

COAL TRANSPORTATION ALLOWANCE REPORT

FOR MMS USE ONLY:

3 FOR CUSTOMER USE ONLY:

1 CUSTOMER NAME _____ 2 CUSTOMER CODE

ADDRESS _____

CITY _____ STATE _____ ZIP _____

4 REPORTING TYPE

5 REPORTING PERIOD _____ 20
 to _____ 20

6	7	8	9	10 PRIOR PERIOD ACTUAL DATA			11 CURRENT PERIOD ESTIMATED DATA		
				a	b	c	a	b	c
LEASE NUMBER	PRODUCT	MINE NAME	ARMS-LENGTH/ CUSTOMER-OWNED INDICATOR	ROYALTY TONS	ALLOWANCE RATE PER TON	ROYALTY ALLOWANCE AMOUNT	ROYALTY TONS	ALLOWANCE RATE PER TON	ROYALTY ALLOWANCE AMOUNT
1									
2									
3									
4									
5									
6									
7									
8									
9									
10									
11									

12 PAGE TOTAL		XXXXXXXXXX		XXXXXXXXXX
13 REPORT TOTAL (Last Page Only)		XXXXXXXXXX		XXXXXXXXXX

IF MORE LINES ARE NEEDED, ATTACH ADDITIONAL PAGES OF FORM MMS-4293

I have read and examined the statements in this report and, to the best of my knowledge, they are accurate and complete.

NAME (FIRST, MIDDLE INITIAL, LAST) (typed or printed) _____ DATE: _____

AUTHORIZED SIGNATURE: _____ DATE: _____

NAME OF PREPARER: _____ TELEPHONE NUMBER: _____

Paperwork Reduction Act of 1995 (PRA) Statement: The PRA (44 U.S.C. 3501 et seq.) requires us to inform you that we collect this information to assure full value of minerals removed and to determine the proper royalty due. Responses are mandatory to obtain a benefit (30 CFR 206.458 and 206.461). Proprietary information is protected in accordance with standards established by Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1733), the Freedom of Information Act [5 U.S.C. 552(b)(4)], and Department regulations (43 CFR 2). An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB Control Number. Public reporting burden is estimated at 2 hrs/responses. Direct all comments of any aspect of this form to the Information Collection Clearance Officer, MMS, MS 4230, 1849 C Street, NW, Washington, DC 20240.

FORM MMS-4293 – GENERAL INSTRUCTIONS
COAL TRANSPORTATION ALLOWANCE REPORT

In accordance with 30 CFR §§ 206.460 and 206.461, you may deduct from your royalty payments a portion of the reasonable, actual cost of transporting coal from an Indian lease to a distant sales point or to a wash plant remote from the lease. You calculate the allowance on a per ton of clean coal basis, and may not claim an allowance for reject material on which no royalty is due. You are required to report to the Minerals Management Service (MMS) on an annual or, if necessary, more frequent basis. For example, under arm's length transportation contracts, you must submit the Form MMS-4293 as frequently as necessary to reflect contract modifications or amendments.

At the end of each reporting period, you must report on page 1 of Form MMS-4293 the actual costs deducted during the prior reporting period and the estimated transportation costs to be deducted during the current reporting period. The Schedules for Form MMS-4293 will assist you in assembling the various transportation cost items, computing the total costs, calculating the cost per ton, and computing the total actual and projected allowance amounts. Report and claim allowances on the Form MMS 4430, Production and Royalty Report, in the allowance section of the form.

You may claim as a transportation allowance the actual transportation costs incurred under arm's length contracts. The transportation allowance amount incurred under non-arm's length contracts or no contracts equals the actual, allowable operating costs plus depreciation plus a return on the remaining undepreciated capital investment.

Determine the transportation allowance rate by dividing the total dollar amount by:

- Tons shipped (raw coal/no washing)
- Clean tons of coal, as measured at the coal transportation facility (coal shipped from the mine to the wash plant)
- Clean tons of coal (coal shipped from the wash plant to the buyer)

Do not take a transportation allowance for any movement of coal in and around the mine area. Haulage recognized as necessary to normal day-to-day operations to the mine do not qualify for transportation allowances, including haulage from the pit or underground operation to a loadout facility, grizzly, or crusher. Do not take an allowance if the transportation segment is prior to the first point where production can reasonably be marketed.

If you commingle Indian coal with production from other leases and transport it to a remote site, you must uniformly apply the transportation cost for moving that production to all the transported tonnage, regardless of the ownership status of the leases from which the coal was produced. This concept is applied in Form MMS-4293, as you are required to compute the transportation allowance using the total tons transported and the total costs incurred.

Page 1 of Form MMS-4293 lists royalty allowance amounts claimed during the prior reporting period and estimates of the royalty allowance amount for the new reporting period. Use a separate page 1 for each mine.

Schedule 1 accumulates transportation segment costs and computes the royalty allowance rate and amount for a transportation facility. (A transportation segment is a mode of transportation from one point to another; e.g., truck, rail, barge. A transportation facility consists of one or more segments from the mine to the ultimate destination.) Use a separate schedule 1 for each transportation facility over which coal is transported. In other words, complete a separate Schedule 1 for each line reported on page 1 of the form MMS-4293.

Schedule 1A summarizes all costs associated with transportation that are not due to capitalized costs. (Enter all costs except depreciation and the return on investment.) Use this schedule only when the transportation segments are non-arm's length or there is no contract.

Supplemental Schedule 1A details operating, maintenance, and overhead costs that could not be shown on Schedule 1A because of limited space.

Schedule 1B summarizes depreciation and undepreciated investment capital costs for a non-arm's length or no contract transportation segment. Enter all depreciation and the return on investment on this schedule. Submit a separate schedule 1B for each segment of the transportation facility.

INSTRUCTIONS FOR COMPLETING FORM MMS-4293, PAGE 1

1. **Customer Name and Address** -- Enter the company name and address used to report royalties and transportation deductions on Form MMS-4430.
2. **Customer Code** -- Enter the same company code (previously the payor code) as used on Form MMS-4430.
3. **For Customer Use Only** -- Enter your internal account identifier that will distinguish this report for you.
4. **Reporting Type** -- Enter the report type indicator as follows:
 - “1” if this is an initial report for the mine and lease number (complete column 11 only)
 - “2” if this is a recurring form reporting the prior and current period data (complete both columns 10 and 11)
 - “3” if this is an amended report to correct previously reported data. An amended report requires a two-line entry. The first line reverses the original entry using a minus sign (-) in all sections of columns 10 and 11, and the second line shows the correct entry.
5. **Reporting Period** – Enter the period covered by the actual cost data for the transportation allowance reported in column 10. If this is your first report for this mine and lease combination, you will not complete column 10 and the reporting period will be the timeframe covered by the estimated data reported in column 11.

The reporting period is controlled by the *arm's length/customer owned indicator* in column 9.

If you entered a “4” or “5” in column 9:

- Your initial reporting period will begin with the month you were first authorized to deduct the transportation allowance and will end at the end of the calendar year or when the transportation terminates, whichever is earlier.
- Your subsequent reporting periods will begin the first day of the calendar year and end the last day of the calendar year or when the transportation terminates, whichever is earlier.

If you entered a “6” in column 9:

- Your initial reporting period will begin with the month you were first authorized to deduct the transportation allowance and will end at the end of the calendar year or when the contract or rate terminates, is modified or amended, whichever is earlier.
- Your subsequent reporting periods will begin the first day after the period covered by the previous Form MMS-4293 and end the last day of the calendar year or when the contract or rate terminates, is modified or amended, whichever is earlier.

6. **Lease Number** -- Enter the lease number as reported on the Form MMS-4430.
7. **Product** -- Enter the same product as reported on the Form MMS-4430.
8. **Mine Name** -- Enter the mine name associated with this lease for this transportation allowance.

9. **Arm's Length/Customer-Owned Indicator** – Complete the column as follows:
- “4” if you incur 100% of the transportation costs under non-arm's length conditions
 - “5” if transportation costs were a combination of arm's length and non-arm's length conditions
 - “6” if you incur 100% of the transportation costs under arm's length conditions

10. **Prior Period Actual Data** – Use this column to report actual data for the reporting period. If this is an initial report for start-up, do not complete this column; go to column 11.

Enter in column 10a the sum of the royalty quantity transported and sold during the reporting period (tonnage and royalty rate used in calculation of Schedule 1, line 14) plus the royalty quantity sold during the reporting period but transported during the prior reporting period (tonnage and royalty rate used in calculation of Schedule 1, line 15).

Enter in column 10b the transportation allowance rate determined by dividing the royalty allowance amount (column 10c) by the royalty quantity (column 10a). Calculate the allowance rate to six decimal places.

Enter in column 10c the royalty allowance amount shown on Schedule 1, line 16.

11. **Current Period Estimated Data** – Use column 11 to report estimated data for the current reporting period.

The transportation tonnage or allowance rate may be the same as the actual tonnage or rate reported in column 10. If so, enter the corresponding values from columns 10a, 10b, and 10c into columns 11a, 11b, and 11c. If you believe the tonnage or the rate for the new reporting period will be different from the prior reporting period, then adjust the estimates accordingly. Report the allowance rate to six decimal places. Please take care to ensure the estimates are as accurate as possible.

If you incur transportation costs solely under arm's length conditions, compute estimates for a transportation facility start-up as follows:

- Enter in column 11a the estimated clean coal royalty tonnage from transportation operations during the new reporting period. This figure is the estimated lease tons transported and sold multiplied by the lease royalty rate.
- Enter in column 11b the allowance rate per ton as specified in the arm's length contract and as shown on Schedule 1, line 13.
- Report the allowance rate to six decimal places.
- Enter in column 11c the estimated royalty allowance amount computed by multiplying column 11a by column 11b.

If you incur transportation costs under non-arm's length conditions or a combination of both arm's length or non-arm's length conditions:

- Use schedules 1, 1A, and 1B to estimate the allowance rate and amount.
- Enter in column 11a the estimated royalty tons to be transported, expressed in terms of clean coal tonnage.
- Enter in column 11b the estimate allowance rate per ton from Schedule 1, line 13.
- Enter in column 11c the estimated royalty allowance amount from Schedule 1, line 16.

12. **Page Total** – Enter page totals for columns 10a, 10c, 11a, and 11c.

13. **Report Total** – If you submit more than one page 1 of Form MMS-4293, sum the lines 12 of each page and enter the total on line 13 of the last page 1 of the report packet.

Complete the bottom portion of the form with your dated name, signature, and the name and phone number of the person completing the form. Check the appropriate box indicating if you consider the submitted information proprietary or nonproprietary.

CUSTOMER IDENTIFICATION BLOCK			
Customer Name and Code:	_____		
Lease No:	_____		
Mine Name:	_____		
Facility ID No:	_____		
Segment ID No:	_____		
Period:	20	to	20

**SCHEDULE 1A -- NON-ARM'S-LENGTH
 TRANSPORTATION SYSTEM/
 SEGMENT OPERATIONS,
 MAINTENANCE AND OVERHEAD
 EXPENDITURES**

Estimated Costs - Check when estimating costs for system/segment start-up.

A. Lessee's Operating Costs for System / Segment

Operations Supervision and Engineering	\$ _____	1
Operations Labor	_____	2
Utilities	_____	3
Materials and Supplies	_____	4
Ad Valorem Property Taxes	_____	5
Rent / Leasing	_____	6
Other (specify). Attach Supplemental Schedule 1A as necessary	_____	7
Total Operating Costs -- Subtotal	\$ _____	8

B. Lessee's Maintenance Costs

Maintenance Supervision	\$ _____	9
Maintenance Labor	_____	10
Materials	_____	11
Other (specify). Attach Supplemental Schedule 1A as necessary	_____	12
Total Maintenance Costs -- Subtotal	\$ _____	13

C. Lessee's Overhead Allocation (specify)

_____	\$ _____	14
_____	_____	15
Other (specify) use Supplemental Schedule 1A	_____	16
Total Overhead Allocation	\$ _____	17

D. Total Operating and Maintenance Costs

\$ _____ **18**

INSTRUCTIONS FOR COMPLETING FORM MMS-4293, SCHEDULE 1A

Use Schedule 1A to record reasonable, actual operating, maintenance, and overhead costs for a transportation segment for the prior reporting period. You must complete a separate Schedule 1A for each segment in the transportation facility. Accumulate the costs for all transportation facility segments to determine the total operating costs for the facility. On the following page of instructions is a list of allowable and nonallowable costs to use as a guide in determining operating, maintenance, and overhead costs. You must use this schedule only when the transportation segments are non-arm's length, either because your affiliate is performing the service or you are transporting the coal yourself.

Customer Information Block – Enter the same customer name and code as used on page 1 of the Form MMS-4293, Coal Transportation Allowance Report.

Enter the same lease number and mine name as used on page 1 of the Form MMS-4293.

Enter a transportation name or facility number unique to the transportation facility.

Enter the transportation segment name or identification number unique to the transportation segment. (For a transportation facility consisting of only one segment, the segment name or number will be the same as the facility name or number.)

Enter the same reporting period as shown in item 5 on page 1 on Form MMS-4293.

Part A and Part B – Identify and list on Part A and Part B all operating and maintenance costs directly attributable to the transportation facility/segment during the reporting period. If you need additional space to identify or explain other cost items, complete and attach a Supplemental Schedule 1A noting the nature and amount of the cost.

Total Operating Costs – Subtotal (8) – Sum lines 1-7.

Total Maintenance Costs – Subtotal (13) – Sum lines 9-12.

Part C – Identify and list all overhead costs directly allocable and attributable to the operations and maintenance of the transportation facility/segment. If you need additional space, complete and attach a Supplemental Schedule 1A noting the nature and amount of the expenditure.

Total Overhead Allocation - (17) – Sum lines 14-16.

Part D, Total Operating and Maintenance Costs – Sum lines 8, 13, and 17.

ALLOWABLE AND NONALLOWABLE OPERATING, MAINTENANCE, AND CAPITAL COSTS

Allowable Capital Costs – Allowable capital costs are generally those costs for depreciable fixed assets (including costs of delivery and installation of capital equipment) which are an integral part of the transportation system. The following capital items are generally considered allowable: garages and warehouses, rail haulage equipment including rail spurs, trucks, and roads.

Nonallowable Capital Costs – Nonallowable capital costs include costs incidental to marketing (e.g., storage and treatment). Also, schools, hospitals, roads, sewer and other capital improvements or equipment not an integral part of the transportation facility are not allowable capital costs. The capital cost associated with the preparation of an environmental impact statement is not allowable. However, capital costs for environmental equipment that are an integral part of the transportation facility are allowable.

Allowable Operating Costs – Allowable operating and maintenance costs are those nondepreciable costs that are directly attributable to the operation and maintenance of a transportation facility/segment. These expenditures include:

- Salaries and wages paid to employees and supervisors while engaged in the operation and maintenance of equipment and facilities
- Fuel and utility costs directly related to transporting lease products
- Chemicals aiding in the transportation of the coal
- Repairs, labor, materials, and supplies directly related to transportation equipment and facilities
- Port and toll fees, insurance and ad valorem property taxes (Federal and State income taxes are not allowable deductions)
- Arm's length rental, leasing, or contract service costs for equipment, facilities, on-site location or maintenance of equipment and facilities
- General administrative overhead costs (headquarters, personnel, telephone service, payroll taxes, employee benefits, vehicle expenses, office supplies, etc.). The total of these costs is limited to those reasonable expenditures directly attributable and allocable to the operation and maintenance of the transportation equipment and facilities.

Nonallowable Operating Costs – Nonallowable operating costs include:

- Costs incidental to marketing, and other operating costs associated with nonallowable capital expenditures which are not directly allocable or attributable to the transportation of lease products.
- Federal and State income taxes, production taxes, royalty payments, or fees such as State severance taxes
- Costs for services that you are obligated to perform at no cost to the lessor.

CUSTOMER IDENTIFICATION BLOCK			
Customer Name and Code: _____			
Lease No: _____			
Mine Name: _____			
Facility ID No: _____			
Segment ID No: _____			
Period:	20	to	20

SCHEDULE 1B -- NON-ARM'S-LENGTH TRANSPORTATION SYSTEM/SEGMENT DEPRECIATION AND CAPITAL EXPENDITURE SUMMARY

1	2	3	4	5	6	7
Expenditure Item	Initial Capital Investment and Date Placed in Service	Salvage Value	Depreciable Life/Years of Depreciation Taken to Date	Beginning-of-Year Undepreciated Capital Investment	Depreciation	End-of-Year Undepreciated Capital Investment
	\$	\$		\$	\$	\$
				\$	\$	
				\$	\$	

INSTRUCTIONS FOR COMPLETING FORM MMS-4293, SCHEDULE 1B

Use Schedule 1B to summarize actual or estimated facility/segment depreciation and undepreciated capital investment for computing return on investment for each non-arm's length or no-contract transportation segment. These costs are capital equipment that is an integral part of the transportation system and may include, for example, trucks, rail cars, or locomotives. You must complete a separate Schedule 1B for each segment in the transportation facility. The costs of all transportation facility segments are accumulated on Schedule 1 to determine the total depreciation and undepreciated capital investment for the facility. You must use this schedule only when the transportation segments are non-arm's length, either because your affiliate is performing the service or you are transporting the coal yourself.

Complete the customer identification block (see Schedule 1A instructions).

Complete a line for each facility/segment capital expenditure item as follows:

1. **Expenditure Item** -- Identify the capital expenditure item. List all major equipment exceeding \$50,000 in initialized capitalized value individually.
2. **Initial Capital Investment and Date Placed in Service** – Enter the initial capital expenditure amount and the date the expenditure was placed in service.
3. **Salvage Value** – Enter a reasonable salvage value.
4. **Depreciable Life/Years of Depreciation Taken to Date** -- Enter the depreciable life of the expenditure and the number of years of depreciation taken to date.
5. **Beginning-of-Year Undepreciated Capital Investment** – Enter the undepreciated capital investment at beginning-of-year. In computing this value, deduct salvage from the initial capital investment.
6. **Depreciation** – Enter the amount of depreciation to be taken for the year. In computing depreciation, you may elect to use either a straight-line depreciation method or a unit of production method based on the life of the equipment or the life of the reserves which the transportation facility/segment services. Once you make an election, you may not alternate methods without MMS approval. Do not depreciate equipment below a reasonable salvage value.
7. **End-of-Year Undepreciated Capital Investment** – Enter the undepreciated capital investment at end-of-year. Compute this by subtracting depreciation from the beginning-of-year undepreciated capital investment. Also use this amount as the next year's beginning-of-year undepreciated capital investment.
8. **Totals** – Sum columns 5 and 6 and enter on Schedule 1, Part A, columns g and e, or Part B, columns g and e, accordingly.

**SUPPLEMENTAL
 SCHEDULE 1A-- NON-ARM'S-LENGTH
 TRANSPORTATION SYSTEM/
 SEGMENT OPERATIONS,
 MAINTENANCE, AND OVERHEAD
 EXPENDITURES**

CUSTOMER IDENTIFICATION BLOCK			
Customer Name and Code: _____			
Lease No: _____			
Mine Name: _____			
Facility ID No: _____			
Segment ID No: _____			
Period:	20	to	20

Type of Expenditure - Describe:

_____	\$ _____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
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_____	_____

Total \$ _____

INSTRUCTIONS FOR COMPLETING FORM MMS-4293,
SUPPLEMENTAL SCHEDULE 1A

Use Supplemental Schedule 1A to identify and document operating, maintenance, and overhead expenditures listed under the “Other” expenditure categories on Schedule 1A.

Complete the customer identification block (see Schedule 1A instructions).

Complete a separate Supplemental Schedule 1A for other operating costs, other maintenance costs, and other overhead costs associated with the transportation facility/segment. Describe and specify each expenditure item and amount. Retain receipts and invoices in your office, subject to audit. Sum the amounts of each expenditure on the Total line. Enter the total amount of the operations, maintenance, or overhead expenditures on Schedule 1A, line 7, 12, or 16, as appropriate.