

Coal Revenues 1998

Report on Coal Receipts from Federal and Indian Leases



Photo courtesy of Basin Electric

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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 in this report 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 Mineral Leasing Act of 1920 (MLA), 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.

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 Tribes or to a designated BIA office.

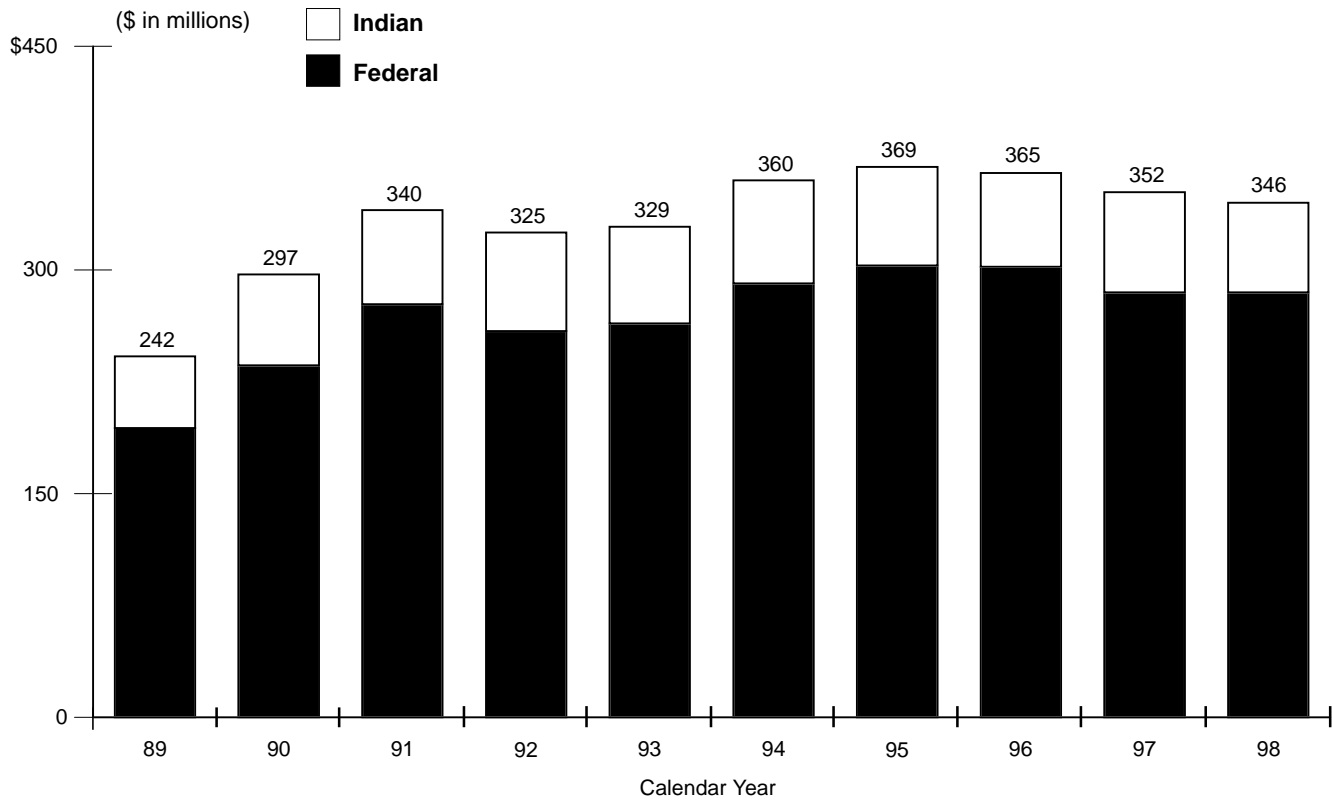


Figure 1. Revenues from Federal onshore and Indian leases by source, Calendar Years 1989-98

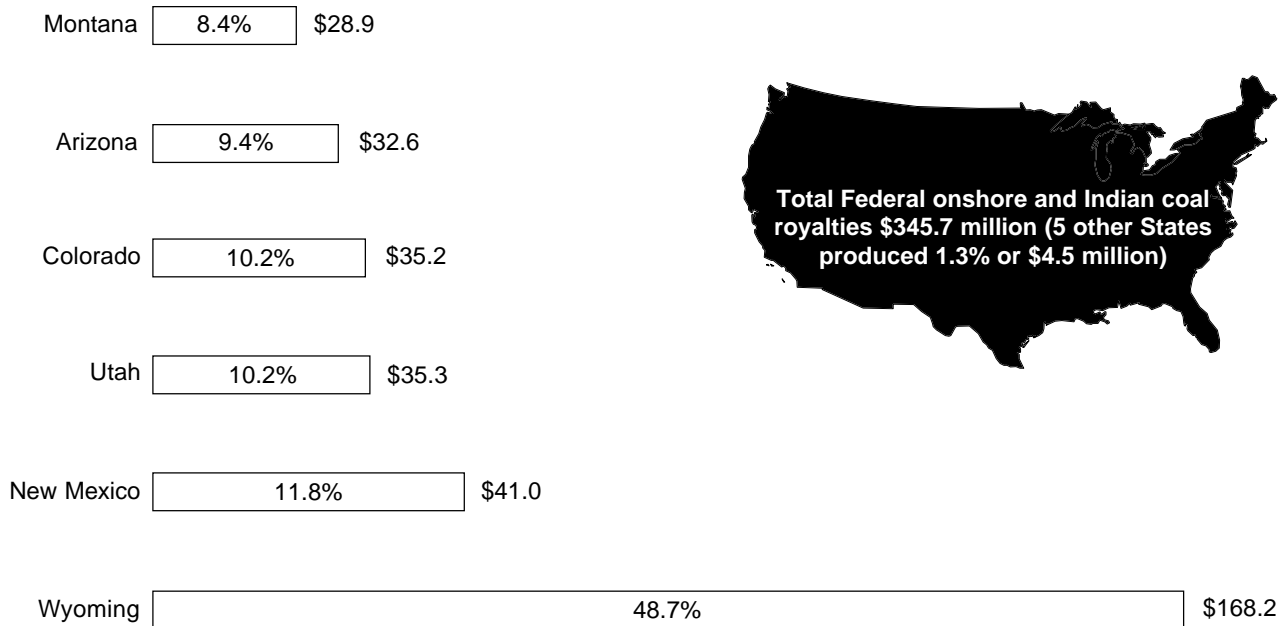


Figure 2. Federal onshore and Indian coal royalties by State, in millions, Calendar Year 1998

Coal Revenues 1998

Coal Industry Overview

The Energy Information Administration (EIA) reports that coal production in the United States reached a record 1.1 billion short tons in 1998, up 1 percent or 11.5 million short tons over corresponding levels in 1997. The electric power industry remained the largest user of U.S. coal, consuming over 922 million short tons during the year.

The current trend in the coal mining industry is to close smaller, marginal mines in favor of larger, more efficient mining operations. Advances in technology and an emphasis on economy-of-scale have produced gains in coal mining productivity; however, these gains have not translated into higher coal revenues. Although demand for U.S. coal remains strong, coal prices continue a downward trend that began more than a decade ago.

Resource Data International (RDI) of Boulder, Colorado, reports that coal-fired electric generation units may face stringent air emission controls under a recent proposed Environmental Protection Agency regulation. If the regulation is implemented in current form, RDI predicts that many utility companies will burn less coal and more natural gas, even though gas is more expensive, to avoid the cost of retrofitting coal-fired plants with advanced emission filtration systems. This could result in lower coal prices in 1999 through 2004. The RDI predicts that coal prices could decrease 15 to 30 percent from current levels.

The EIA produced a study in 1998 entitled "Impacts of the Kyoto Protocol on U.S. Energy Markets and Economic Activity." The Kyoto Protocol, or Treaty, calls for a reduction of carbon dioxide emissions by the year 2012 to mitigate the effects of global warming. According to the EIA analysis, if the provisions of the Kyoto Protocol are applied in the United States, domestic electricity prices

would significantly increase and electric producers are likely to replace coal with natural gas and renewable energy resources.

Federal and Indian Coal Revenues

Combined royalties from Federal onshore and Indian coal were down 1.8 percent in 1998, or \$6.4 million, from corresponding levels in 1997 (table 1 and figure 1). Federal onshore coal sales volume rose 11.9 million short tons, or 3.6 percent, while royalties dropped 0.1 percent, or \$0.2 million (table 1). The decline in revenues reflects the depressed state of coal prices in recent years.

Wyoming continued as the largest Federal coal-producing state in 1998. Federal coal sales volume in Wyoming increased from 248.1 million short tons in 1997 to 266.4 million short tons in 1998, or 7.4 percent (table 1). The demand for Wyoming's low-cost, low-sulfur coal is driven by the sulfur emissions reduction requirements of the 1990 Clean Air Act Amendments. Regional rail transport scheduling and railcar shortage problems that plagued the region in 1997 were resolved during 1998.

Indian coal sales volume declined 10.4 percent while Indian coal royalties fell 9.3 percent, or \$6.2 million from 1997 to 1998 (table 1). Sales volume and royalty gains on Indian lands in Montana were significantly offset by sales volume and royalty declines on Indian lands in Arizona and New Mexico (table 1).

There were 157 producing coal leases on 405,352 acres, on Federal and Indian lands at the end of 1998. These numbers represent a net decrease of 7 leases on 15,708 acres over corresponding totals in 1997 (tables 2 and 3, figures 3 and 4).

Table 1. Summary of coal sales volume, sales value, and royalties, by State, from Federal onshore and Indian mineral leases, Calendar Years 1920-98

	1920-88	1989	1990	1991	1992	1993
Federal						
Alabama						
Sales Volume	1,815,993	147,473	556,776	62,204	317,072	468,669
Sales Value \$	12,156,630	\$ 5,649,348	\$ 22,159,423	\$ 2,557,991	\$ 13,555,272	\$ 25,143,222
Royalties \$	542,509	\$ 395,580	\$ 1,549,602	\$ 213,649	\$ 813,493	\$ 984,015
Colorado						
Sales Volume	152,835,529	10,583,253	19,705,001	20,982,289	12,741,936	12,900,971
Sales Value \$	\$2,549,774,145	\$215,324,252	\$449,787,755	\$404,839,793	\$378,510,873	\$293,928,242
Royalties \$	\$ 138,095,636	\$ 16,103,220	\$ 37,925,085	\$ 41,113,763	\$ 30,744,661	\$ 24,343,484
Kentucky						
Sales Volume	3,233,296	142,121	124,650	166,538	407,074	105,983
Sales Value \$	\$ 32,031,097	\$ 3,262,187	\$ 3,124,887	\$ 4,529,508	\$ 10,536,059	\$ 2,831,522
Royalties \$	\$ 1,491,216	\$ 268,962	\$ 258,737	\$ 184,432	\$ 781,241	\$ 178,379
Montana						
Sales Volume	246,868,372	23,695,342	27,245,871	25,648,160	23,992,585	25,954,525
Sales Value \$	\$2,634,387,550	\$270,581,091	\$309,093,161	\$300,736,843	\$274,694,506	\$310,316,224
Royalties \$	\$ 159,456,939	\$ 26,544,365	\$ 29,154,703	\$ 35,584,991	\$ 34,095,502	\$ 38,664,936
New Mexico						
Sales Volume	64,552,997	6,207,133	6,562,018	3,505,140	3,810,064	4,600,430
Sales Value \$	\$ 990,564,884	\$ 153,466,999	\$ 183,376,050	\$ 112,802,351	\$ 109,031,081	\$ 144,734,772
Royalties \$	\$ 92,136,417	\$ 18,992,458	\$ 21,997,591	\$ 14,088,167	\$ 13,628,931	\$ 16,827,125
North Dakota						
Sales Volume	61,443,479	4,954,981	5,535,560	6,415,502	6,300,575	2,147,490
Sales Value \$	\$ 352,194,789	\$ 41,603,674	\$ 49,701,309	\$ 51,290,391	\$ 45,817,186	\$ 16,022,784
Royalties \$	\$ 32,118,075	\$ 3,646,461	\$ 4,742,167	\$ 5,757,355	\$ 2,870,833	\$ 1,063,332
Oklahoma						
Sales Volume	9,298,798	102,296	145,041	423,165	563,337	477,756
Sales Value \$	\$ 146,780,093	\$ 3,606,776	\$ 4,259,929	\$ 15,707,553	\$ 16,622,840	\$ 16,809,072
Royalties \$	\$ 6,453,409	\$ 109,980	\$ 264,376	\$ 1,223,282	\$ 399,483	\$ 531,724
Utah						
Sales Volume	219,325,646	16,528,554	17,265,793	17,421,604	18,038,117	18,856,003
Sales Value \$	\$3,405,285,874	\$404,340,212	\$439,206,512	\$432,563,452	\$451,895,213	\$469,454,895
Royalties \$	\$ 118,954,819	\$ 28,119,418	\$ 28,808,738	\$ 30,277,111	\$ 30,306,592	\$ 31,024,952
Washington						
Sales Volume	4,794,679	662,264	874,986	681,332	1,626,497	686,337
Sales Value \$	\$ 77,760,688	\$ 16,536,707	\$ 22,662,137	\$ 16,808,460	\$ 29,934,159	\$ 16,086,103
Royalties \$	\$ 920,283	\$ 249,132	\$ 173,787	\$ 1,089,915	\$ 2,184,653	\$ 115,583

Table 1. Summary of coal sales volume, sales value, and royalties, by State, from Federal onshore and Indian mineral leases, Calendar Years 1920-98 (cont.)

1994	1995	1996	1997	1998	1920-98	
						Federal
						Alabama
7,188	38,375	49,377	183,813	442,007	4,088,947	Sales Volume
\$ 329,671	\$ 1,535,007	\$ 2,314,737	\$ 8,658,593	\$ 20,743,373	\$ 114,803,267	Sales Value
\$ 17,799	\$ 144,547	\$ 169,544	\$ 631,571	\$ 1,519,784	\$ 6,982,093	Royalties
						Colorado
15,473,926	18,916,944	18,765,590	22,264,286	23,093,477	328,263,202	Sales Volume
\$357,276,193	\$349,725,830	\$379,452,858	\$453,164,797	\$426,876,308	\$6,258,661,046	Sales Value
\$ 30,730,514	\$ 24,612,602	\$ 28,560,925	\$ 33,460,092	\$ 35,241,221	\$ 440,931,203	Royalties
						Kentucky
100,615	215,391	249,333	506,389	54,980	5,306,370	Sales Volume
\$ 2,708,834	\$ 5,164,667	\$ 5,998,568	\$ 12,765,063	\$ 1,457,964	\$ 84,410,356	Sales Value
\$ 176,527	\$ 302,741	\$ 268,385	\$ 770,371	\$ 99,445	\$ 4,780,436	Royalties
						Montana
30,614,717	28,038,058	24,816,378	24,501,632	19,060,891	500,436,531	Sales Volume
\$339,668,336	\$314,577,643	\$282,031,013	\$260,189,439	\$206,452,677	\$5,502,728,483	Sales Value
\$ 41,959,365	\$ 38,419,606	\$ 32,935,987	\$ 32,213,772	\$ 25,806,586	\$ 494,836,752	Royalties
						New Mexico
6,465,599	6,242,364	5,861,991	6,029,029	5,025,422	118,862,187	Sales Volume
\$183,233,639	\$183,915,920	\$169,569,454	\$182,388,571	\$132,250,816	\$2,545,334,537	Sales Value
\$ 22,910,454	\$ 22,036,406	\$ 20,844,809	\$ 22,154,041	\$ 16,250,837	\$ 281,867,236	Royalties
						North Dakota
1,695,918	2,055,226	1,835,184	3,312,647	2,476,105	98,172,667	Sales Volume
\$ 11,162,857	\$ 16,457,010	\$ 15,376,728	\$ 29,616,267	\$ 21,879,937	\$ 651,122,932	Sales Value
\$ 760,624	\$ 891,418	\$ 1,012,891	\$ 1,182,506	\$ 1,163,685	\$ 55,209,347	Royalties
						Oklahoma
1,050,832	520,795	769,297	576,674	694,889	14,622,880	Sales Volume
\$ 31,002,119	\$ 15,856,469	\$ 26,221,224	\$ 16,812,850	\$ 20,925,495	\$ 314,604,420	Sales Value
\$ 1,011,297	\$ 645,440	\$ 746,551	\$ 461,214	\$ 537,338	\$ 12,384,094	Royalties
						Utah
22,138,833	23,577,179	26,403,884	23,866,795	24,273,905	427,696,313	Sales Volume
\$486,256,622	\$546,283,017	\$582,264,498	\$507,480,897	\$510,670,233	\$8,235,701,425	Sales Value
\$ 33,993,292	\$ 37,691,167	\$ 39,456,175	\$ 34,635,367	\$ 35,311,293	\$ 448,578,924	Royalties
						Washington
280,398	426,643	570,668	947,003	601,385	12,152,192	Sales Volume
\$ 6,796,617	\$ 9,323,994	\$ 16,946,521	\$ 24,122,456	\$ 16,044,926	\$ 253,022,768	Sales Value
\$ 502,197	\$ 658,644	\$ 1,233,841	\$ 1,723,179	\$ 1,150,777	\$ 10,001,991	Royalties

Table 1. Summary of coal sales volume, sales value, and royalties, by State from Federal onshore and Indian mineral leases, Calendar Years 1920-98 (cont.)

	1920-88	1989	1990	1991	1992	1993
Federal, cont'd						
Wyoming						
Sales Volume	982,614,563	146,264,126	175,013,698	177,695,331	170,712,594	191,365,381
Sales Value	\$ 9,930,609,705	\$ 1,586,288,562	\$ 1,314,225,312	\$ 1,278,358,963	\$ 1,198,565,813	\$ 1,292,147,079
Royalties	\$ 338,899,853	\$ 100,112,259	\$ 111,192,225	\$ 147,158,539	\$ 143,718,541	\$ 150,508,600
Federal Total						
Sales Volume	1,746,783,352	209,287,543	253,029,394	253,001,265	238,509,851	257,563,545
Sales Value	\$20,131,545,455	\$2,700,659,808	\$2,797,596,475	\$2,620,195,305	\$2,529,163,002	\$2,587,473,915
Royalties	\$ 889,069,156	\$ 194,541,835	\$ 236,067,011	\$ 276,691,204	\$ 259,543,930	\$ 264,242,130
	1937-88	1989	1990	1991	1992	1993
Indian						
Arizona						
Sales Volume	164,595,105	11,118,215	12,621,393	17,877,672	12,951,372	12,257,727
Sales Value	\$ 1,947,982,168	\$ 226,502,328	\$ 243,469,458	\$ 284,020,527	\$ 264,235,116	\$ 264,025,579
Royalties	\$ 87,259,599	\$ 19,374,672	\$ 29,236,716	\$ 33,174,586	\$ 33,054,116	\$ 32,999,499
Montana						
Sales Volume	46,142,021	2,614,973	2,730,964	2,979,447	2,299,856	3,517,511
Sales Value	\$ 378,886,593	\$ 18,855,032	\$ 18,422,448	\$ 18,395,721	\$ 11,591,274	\$ 28,040,475
Royalties	\$ 23,630,810	\$ 1,489,332	\$ 1,499,932	\$ 1,367,295	\$ 1,175,285	\$ 1,785,621
New Mexico						
Sales Volume	180,542,040	13,249,499	12,713,961	11,233,313	12,893,539	12,316,224
Sales Value	\$ 1,889,451,180	\$ 253,595,409	\$ 269,740,481	\$ 241,543,336	\$ 272,059,280	\$ 249,852,677
Royalties	\$ 105,097,235	\$ 26,813,923	\$ 30,054,848	\$ 28,341,403	\$ 31,689,497	\$ 29,964,701
Indian Total						
Sales Volume	391,279,166	26,982,687	28,066,318	32,090,432	28,144,767	28,091,462
Sales Value	\$ 4,216,319,941	\$ 498,952,769	\$ 531,632,387	\$ 543,959,584	\$ 547,885,670	\$ 541,918,731
Royalties	\$ 215,987,644	\$ 47,677,927	\$ 60,791,496	\$ 62,883,284	\$ 65,918,898	\$ 64,749,821
	1920-88	1989	1990	1991	1992	1993
Federal and Indian Total						
Sales Volume	2,138,062,518	236,270,230	281,095,712	285,091,697	266,654,618	285,655,007
Sales Value	\$24,347,865,396	\$3,199,612,577	\$3,329,228,862	\$3,164,154,889	\$3,077,048,672	\$3,129,392,646
Royalties	\$ 1,105,056,800	\$ 242,219,762	\$ 296,858,507	\$ 339,574,488	\$ 325,462,828	\$ 328,991,951

Table 1. Summary of coal sales volume, sales value, and royalties, by State, from Federal onshore and Indian mineral leases, Calendar Years 1920-98 (cont.)

1994	1995	1996	1997	1998	1920-98	
						Federal, cont'd
						Wyoming
214,691,710	268,483,700	248,866,650	248,062,055	266,442,898	3,090,212,706	Sales Volume
\$ 1,433,629,577	\$ 1,478,211,828	\$ 1,450,325,503	\$ 1,320,279,624	\$ 1,424,743,314	\$ 23,707,385,280	Sales Value
\$ 159,208,542	\$ 178,202,333	\$ 176,655,794	\$ 158,319,997	\$ 168,231,303	\$ 1,832,207,986	Royalties
						Federal Total
292,519,736	348,514,675	328,188,352	330,250,323	342,165,959	4,599,813,995	Sales Volume
\$ 2,852,064,465	\$ 2,921,051,385	\$ 2,930,501,104	\$ 2,815,478,557	\$ 2,782,045,043	\$ 47,667,774,514	Sales Value
\$ 291,270,611	\$ 303,604,904	\$ 301,884,902	\$ 285,552,110	\$ 285,312,269	\$ 3,587,780,062	Royalties
1994	1995	1996	1997	1998	1920-98	
						Indian
						Arizona
12,263,813	12,249,420	12,184,822	12,152,262	11,369,978	291,641,779	Sales Volume
\$ 262,693,707	\$ 258,409,920	\$ 274,794,525	\$ 267,106,711	\$ 260,659,009	\$ 4,553,899,048	Sales Value
\$ 32,838,562	\$ 32,301,238	\$ 33,226,179	\$ 32,293,201	\$ 32,582,376	\$ 398,340,744	Royalties
						Montana
4,133,947	4,468,127	4,681,254	6,093,862	6,958,887	86,620,849	Sales Volume
\$ 23,726,452	\$ 25,943,606	\$ 27,284,017	\$ 34,305,902	\$ 41,157,599	\$ 626,609,119	Sales Value
\$ 1,979,487	\$ 2,037,249	\$ 2,139,868	\$ 2,790,151	\$ 3,134,896	\$ 43,029,926	Royalties
						New Mexico
12,523,652	11,647,591	9,438,892	14,037,282	10,604,698	301,200,691	Sales Volume
\$ 271,684,975	\$ 247,836,433	\$ 219,211,160	\$ 245,901,054	\$ 199,475,859	\$ 4,360,351,844	Sales Value
\$ 34,086,364	\$ 31,351,861	\$ 27,697,824	\$ 31,543,282	\$ 24,704,631	\$ 401,345,569	Royalties
						Indian Total
28,921,412	28,365,138	26,304,968	32,283,406	28,933,563	679,463,319	Sales Volume
\$ 558,105,134	\$ 532,189,959	\$ 521,289,702	\$ 547,313,667	\$ 501,292,467	\$ 9,540,860,011	Sales Value
\$ 68,904,413	\$ 65,690,348	\$ 63,063,871	\$ 66,626,634	\$ 60,421,903	\$ 842,716,239	Royalties
1994	1995	1996	1997	1998	1920-98	
						Federal and Indian Total
321,441,148	376,879,813	354,493,320	362,533,729	371,099,522	5,279,277,314	Sales Volume
\$ 3,410,169,599	\$ 3,453,241,344	\$ 3,451,790,806	\$ 3,362,792,224	\$ 3,283,337,510	\$ 57,208,634,525	Sales Value
\$ 360,175,024	\$ 369,295,252	\$ 364,948,773	\$ 352,178,744	\$ 345,734,172	\$ 4,430,496,301	Royalties

Table 2. Producing Federal onshore and Indian coal leases as of December 31, 1998

	Federal		Indian		Total	
	No.	Acres	No.	Acres	No.	Acres
Alabama	1	1,610	---	---	1	1,610
Arizona	---	0	3	64,858	3	64,858
Colorado	41	62,212	---	---	41	62,212
Kentucky	2	1,593	---	---	2	1,593
Montana	15	26,562	1	14,746	16	41,308
New Mexico	7	14,377	2	36,026	9	50,403
North Dakota	6	6,343	---	---	6	6,343
Oklahoma	4	9,130	---	---	4	9,130
Utah	28	50,176	---	---	28	50,176
Washington	2	521	---	---	2	521
Wyoming	<u>45</u>	<u>117,198</u>	<u>---</u>	<u>---</u>	<u>45</u>	<u>117,198</u>
Total	151	289,722	6	115,630	157	405,352

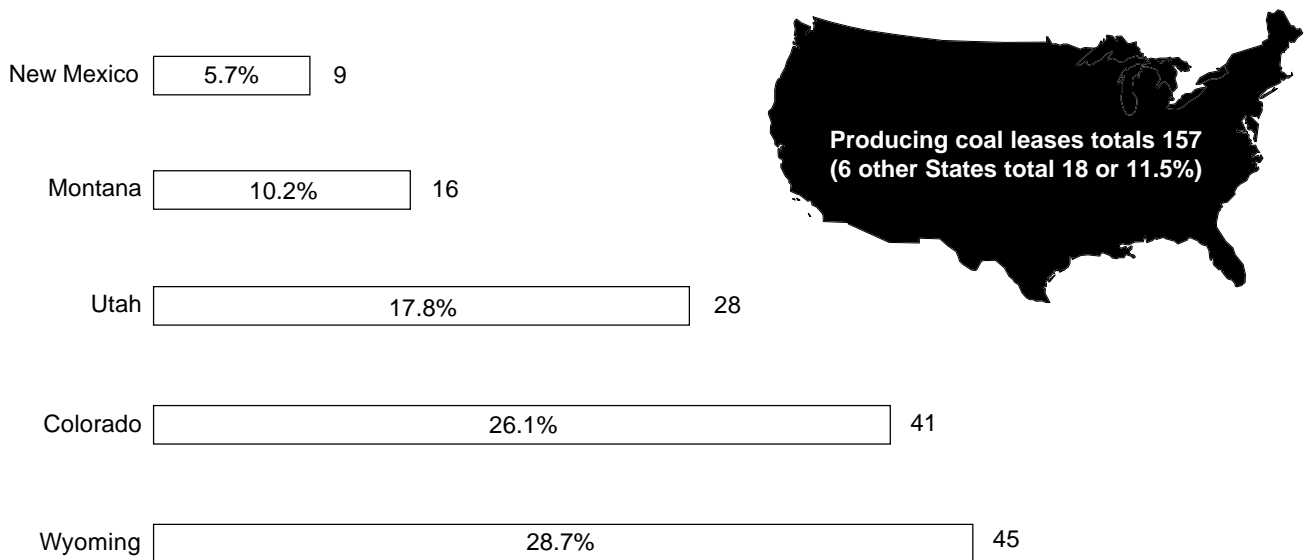


Figure 3. Producing Federal onshore and Indian coal leases as of December 31, 1998

Table 3. Producing Federal onshore and Indian coal leases as of December 31, 1989-98

	Federal		Indian		Total	
	No.	Acres	No.	Acres	No.	Acres
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
1998	151	289,722	6	115,630	157	405,352

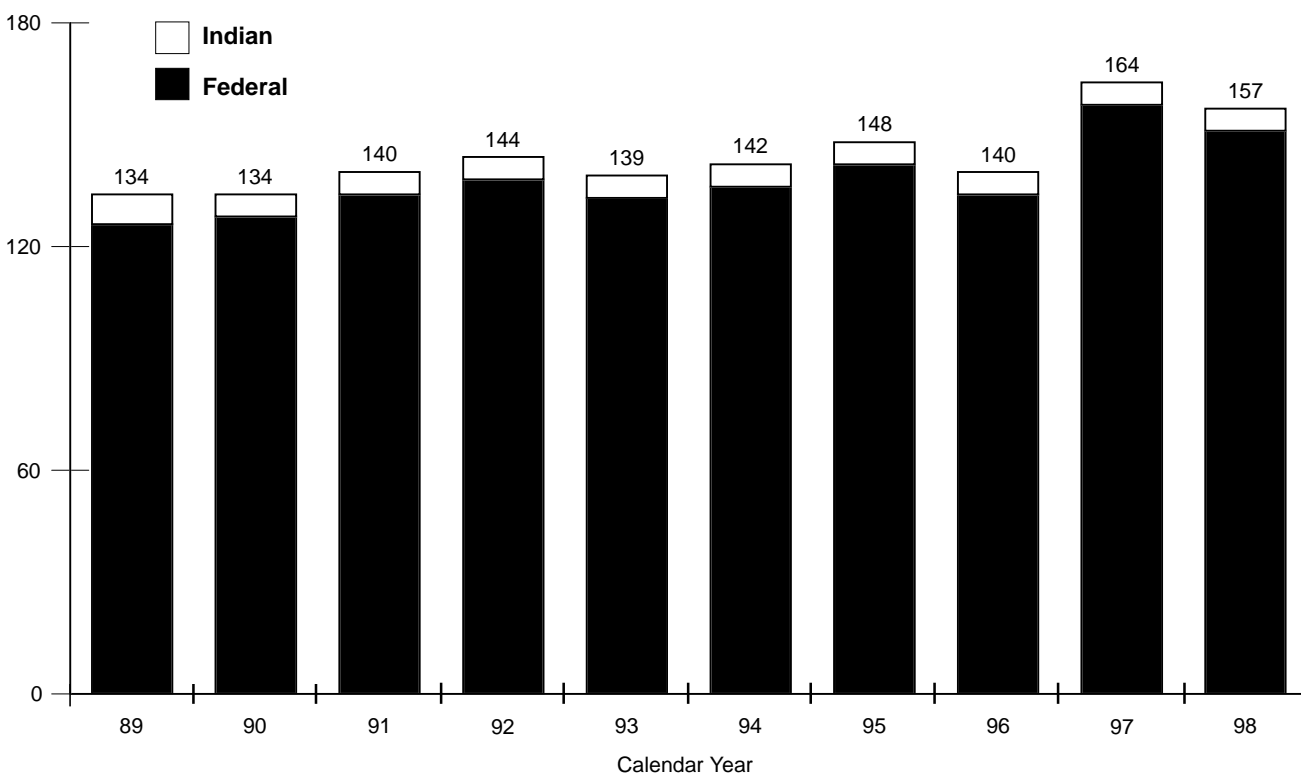
**Figure 4. Producing Federal onshore and Indian leases by source, Calendar Years 1989-98**

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.