885,729,471	Sales Value
\$ 264,242,130	\$ 291,270,611	\$ 303,604,904	\$ 301,884,902	\$ 285,552,110	\$ 3,302,467,793	Royalties
1993	1994	1995	1996	1997	1920-97	
Indian						
Arizona						
12,257,727	12,263,813	12,249,420	12,184,822	12,152,262	280,271,801	Sales Volume
\$ 264,025,579	\$ 262,693,707	\$ 258,409,920	\$ 274,794,525	\$ 267,106,711	\$ 4,293,240,039	Sales Value
\$ 32,999,499	\$ 32,838,562	\$ 32,301,238	\$ 33,226,179	\$ 32,293,201	\$ 365,758,368	Royalties
Montana						
3,517,511	4,133,947	4,468,127	4,681,254	6,093,862	79,661,962	Sales Volume
\$ 28,040,475	\$ 23,726,452	\$ 25,943,606	\$ 27,284,017	\$ 34,305,902	\$ 585,451,520	Sales Value
\$ 1,785,621	\$ 1,979,487	\$ 2,037,249	\$ 2,139,868	\$ 2,790,151	\$ 39,895,030	Royalties
New Mexico						
12,316,224	12,523,652	11,647,591	9,438,892	14,037,282	290,595,993	Sales Volume
\$ 249,852,677	\$ 271,684,975	\$ 247,836,433	\$ 219,211,160	\$ 245,901,054	\$ 4,160,875,985	Sales Value
\$ 29,964,701	\$ 34,086,364	\$ 31,351,861	\$ 27,697,824	\$ 31,543,282	\$ 376,640,938	Royalties
Indian Total						
28,091,462	28,921,412	28,365,138	26,304,968	32,283,406	650,529,756	Sales Volume
\$ 541,918,731	\$ 558,105,134	\$ 532,189,959	\$ 521,289,702	\$ 547,313,667	\$ 9,039,567,544	Sales Value
\$ 64,749,821	\$ 68,904,413	\$ 65,690,348	\$ 63,063,871	\$ 66,626,634	\$ 782,294,336	Royalties
1993	1994	1995	1996	1997	1920-97	
Federal and Indian Total						
285,655,007	321,441,148	376,879,813	354,493,320	362,553,729	4,908,197,792	Sales Volume
\$3,129,392,646	\$3,410,169,599	\$3,453,241,344	\$3,451,790,806	\$3,362,792,224	\$53,925,297,015	Sales Value
\$ 328,991,951	\$ 360,175,024	\$ 369,295,252	\$ 364,948,773	\$ 352,178,744	\$ 4,084,762,129	Royalties

Table 2. Producing Federal onshore and Indian coal leases as of December 31, 1997

	Federal		Indian		Total	
	No.	Acres	No.	Acres	No.	Acres
Alabama	1	1,610	---	---	1	1,610
Arizona	---	---	3	64,858	3	64,858
Colorado	35	58,248	0	---	35	58,248
Kentucky	3	2,413	0	---	3	2,413
Montana	12	26,996	1	14,746	13	41,742
New Mexico	7	11,773	2	36,026	9	47,799
North Dakota	4	5,735	---	---	4	5,735
Oklahoma	5	8,193	---	---	5	8,193
Utah	43	60,585	---	---	43	60,585
Washington	1	241	---	---	1	241
Wyoming	<u>47</u>	<u>129,636</u>	---	---	<u>47</u>	<u>129,636</u>
Total	158	305,430	6	115,630	164	421,060

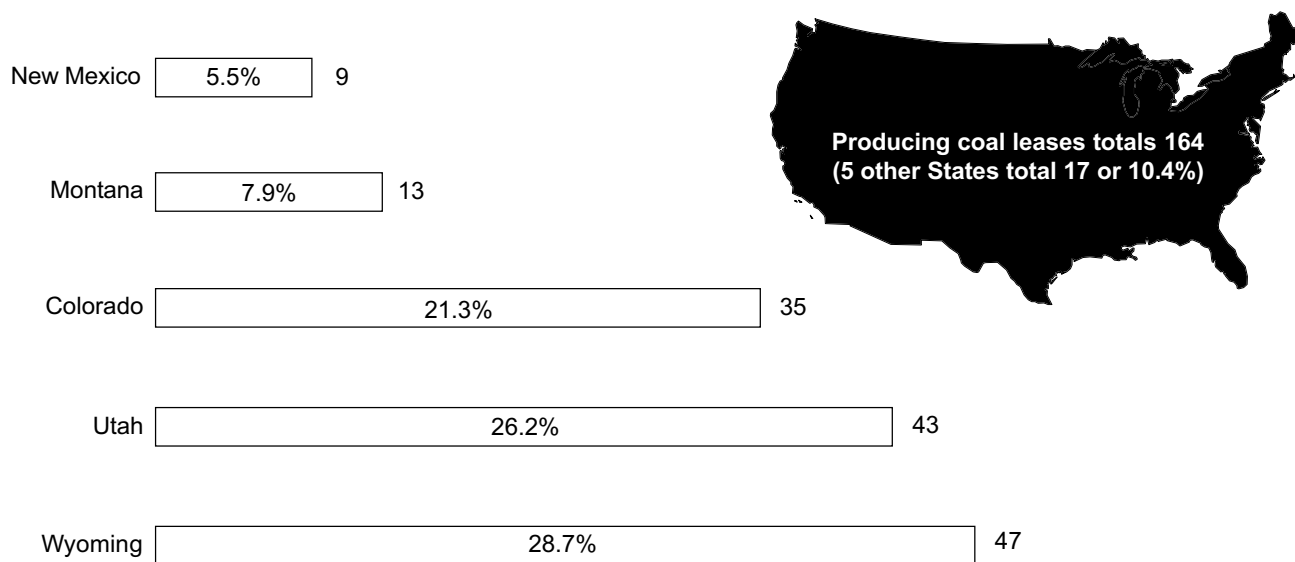


Figure 4. Producing Federal onshore and Indian coal leases as of December 31, 1997

Table 3. Producing Federal onshore and Indian coal leases as of December 31, 1988-97

	Federal		Indian		Total	
	No.	Acres	No.	Acres	No.	Acres
1988	119	224,579	7	155,918	126	380,497
1989	126	235,975	8	156,141	134	392,116
1990	128	255,586	6	115,630	134	371,216
1991	134	273,408	6	113,194	140	386,602
1992	138	279,785	6	123,998	144	403,783
1993	133	268,030	6	123,998	139	392,028
1994	136	276,650	6	123,517	142	400,167
1995	142	294,568	6	123,517	148	418,085
1996	134	275,910	6	115,630	140	391,540
1997	158	305,430	6	115,630	164	421,060

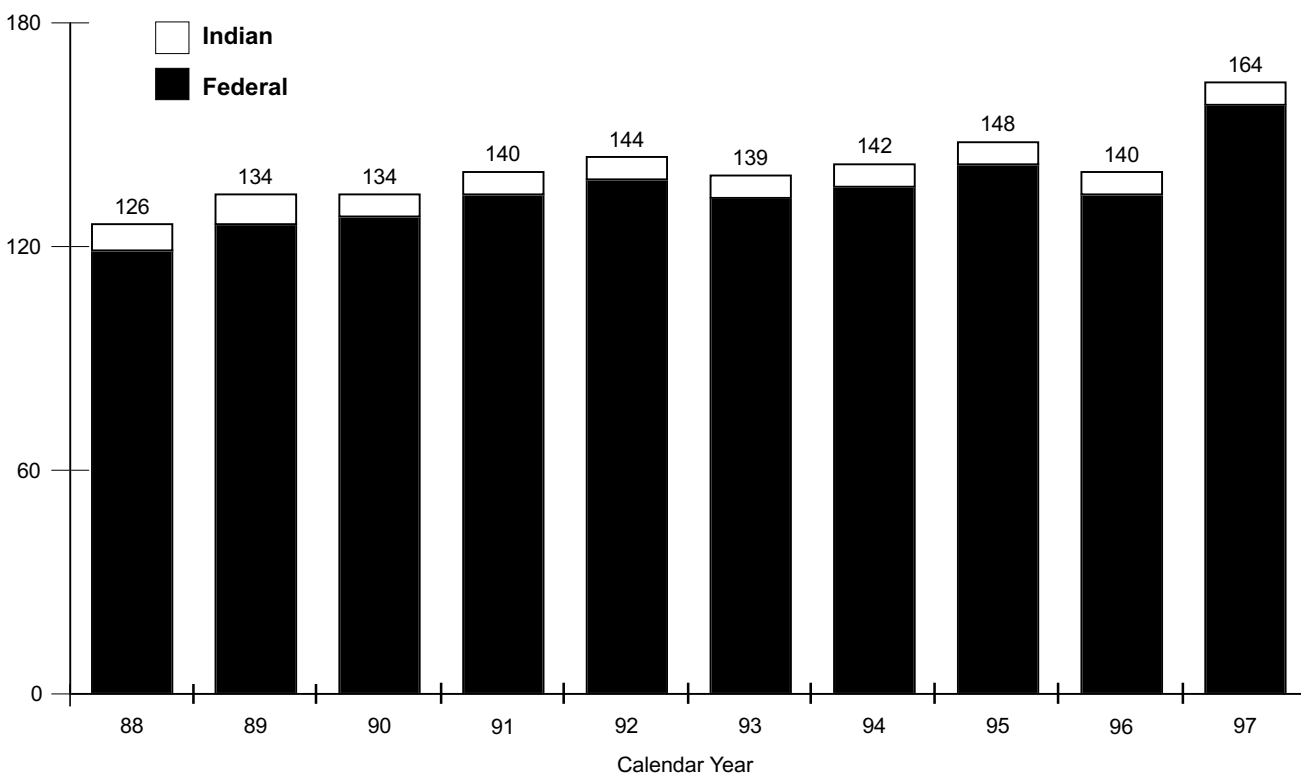
**Figure 5. Producing Federal onshore and Indian leases by source, Calendar Years 1988-97**

Table 4. General Federal onshore and Indian coal lease terms

Coal Leases on Federal Lands: Leases Issued Through August 4, 1976

Customary Royalty Rate	\$0.15 per ton underground and \$0.175 per ton surface mines.
Annual Rent and Other Fees	Rent \$1 per acre credited against royalty payments for the lease year. Minimum royalty: per lease terms.
Duration of Lease	Indefinite period with 20-year readjustments.
Size of Lease	Not more than 46,080 acres in one state and not more than 100,000 acres in the United States for one or more leases.
Bonding Requirements	Nonproducing leases: \$5,000 or amount equal to annual rent rounded to \$1,000, whichever is greater. Producing leases: 3 months' production royalty.

Coal Leases on Federal Lands: Leases Issued or Readjusted After August 4, 1976

Customary Royalty Rate	Readjusted and new leases: 8% of value of production for underground mines and 12 1/2% of value of production for surface mines.
Annual Rent and Other Fees	Rent \$3 per acre not credited against royalty payments. Lease filing fee: \$250. Transfer fee: \$50.
Duration of Lease	20 years; continued if producing in commercial quantities, subject to readjustment every 10 years.
Size of Lease	No more than 46,080 acres in one state and no more than 100,000 total acres in the United States.
Bonding Requirements	Nonproducing leases: \$5,000 or amount equal to annual rent rounded to \$1,000, whichever is greater. Producing leases: 3 months' production royalty.

Coal Leases on Indian Lands

Customary Royalty Rate	Varies according to lease terms and amendments.
Annual Rent and Other Fees	Rent varies. Average rent \$2 per acre. Advance royalty varies.
Duration of Lease	Varies by lease terms.
Size of Lease	Varies.
Bonding Requirements	Lease: \$500 to \$2,000 depending on acreage. State: \$75,000 depending on acreage. Nationwide: \$75,000 or determined by the Secretary.

Glossary

Acquired lands — Lands in Federal ownership that the Government obtained by deed through purchase, gift, exchange, or condemnation proceedings.

Allowance — An allowable deduction from value for royalty purposes.

BIA — Bureau of Indian Affairs. A Federal agency within the Department of the Interior responsible for facilitating the full development of the human and natural resource potential of Indian and Alaskan Native people to manage their own affairs under a trust relationship with the Federal Government.

Bonus — The cash consideration paid to the United States by the successful bidder for a mineral lease. The payment is made in addition to the rent and royalty obligations specified in the lease.

Bureau of Land Management — A Federal agency within the Department of the Interior that administers public lands and natural resources. Bureau of Land Management programs provide for the protection, orderly development, and use of public lands and resources under principles of multiple use and sustained yield.

Competitive leasing — The Federal Government issues leases on Federal onshore lands where there are known mineral deposits, or where inference of probable mineralization may be derived from knowledge of the geology of the land. The lands are offered for lease by competitive bidding following publication of the offer of the lands for lease. The lease is issued to the highest bidder at a sale by public auction. The Federal Government offers leases of certain Outer Continental Shelf tracts by competitive sealed bid. The bids are received, announced, and recorded, and the lease is generally issued to the highest bidder. See **Noncompetitive leasing**.

Department of the Interior — A Cabinet-level department in the Executive Branch of the Federal Government, responsible for the administration of most of the nationally owned public lands and natural resources. The Department of the Interior is further responsible for American Indian reservation communities and for individuals who live in Island Territories under U.S. administration.

Effective date — The date a lease or assignment becomes effective. The effective date for a lease is the first day of the month after the issue date or, upon applicant request, the first day of the month of issuance. The effective date for an assignment is the first day of the month after proper filing of all required documents

Explanation of payment reports — A series of reports produced by the Minerals Management Service Royalty Management Program, mailed twice each month to Indian Tribes and once each month to States. The reports for Indian allottees are produced and distributed twice each month by the Bureau of Indian Affairs with information supplied by the Royalty Management Program. The reports address the source and nature of mineral revenue disbursements.

Federal land — All land and interests in land owned by the Federal Government, including Outer Continental Shelf, public domain, acquired, and military lands.

FY — Fiscal Year. A period of time used for accounting purposes. The Federal Government recognizes a fiscal year that begins October 1 of one year and ends September 30 of the following year.

Indian allotment — An allocation of a parcel of public lands or Indian reservation lands to an Indian for individual use. Revenue from mineral production from leases on Indian allotments is paid to the individual Indian allottee. See **Indian allottee**.

Indian allottee — Any Indian who holds title to land or an interest in land subject to Federal restrictions against alienation. See **Indian allotment**.

Indian land — Lands owned by Indians, including either Tribal lands held in trust by the United States or subject to Federal restrictions against alienation, or allotted land owned by an individual Indian with Federal restrictions against alienation. The Bureau of Indian Affairs monitors Indian leases.

Lease — A legal document executed between a landowner, as lessor, and a company or individual, as lessee, that conveys the right to exploit the premises for minerals or other products for a specified period of time over a given area.

Mineral — Naturally occurring organic or inorganic substances with characteristics and uses that bring them within the purview of mineral laws. Minerals may be obtained under applicable laws from public lands by purchase, lease, or preemptive entry.

Mineral Leasing Act for Acquired Lands of 1947, as amended, 30 U.S.C. 351 *et seq.* — An act that extends mineral leasing laws, including the Mineral Leasing Act of 1920 and subsequent amendments, to all lands acquired by the United States and authorizes mineral leasing on those lands. Mineral leases on acquired lands cannot be issued without the concurrence of the acquiring agency. The act requires disbursement of mineral receipts from acquired lands in the manner prescribed by legislation governing the type of land in question, including acquired national grasslands, and acquired national forest lands. See **MLA**.

Minimum royalty — An annual payment on a per-acre basis, required to maintain the rights to a lease until production exceeds a minimum value. Once annual production exceeds the minimum value, minimum royalty payments are no longer required in that lease year.

MLA — Mineral Leasing Act of 1920, as amended, 30 U.S.C. 181 *et seq.* An act, with subsequent amendments, that promotes the production of coal, gas, oil, oil shale, phosphate, potassium, and sodium

on Federal public domain lands. The act establishes procedures to explore and develop each of these minerals and specifies terms and conditions for issuing permits and leases. Rental and royalty terms are specified for each mineral, and general conditions are established for pipeline right-of-way, lease diligence, royalty disposition, and holding restrictions. The act requires sharing royalty and other lease revenues with the States. The Secretary of the Interior is authorized to promulgate rules and regulations to implement and enforce the act.

MMS — Minerals Management Service. A Federal agency within the Department of the Interior that administers the Offshore Minerals Management Program and the Royalty Management Program. The Offshore Minerals Management Program is responsible for the Outer Continental Shelf leasing program and for ensuring that exploration and production of the Nation's offshore mineral resources is conducted in a safe manner with concern for the environment. The Royalty Management Program is responsible for the accurate and timely determination, collection, and distribution of royalties from Federal and Indian lands, and bonuses and rents from Federal lands.

Noncompetitive leasing — Leases issued to qualified applicants for land not specifically known or presumed to contain mineral or petroleum deposits in quantity. See **Competitive leasing**.

Operator — The individual, partnership, firm, or corporation having control or management of operations on a leased area or portion thereof. The operator may be the lessee, designated agent of the lessee, a holder of rights under an approved operation agreement, or an agent of an operating rights holder.

Public lands — Any land and interest in land owned by the United States and administered by the Secretary of the Interior through the Bureau of Land Management and the Minerals Management Service, without regard to the manner through which the United States acquired ownership, except (1) lands located on the Outer Continental Shelf, and (2) lands held for the benefit of Indians, Aleuts, and Eskimos. The Bureau of Land Management considers acquired lands to be a category of public lands. The Minerals Management Service distinguishes public

domain lands from acquired lands for purposes of various statutory revenue distributions. See **Acquired lands**.

Rent — Periodic payments made by the holder of a lease, during the primary lease term, for the right to use the land or resources for purposes established in the lease.

Report month — The month in which the Minerals Management Service receives production, sales, or royalty reports from operators and lessees.

Royalty — Payment, in value (money) or in kind (a volume of the commodity), of a stated proportionate interest in production from mineral deposits by the lessees to the lessor. The royalty rate may be an established minimum, a step-scale, or a sliding-scale. A step-scale royalty rate increases by steps as the average production on the lease increases. A sliding-scale royalty rate is based on average

production and applies to all production from the lease.

Sales value — Proceeds received for the sale of a mineral.

Sales volume — The volume of mineral production measured at the royalty settlement point determined by the Bureau of Land Management for onshore production and the Minerals Management Service for offshore production.

Treasury — Department of the Treasury. A Cabinet-level department in the Executive Branch of the Federal Government responsible for the financial resources of the United States. The Treasury is responsible for regulating national banks, determining international economic policy, collecting income taxes and customs duties, reporting Government daily financial transactions, and manufacturing coins and bills for circulation.



As the Nation's principal conservation agency, the Department of the Interior has responsibility for most of our nationally owned public lands and natural resources. This includes fostering sound use of our land and water resources; protecting our fish, wildlife, and biological diversity; preserving the environmental and cultural values of our national parks and historical places; and providing for the enjoyment of life through outdoor recreation. The Department assesses our energy and mineral resources and works to ensure that their development is in the best interests of all our people by encouraging stewardship and citizen participation in their care. The Department also has a major responsibility for American Indian reservation communities and for people who live in island territories under U.S. administration.



As a bureau of the Department of the Interior, the Minerals Management Service's (MMS) primary responsibilities are to manage the mineral resources located on the Nation's Outer Continental Shelf (OCS), collect revenue from the Federal OCS and onshore Federal and Indian lands, and distribute those revenues.

Moreover, in working to meet its responsibilities, the **Offshore Minerals Management Program** administers the OCS competitive leasing program and oversees the safe and environmentally sound exploration and production of our Nation's offshore natural gas, oil and other mineral resources. The **MMS Royalty Management Program** meets its responsibilities by ensuring the efficient, timely and accurate collection and disbursement of revenue from mineral leasing and production due to Indian tribes and allottees, States and the U.S. Treasury.

The MMS strives to fulfill its responsibilities through the general guiding principles of: (1) being responsive to the public's concerns and interests by maintaining a dialogue with all potentially affected parties and (2) carrying out its programs with an emphasis on working to enhance the quality of life for all Americans by lending MMS assistance and expertise to economic development and environmental protection.