
Office of
Surface
Mining



Payer Handbook

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Chapter 1 Introduction

Purpose

The purpose of this Abandoned Mine Land (AML) Payer Handbook is to help you understand your reclamation fee payment and reporting responsibilities as the permittee/operator of a mine, to advise you the deduction in tonnage you may take for excess moisture, and to respond to questions raised by permittee/operators.

The Office of Surface Mining (OSM) will periodically issue Payer Letters informing the reporting party of official policy changes, clarifying issues, and communicating critical changes as they occur. Watch for these notices. Payer Letters will often be included in the OSM-1 mailings.

This handbook is not a substitute or replacement for previous Payer Letters, nor does it relieve the permittee/operator of the responsibility of following regulations in the Surface Mining Control and Reclamation Act of 1977, as amended (SMCRA).

Please contact the Fee Accounting and Collections Team (FACT) Leader at the Division of Financial Management (DFM) regarding any conflicting information contained in this handbook, SMCRA documents, or Payer Letters, at:

Office of Surface Mining
Division of Financial Management
P.O. Box 25065
Denver, Colorado 80225-0065
Phone: 1-800-799-4265 Ext 325 (toll free)

Statutory authority

The OSM is authorized by the Surface Mining Control and Reclamation Act of 1977, as amended. The purposes of this law include:

- Protecting society and the environment from the adverse effects of surface coal mining operations
- Reclaiming mined areas that endanger public health and safety, prevent the beneficial use of land or water resources, or decrease environmental quality
- Providing a fund for abandoned mine reclamation
- Providing technical and financial assistance to states with primary regulatory authority over coal mining activities within their boundaries

The Surface Mining Control and Reclamation Act of 1977, Title IV, Section 401, Abandoned Mine Reclamation, establishes a trust fund for administration by the Secretary of the Interior. The fund consists of amounts secured through reclamation fees and other amounts. Section 402 of the Act authorizes the collection of a reclamation fee from all coal mine permittee/operators.

Who pays a reclamation fee?

The permittee and operator will both be held jointly and severally liable for unpaid fees, regardless of the provisions of a contract between a permittee, operator, and others who are “operators” under OSM’s interpretation of the term. (Please see ‘NOTICE’ on page 68.)

All permittee/operators pay reclamation fees unless exempt under the Act (see, “Tonnage not subject to reclamation fees”).

Permittee/operators are defined as any person, partnership, or corporation engaged in coal mining that removes or intends to remove more than 250 tons of coal from the earth by mining coal within twelve consecutive calendar months in any one location. (See Page 21)

The number and variety of business arrangements employed in the coal industry makes defining “operator” difficult in isolation, and the use and definition cannot be established outside the specific facts of each case. OSM believes that Congress intended that the burden of fee payment should fall upon the person who stands to benefit directly from the sale, transfer, or use of the coal. OSM determines this benefit in the course of deciding who is liable for paying the fee. The decision of identifying operators is made in consideration of those benefiting from the sale of coal and does not turn solely on a literal interpretation of the word “removes.”

OSM-1 regulations and penalties

DFM issues a Coal Reclamation Fee Report form (OSM-1) for use in reporting and paying reclamation fees on mines having a permit. Failure to file a completed OSM-1 form with OSM on a quarterly basis, and failure to pay outstanding reclamation fees due, may result in either a notice to the State regulatory authority to take enforcement action or a Federal Notice of Violation, depending on the state where the mine is located. Either may result in cash penalties and the mine being closed. For instance, the Federal Notice of Violation may carry a civil penalty of at least \$440. If

you still do not file the OSM-1 form or pay the reclamation fees, the Federal Cessation Order can result in your mine being closed and a penalty of \$925 per day up to a maximum of 30 days or \$27,750. Additionally, these AML type violations become a part of OSM's Applicant/Violator System (AVS), which the States and Federal Regulatory Authorities use as a tool to evaluate mining applicants and AML reclamation contractors prior to making permitting and contractor eligibility decisions. Therefore, failure to file an OSM-1 and/or pay reclamation fees due may cause the responsible parties (permittee and/or operator) to be permit ineligible or ineligible to receive AML reclamation contracts, based on the applicable regulations in the State or Federal Program.

How is tonnage reported?

The permittee/operator must first obtain a permit issued by a State or Federal regulatory authority in order to engage in coal mining and reclamation operations. The regulatory office transmits the applicable permit information to the AVS. The DFM computer system issues the OSM-1 form (**electronic or paper**) complete with the permittee/operator's permit number and other pertinent information.

The permittee/operator must report tonnage on Part 2 of the OSM-1 form for each permit number. For example, the permittee/operator has two producing sites and one permit number for each site, or one site and multiple permits. The tonnage must be reported for each applicable permit. It is inappropriate to arbitrarily allocate all the tonnage reported for one permit number, and report zero tonnage for the other. (See "Commingling coal." Page 14)

The permittee/operator must complete Part 2 and Part 3 of the OSM-1 form for each permit regardless of the quantity of operators operating on the permit. Multiple operators are pre-populated on the electronic form (See E-Filing Benefits shown below) and listed

on an attachment to Part 2 on the paper form. Tonnage must be reported by permit, not separately by each operator.

The permittee/operator must average the moisture deduction calculations when reporting multiple seams under one permit number (see Chapter 6). A permit number is allowed only one excess moisture deduction percentage.

(E-Filing saves you money if you have a moisture adjustment and are using the simple excess moisture equation to calculate the moisture percentage- See E-Filing benefits shown below)

The permittee/operator must file all pre-printed or electronic versions of the OSM-1 form, Parts 1, 2, and 3, to OSM. Part 1 must be signed and notarized (or use the un-sworn signature option, in lieu of the notary option, when you file Electronically. -- See E-Filing information below.) Part 2 and Part 3 address active producing and temporary cessation sites. Completing and returning all forms within prescribed time frames will prevent delays in surface coal mining permit actions due to a non-respondent violation in the AVS. If there is no reportable tonnage, report zero tonnage on the forms and return to OSM or submit it electronically

Electronic Filing

FILE YOUR QUARTERLY OSM-1 REPORT
ELECTRONICALLY
IT'S E-FICIENT, E-EFFECTIVE, E-CONOMICAL



<http://ismdfmmt5.osmre.gov>

What does E-Filing do for you?

- It's Free.
- Saves Money - The computer calculates a lower fee, if you have moisture adjustments, using the more advantageous equation: $\text{Total}\% - (\text{Inherent}\% \times (100 - \text{Total}\%) / (100 - \text{Inherent}\%))$
- Saves Time, saves money on postage, labor costs and on-line payments.
- It's more accurate.
- Provides Security through encryption – Your information is Available only to you 24 hrs – 7 days.
- Provides E-mail notification and reminders of OSM-1 filing due dates.
- Gives you the opportunity to work on your report incrementally.
- You may obtain permit history reports on-line.

- **You will receive an emailed receipt of your applied payment.**
- **The E-Filing system maintains the status of your filings.**
- **Offers an Additional Signature Option: The unsworn signature option provides an electronically signed and dated document that you may choose in lieu of the Notary option.**

Ability to Pay on-line - You will be able to file early and defer the electronic payment until the due date. This can save you additional money if you are currently paying by EFT. This service is free.

For a User ID Application, visit <http://ismdfmnt5.osmre.gov>, Click on FILING INFORMATION or to view a demo, Click on View Filing Example.

If you have questions, about E-Filing, please call
1-800-799-4265, Ext 325 or

Email: dfmwebmaster@osmre.gov

When do I complete and submit an OSM-1 form?

The OSM-1 form reporting all coal tonnage sold, used, or transferred during the calendar quarter must be submitted within 30 days after the end of the calendar quarter. The Code of Federal Regulations (CFR), 30 CFR 870.15(c) states,

All operators who receive a Coal Reclamation Fee Report (Form OSM-1) including those with zero sales, uses, or transfers, must submit a completed Form OSM-1, as well as any fee payment due.

What do I do if the pre-printed information on the OSM-1 form is incorrect?

You may change the pre-populated information on the electronic form.

On the paper form, line out the incorrect pre-printed data with a single line and enter the correct data.

What do I report on the OSM-1 form during the period before mining begins, during temporary cessation, and when mining is complete?

After the permit has been issued, and if you have received a preprinted paper copy or the pre-populated electronic version of the OSM-1 form, you must report zero tonnage for any quarter in which there is no reportable tonnage.

When mining is complete, you must report zero tonnage or applicable reportable tonnage until the stockpile is depleted.

When am I no longer required to report and return the OSM-1 form?

Anytime you receive the Form OSM-1, the form must be completed and returned to OSM. Once all tonnage for a permit is sold, used or transferred, including stockpiles, mark block “c - Mining complete” on the OSM-1 form and attach a copy of the State or Federal inspection form, which verifies that mining is complete.

What do I do if the package does not contain an OSM-1 form for each of the permits on which I should be reporting?

Telephone the Fee Accounting and Collections Team (FACT), at 1-800-799-4265, Ext. 325 (toll free) and request an OSM-1 form for each permit you hold.

If you are filing electronically, you may add the permit information on-line.

What do I do if the OSM-1 package contains permits that do not belong to me?

Return the paper forms with a written explanation stating why you believe you are not required to submit the form. If you are filing electronically, call or email your account representative.

If the permit has been transferred, submit a copy of the approved State or Federal transfer approval or permit application approval document. (See Frequently Asked Questions # 9)

If you do not receive the pre-printed OSM-1 form or your email message for the E-Filing form, telephone the FACT at 1-800-799-4265, Ext. 325 (toll free). Once you have begun reporting, you must return to OSM every Form OSM-1 you receive, either reporting tonnage or submitting a zero report.

Commingling coal

When coal is mined from multiple surface permits and combined or commingled with coal mined from underground permits, determining the exact tonnage attributed to each permit may be impossible. In these instances, the tonnage must be allocated to individual permits for each mining method. The allocation must be reasonable, fully documented in the company records, and show consistent accounting treatment.

The easiest allocation method is based on ratio of tons produced per permit compared to total sales for all permits, as documented in production records. Other methods are acceptable if they are fully documented and acceptable to OSM.

However, the permittee/operator is still required to substantiate the amount of coal produced by surface mining. The Code of Federal Regulations (30 CFR 870.12(c)) states:

If the operator combines surface mined coal, including reclaimed coal, with underground mined coal before the coal is weighed for fee purposes, the higher reclamation fee shall apply, unless the operator can substantiate the amount of coal produced by surface mining by acceptable engineering calculations or other reports which the Director may require.

When should tonnage be reported?

At the end of each quarter, you have 30 days to report and pay reclamation fees for tons sold, transferred or used during the calendar quarter. Section 870.12(b) of 30 CFR states:

The fee shall be determined by the weight and value [of the coal] at the time of initial bona fide sale, transfer of ownership, or use by the operator.

A ton is defined as 2000 pounds (0.90718 metric ton). Section 870.12(b)(1) of 30 CFR states:

The initial bona fide sale, transfer, or use of the coal shall be determined by the first transaction or use of the coal by the operator immediately after it is extracted, or removed from a reclaimed coal refuse deposit.

What is the rate of the reclamation fee for coal sold, transferred, or used within a quarter?

The law sets a standard fee for each type of coal, as follows:

If the gross value of **surface-mined** anthracite, bituminous, or subbituminous coal is \$3.50 per ton or more, the fee is 35 cents per ton. If the gross value of the coal is less than \$3.50 per ton, the ad valorem fee is 10 percent of the value for each ton. Report coal tonnage removed by auger mining and coal recovered from a deposit that is not its original geologic location such as slurry ponds, refuse piles, culm banks, stream beds, etc., at the surface rate.

If the gross value of **underground-mined** anthracite, bituminous or subbituminous coal is \$1.50 per ton or more, the fee is 15 cents per ton. If the gross value of the coal is less than \$1.50 per ton, the ad valorem fee is 10 percent of the value for each ton. Report coal

tonnage for any face-up tonnage on an underground mine at the underground rate.

If the gross value of **lignite coal** is \$5.00 per ton or more, the fee is 10 cents per ton. If the gross value of the coal is less than \$5.00 per ton, the ad valorem fee is 2 percent of the value of each ton.

If the coal extracted or the minerals removed are used by the operator or transferred to a related entity for use instead of being sold in a bona fide sale, then the fair market value of the coal shall be calculated at the time of use or transfer in lieu of revenue from a bona fide sale.

Ad valorem fee

Coal mine operators are required to report tonnage on the Coal Reclamation Fee Report (Form OSM-1) and pay any related reclamation fees each calendar quarter. The law sets the standard fee at \$0.35 per ton for surface mined coal, \$0.15 per ton for underground mined coal, and \$0.10 per ton for lignite coal.

However, you may use a percentage rate based on the value of the coal (ad valorem) when it results in a lower than standard rate.

Federal regulations (30 CFR 870.5) define value as “gross value at the time of initial bona fide sale, transfer of ownership or use by the operator, **but does not include the reclamation fee required by this part.**

Surface mined coal with a value of less than \$3.50 per ton, underground mined coal with a value of less than \$1.50 per ton and lignite coal with a value of less than \$5.00 per ton would result in a lower than standard fee and may be calculated using the ad valorem method. The ad valorem fee for surface and underground mined coal is 10 percent of the value of the coal. The ad valorem fee for lignite coal is 2 percent of the value of the coal.

Ad valorem calculations

1. Determine the **gross** tons of coal sold.
2. If excess moisture is deducted as allowed by the regulations (30 CFR 870.18), determine the **net** tons sold by subtracting the excess moisture tons from the gross tons
3. Determine the price per ton by dividing the total dollar amount of the sales revenue by the **net** tons sold if deducting excess moisture, or gross tons if not deducting excess moisture
4. Determine value by dividing the price per ton found in Step 3 by 1.1. This will deduct the reclamation fee from the sales price. If the resulting amount is \$3.50 per ton or more for surface-mined coal, \$1.50 per ton or more for underground-mined coal, or \$5.00 or more for lignite, pay the fees at the standard rate of \$0.35, \$0.15, or \$0.10 per ton respectively.
5. If the amount determined in step four is less than \$3.50 per ton for surface-mined coal, \$1.50 per ton for underground-mined coal, or \$5.00 per ton for lignite, multiply the amount by 0.1 (10 percent) for surface- and underground-mined coal or .02 (2 percent) for lignite to determine your fee rate. The rate carried to the Forms OSM-1 should be rounded to four decimal places.
6. Calculate the reclamation fees you pay by multiplying the appropriate fee rate amount determined in Step four or five by the tons sold, net of any excess moisture deducted.
7. Document the invoice number, date, number of gross tons (and net tons if moisture is deducted), and gross revenue for all coal included in the ad valorem calculation. Keep this documentation on file. The OSM auditor will request it when an audit is conducted.

Note: If you have any questions regarding the procedures to follow

when reporting reclamation fees at the ad valorem rate, please call:

For Ohio, Maryland, Pennsylvania, West Virginia or Virginia,
call Jerry Farnella at (412) 937-2901.

For other states, call Jane Gray at (859) 260-8411 or John
Sender at (859) 260-8412.

Reclamation fee calculation

1. Determination of tons to be included in ad valorem

Invoice #1 10,000 gross tons @ \$3.84 = \$38,400.00

Invoice #2 10,000 gross tons @ \$3.00 = \$30,000.00

Invoice #3 10,000 gross tons @ \$2.90 = \$29,000.00

Excess moisture percentage equals 2 percent

All calculations are based on surface mined coal.

Invoice #1

1. Gross tons = 10,000 tons
2. Net tons = 10,000 less 200 tons (excess moisture) =
9800 tons.
3. Sales price per ton = $\frac{\$38,400.00}{9800 \text{ tons}} = \3.9184
4. Value per ton = $\frac{\$3.9184}{1.1} = \3.5622
5. Fee Rate = \$3.5622 times 10 percent = \$0.3562
**This fee rate exceeds \$0.35 per ton, so the
applicable fee rate is \$0.35 per ton (standard fee).**
6. Fees = 9800 tons times \$0.35 = \$3,430.00

Invoice #2

1. Gross tons = 10,000 tons.
2. Net tons = 10,000 tons less 200 tons (excess moisture) = 9800 tons.
3. Sales price per ton = $\frac{\$30,000.00}{9800 \text{ tons}} = \3.0612
4. Value = $\frac{\$3.0612}{1.1} = \2.7829
5. Fee Rate = \$2.7829 times 10 percent = \$0.2783
This fee rate is less than \$0.35 per ton, so fees may be calculated using the ad valorem method set forth below in Part II, "Weighted Average Ad valorem Calculations".

Invoice #3

1. Gross tons = 10,000 tons
2. Net tons = 10,000 less 200 tons (excess moisture) = 9800 tons.
3. Sales price per ton = $\frac{\$29,000.00}{9800 \text{ tons}} = \2.9592
4. Value = $\frac{\$2.9592}{1.1} = \2.6902
5. Fee Rate = \$2.6902 times 10 percent = \$0.2690
This fee rate is less than \$0.35 per ton, so fees may be

calculated using the ad valorem method set forth below in Part II, "Weighted average ad valorem calculations".

II. Weighted average ad valorem calculations

To determine quarterly ad valorem fees, add the gross tons and revenue for the invoices with fee rates of less than \$0.35. Then calculate the ad valorem fees due using a weighted average method, as demonstrated below.

Invoice #2	10,000 tons @ \$3.00 =	\$30,000.00
Invoice #3	<u>10,000</u> tons @ \$2.90 =	<u>\$29,000.00</u>
Total	20,000 tons	\$59,000.00

1. Gross tons = 20,000 tons
2. Net tons = 20,000 tons less 400 tons (excess moisture)
19,600 tons
3. Sales price per ton = $\frac{\$59,000.00}{19,600 \text{ tons}} = \3.0102
4. Value = $\frac{\$3.0102}{1.1} = \2.7365
5. Fee rate = \$2.7365 times 10 percent = \$0.2737
6. Fees = 19,600 tons times \$0.2737 = \$5,364.52

Tonnage not subject to reclamation fees or required to file.

The following situations are exempt from a reclamation fee:

- The extraction of coal by a landowner for his own use (noncommercial) from land owned or leased by him,

- The extraction of coal as an incidental part of Federal, State, or local government-financed highway or other construction,
- The extraction of coal incidental to the extraction of other minerals where coal does not exceed 16-2/3 percent of the total tonnage of coal and other minerals removed for commercial use or sale, and the cumulative revenue derived from the coal extracted annually shall not exceed 50 percent of the total cumulative revenue derived from the coal and other minerals removed for purposes of bona fide sale or reasonable commercial use.
- The extraction of less than 250 tons of coal within twelve consecutive months. (See Page 7)

Operators claiming exemptions under these provisions must maintain complete records to justify the reason no fees should be assessed.

For further information on exempt situations, please telephone the Chief, Division of Compliance Management, at 412-937-2912.

When are reclamation fees due?

Tonnage must be reported on the Form OSM-1 and appropriate fees paid within 30 days after the end of the calendar quarter.

If the permittee/operator sends in the completed Form OSM-1 but fails to pay the reclamation fee by the 15th day of the second month following the end of the calendar quarter, DFM calculates the fee and issues a bill including interest, penalties, and administrative costs (see Chapter 4).

If the permittee/operator does not return the Form OSM-1 within 30

days after a calendar quarter, DFM sends a letter to the permittee/operator on the 15th day of the month following the due date advising of non-receipt. See Chapter 2 "Failing to respond to an OSM-1" for more information and penalties for non-response. The following calendar illustrates the relationship among the above dates:

Dates of Notices and Dates Due				
Activity	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
OSM-1 blank forms mailed to permittee/operators just prior to the end of the quarter. Electronic Filers are notified by email.	March	June	Sep	Dec
Due date for OSM-1 form and payment.	Apr 30	Jul 30	Oct 30	Jan 30
Bill for payment generated to permittee/operators who reported tonnage but underpaid fees	May 15	Aug 15	Nov 15	Feb 15
Letter generated to permittee/operators requesting submission of delinquent OSM-1 and payment	May 15	Aug 15	Nov 15	Feb 15

Applicant Violator System (AVS)

The Applicant/Violator System (AVS) is a nationwide database containing violation records and information on ownership and control of mining operations. Permitting authorities check AVS when evaluating an applicant's mining history and eligibility for new permits. The AVS is also used in determining the eligibility of potential recipients of Abandoned Mine Land reclamation contracts. For additional information on the AVS, please contact the AVS User Liaison at 1-800-643-9748 (toll free).

Chapter 2 Instructions for Filling Out the OSM-1 Form

The directions for filling out the OSM-1 form are enclosed with the paper OSM-1 form that is mailed to the permittee/operator. They are repeated in this chapter with additional information.

You may also file and pay electronically using the Internet. For a demo or a user id application, see "View Filing Example" or "Filing Information at: <http://ismdfmnt5.osmre.gov>

For two filing quarters, E-Filers will continue to receive the paper forms and instructions. The Payer Handbook is available at the web site. It may be downloaded, viewed or printed.

OSM-1 form must be filled out completely

All data fields must be completed. If the OSM-1 form is incomplete, it will be returned to the sender to complete the missing information. A letter will be enclosed with instructions regarding the missing information.

OSM-1 form must contain a signature

If the paper form is filled out but missing the signature, it will be returned to the sender to be signed. If you are filing electronically and you use the un-sworn signature option, no signature is needed. Your User ID and password serve as your electronic signature.

Part 1: OSM-1 Instructions

The numbered paragraphs refer to the numbered items on the paper OSM-1 form.

1. The current quarter and year are pre-printed on the OSM-1 form. The inclusive permit numbers for this report are displayed in the blank areas, as follows:

Part 1 - OSM-1

Coal Reclamation Fee Report

1. Reporting for ___1st ___2nd ___3rd or ___4th quarter,
20__

 This certification covers the following permit number(s):

2. An authorized official must certify, sign, and enter the date in this box.

I hereby certify that the statements made herein are true, complete, and correct to the best of my knowledge and belief and are made in good faith.

Print in ink or type the name of reporting person, corporate officer, agent or director on behalf of the operator or the permittee.

Signature _____ Date _____

If you are filing electronically, your User ID and password serve as your electronic signature.

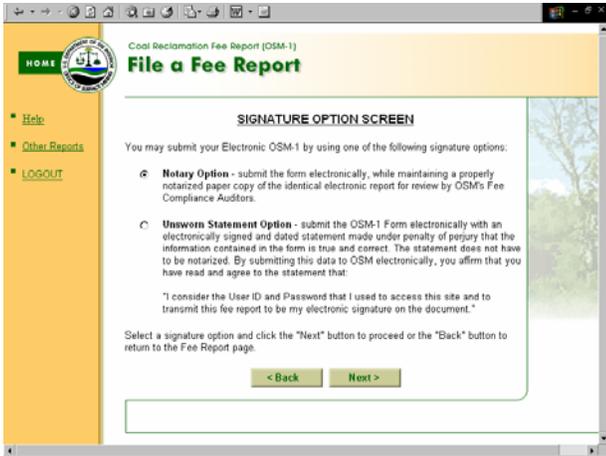
3. A Notary Public must complete the certification in this box.

Subscribed and sworn to before me in my presence the
___ day of _____

Notary Public Signature _____
My commission expires _____

If you file electronically, you may choose the unsworn signature option in lieu of the notary requirement.

Example of the signature option screen:



4. Enter the name, phone number and email address (if available) of a responsible official OSM can contact with questions about this report.
5. Indicate how payment is being made, check or electronic funds transfer.

Contact person:

Telephone number

Email address

Reporting entity number

Check one: ___ Electronic funds transfer
 ___ Check

6. Enter the total dollar amount of the check or electronic funds transfer for permit numbers listed under

number 1.

5. Total payment \$ _____.

Part 2: Coal Reclamation Fee Report, OSM-1

7. The current quarter and year are pre-printed.

Part 2 – Coal Reclamation Fee Report You must fill out Part 2 and Part 3 for each permit number you are reporting	6. Reporting for __ 1 st __ 2 nd __ 3 rd or __ 4 th quarter, 20 __
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The mine name and state are pre-printed. If incorrect, please correct:

- a. The Mine Safety Health Administration (MSHA) assigns the seven-digit MSHA number.
- b. Enter the county where the mine is located. If the

mine is on Indian land, enter the name of the Tribe.

- c. Check this box if mining is complete, has stopped temporarily, or has not started, and attach the concurring State inspection report.
- d. Check this box if all stockpiles have been sold, used, or transferred, and tons have been reported.
- e-j. Permittee and operator names, addresses, and Taxpayer IDs. The Taxpayer ID is your Employer Identification Number (EIN). [When an EIN does not exist, Social Security Number may be provided as a Taxpayer ID.](#) Please correct any inaccurate information.

8. Fee Computation. Three fee computation blocks are provided on the OSM-1. Use for the three blocks follows:

Fee Computation

a. Gross tons _____.____	a. Gross tons _____.____	a. Gross tons _____.____
b. Moisture	b. Moisture	b. Moisture
(1) Total _____%	(1) Total _____%	(1) Total _____%
(2) inherent _____%	(2) inherent _____%	(2) inherent _____%
(3) excess _____%	(3) excess _____%	(3) excess _____%
c. Reduced tons _____	c. Reduced tons _____	c. Reduced tons _____
d. Net tons _____	d. Net tons _____	d. Net tons _____
e. Rate \$. _____	e. Rate \$. _____	e. Rate \$. _____
f. Calculated fee \$ ____.	f. Calculated fee \$ ____.	f. Calculated fee \$ ____.

--	--

If the following tonnage is being reported,	Fill out
<ul style="list-style-type: none"> • Surface or underground 	One block
<ul style="list-style-type: none"> • Surface or underground, and Tonnage at reduced rate 	One block for each, or two blocks
<ul style="list-style-type: none"> • Surface or underground <u>without</u> a moisture deduction, and • Surface or underground <u>with</u> a moisture deduction, and • Tonnage at reduced rate 	One block for each, or three blocks

Completing the form

(a) Gross tons	Coal sold, used, or transferred during the calendar year
(b) Total, inherent, excess moisture	See Chapter 6
(c) Reduced tons	Gross tons multiplied by the excess moisture percentage (a x b(3)=c)
(d) Net tons	Gross tons minus reduced tons (a - c = d)
(e) Rate	Determined by the type of coal. See Chapter 1 “What is the rate of the reclamation fee.....”
(f) Calculated fee	Net tons multiplied by rate (d x e = f)

9. Enter the total fee for this permit number

Fee Computation

a. Gross tons	___. __. __.
b. Moisture	
(1) Total	___. __. __. %
(2) inherent	___. __. __. %
(3) excess	___. __. __. %
c. Reduced tons	___. __. __.
d. Net tons	___. __. __.
e. Rate \$.
f. Calculated fee \$	__.

Total calculated fee for this permit number, (the sum of each fee computation in 8(f)).

9. Total calculated fee for this permit number
\$ _____.

When E-Filing – the computer does all the calculations for you using the more advantageous complex equation for moisture adjustments.

Part 3: Coal Reclamation Fee Report, OSM-1

10. The applicable quarter and year for this report are pre-printed at the top of the form:

10. Reporting	__	1 st	__	2 nd	__	3 rd	__	4 th	quarter, 20__
---------------	----	-----------------	----	-----------------	----	-----------------	----	-----------------	---------------

11. If the permit number, mine name, county, or state is inaccurate as printed on the form, please correct them.

11. Permit Number	__	Mine Name	__	County	__	State	__
12.	Mineral owner	Address	City/state/zip				

12. Mineral owners

- List the names and addresses of any person or entity owning 10 percent or more of the mineral estate for this permit.
- If no single mineral owner meets the 10 percent rule, report the largest single mineral owner.

Mineral owners include those with legal ownership of the coal. Mineral owners also include those who have the right to extract the coal and to receive the economic benefits normally associated with ownership of the coal, such as payment for the value of the coal.

13. Purchasers of coal

Purchasers of coal	Address	City/state/zip
--------------------	---------	----------------

- Purchasers of coal are defined as persons or entities who purchased 10 percent or more of the production from a given permit.
- If no single purchaser meets the 10 percent rule, report the largest single purchaser.

14. Coal delivery location.

Coal delivered to: (prep plant, tipple, loading point) address
--

- Indicate the type of facility where the coal is delivered (at the point of first sale, transfer, or use): prep plant, tipple, loading point.
- List the names and address of facilities where 10 percent or more of the coal was delivered.
- If no single facility meets the 10 percent rule, report the

largest single delivery point.

Amending an OSM-1

If you file electronically, you will also be able to amend electronically. You may open an amendment for an existing electronic OSM-1, make your changes, and submit it to OSM. You will be able to amend your reports electronically from quarter 2000/1 forward, even if you filed the report on paper.

If you file an amendment on the paper form, complete the "Amended OSM-1" to make changes to the tonnage calculation after the OSM-1 has been submitted.

Block A: Enter original tonnage reported

Block B: Enter the correct tonnage that should have been reported

Block C: Enter the difference of calculation

If the adjustment in the calculation results in additional fees, contact the Fee and Accounting Collections Team at 1-800-799-4265, Ext. 325 (toll free) for the amount to be submitted including interest and penalties.

If the adjustment in the calculation results in an overpayment, you may take this as a credit for the next quarter's reclamation fees, or you may be refunded the overpayment. We will offset to outstanding debt before we refund any amounts.

Please explain the changes to your original filing on the back of the form. Sign the paper form, date it, and have it notarized. Send the OSM-1 and your payment (if not an electronic funds transfer) to:

Office of Surface Mining
P. O. Box 360095M
Pittsburgh, PA 15251

If filing electronically, there is no signature needed. Your User ID and password are your electronically signature. You amend your report electronically and submit it to OSM on-line. You may also schedule payment of any fees on-line.

Failing to respond to an OSM-1 form or failing to report on every pre-printed permit number

Failing to report on every pre-printed permit number on the OSM-1 form by the 30th day after the end of the calendar quarter establishes the permittee/operator as a non-respondent. A non-respondent violation may cause the responsible parties (permittee/operator) to be permit ineligible until the non-respondent violation is corrected.

After the 15th day of the month following the OSM-1 due date, the non-respondent permittee/operator receives a letter from DFM requesting immediate response by completing the OSM-1 form and sending it in with payment.

If the permit information included on the pre-printed OSM-1 is incorrect, the following action is appropriate:

- If the OSM-1 form has already been filed, please telephone the Division of Financial Management immediately at 1-800-799-4265, Ext. 325 (toll free).
- If mining under the permit is complete and reclamation activities have begun, send DFM a copy of the State or Federal Inspection reports that show completion. Include a signed statement that no stockpiles exist for sale. (If stockpiles do exist, the OSM-1 must be filed.)
- If the permit is in temporary cessation, or mining activities have not begun, send an OSM-1 to report zero coal production.

- If permits have been transferred, assigned, or sold, send DFM a copy of the approved State or Federal transfer document.
- If the permittee/operator reported coal sales under another permit, amended OSM-1 forms must be submitted. Coal tonnage must be allocated to individual producing permits for each mining method (surface or underground).
- If zero coal sales occurred, but the permit is still active, OSM-1 forms must be submitted immediately showing zero sales.
- An OSM-1 form must be filed even if the fees cannot be paid. Contact the Fee Accounting and Collection Team (FACT) at **1-800-799-4265, Ext 325** to discuss payment arrangements.

Consequences for non-respondents

The Office of Surface Mining may implement one or more of the following actions when a permittee/operator fails to submit an OSM-1 form and pay reclamation fees:

- Issue a ten-day notice to the applicable state regulatory authority for state enforcement action to active, non-compliant operations.
- Issue a Notice of Violation to active, non-compliant operations. If the form is still not submitted and fees due are not paid, a Cessation Order will be issued.
- Institute legal sanctions against companies that have coal production and intentionally do not file OSM-1 forms.
- Identify the responsible parties (permittee/operator) as having outstanding violations on the OSM Applicant/

Violator System.

- Include non-respondents on audit priority list.

Chapter 3 Paying the Reclamation Fee

Whenever the AML fee is \$25,000 or more, the fee **MUST** be transmitted to OSM electronically, and your completed paper OSM-1 form must be mailed to the address below **or submitted electronically to OSM using the Internet.** (See our web site at: <http://ismdfmmt5.osmre.gov>)

However, if the fee is less than \$25,000, the fee may be paid by check, money order, or paid electronically. **DO NOT SEND CASH!**

Where to pay

Send your check or money order and the completed OSM-1 form to:

Office of Surface Mining
P.O. Box 360095M
Pittsburgh, PA 15251

Electronic payments

File and Pay on-line! You may go on-line and schedule an automatic payment of your fees with the U.S. Treasury up to 30 days in advance of the due date for the fees. The U.S. Treasury will debit your account on the day after the date you schedule your payment and forward your payment to OSM. It is a **FREE** service to companies – that can save you money, if you are currently paying

service charges for EFT payments.

With pre-scheduling of payments you can file electronically and forget! Simply fill in your OSM-1 on the E-Filing website, submit the form to OSM and then immediately schedule the payment of your fees.

For a demo or a User ID application see “View Filing Example” or “Filing Information” at:

<http://ismdfmmt5.osmre.gov>

Or you may use one of the following two additional electronic payment options:

Electronic Payment Options	
Wire Transfer (FEDWIRE)	Automated Clearing House (ACH)
Available at all financial institutions	Available at some financial institutions

Federal Wire (FEDWIRE) Transfer Format

SAMPLE FIELD TAGS (the most common field tags)	
Field Tag Contents	Field Tag Number
(1) MESSAGE DISPOSITION	(1100)
(2) ACCEPTANCE TIME STAMP	(1100)
(3) OMAD	(1120)
(4) TYPE/SUBTYPE CODE	(1510)
(5) IMAD	(1510)
(6) <i>AMOUNT</i>	<i>(2000)*\$0.00</i>
(7) SENDER FI	(3100)
(8) SENDER REFERENCE	(3320)
(9) <i>RECEIVER DI</i>	<i>(3400)*TreasuryNYC 021030004</i>
(10) BUSINESS FUNCTION	(3600)
<i>(11) BENEFICIARY</i>	<i>(4200)*OFFICE OF SURFACE MINING ALC 14180001</i>
(12) REF FOR BENEFICIARY	(4320)
<i>(13) ORIGINATOR</i>	<i>(5000)*COMPANY NAME</i>
(14) ORIGINATOR FI	(5100)
<i>(15) ORIG. TO BENEFICIARY</i>	<i>(6000)*Payment Identification Information</i>
<i>*Minimum information that must be provided to financial institution (fi) when transmitting funds to OSM by FEDWIRE.</i>	
FRB = Federal Reserve Bank OSM = Office of Surface Mining	ALC = Agency Location Code

ACH CCD+Format

1. Record Type Code*	Entry detail record assigned by Treasury, always '6'
2. Transaction Code*	Two-digit code identifying types of Credits and Debits. A Credit is always '22'
3. Receiving ABA*	ACH payments go to the Federal Reserve Bank in Richmond, VA The ABA # for the Federal Reserve is '051036706'
4. Check Digit*	Entry detail record formula for FR Banks ABA #, always '6'
5. Account Number*	OSM account number is '312001'
6. Payment Amount	Remitter's payment amount
7. Identification No.*	Company Reporting Entity Number
8. Receiver Name*	Office of Surface Mining
9. Discretionary*	Enter two-letter type of payment AML FEE = FE Audit = AU Civil Penalty = CP
10. Addenda Indicator	'1' = addenda present '2' = no addenda present
11. Trace Number	Assigned by permittee/operator's bank
* Indicates information permittee/operator must provide	

Addenda Record Format

A. Record Type Code;*	addenda record '7'
B. Addenda Type Code:*	CCD+ or CTX. '5'
C. Payment Related	Enter your current OSM-1 Document number, Reporting Entity Company Name, Reporting Entity Number, Bill # or any information needed to identify this payment
D. Sequence Number	Addenda number starting at 0001 or 0002
E. Addenda Trace Number	Same as the last seven numbers of detail trace number (see line #11)
* Indicates information permittee/operator must provide	

Field Tag Definitions for FEDWIRE

(1) Message attribute information assigned by the Federal Reserve Bank (FRB)

(2) Message date/time stamp information assigned by the FRB, when the message is first received

(3) Output Message Accountability Data (OMAD) - Control information assigned by the FRB, when the message is opened

(4) Type and Subtype codes entered by the sender

(5) Input Message Accountability Date (IMAD) - Control information assigned by the sender's terminal, when it is queued for transmission to the FRB

(6) **The dollar amount of the transfer*

(7) Sender FI - Identifies the sending financial institution

(8) The sender institution's reference information

(9) **Identifies the receiving financial institution*
Treasury NYC 021030004

(10) The Business Function Code (Product Code), which describes the business purpose of the message (i.e., 'FEE' = AML Fees)

(11) **Identifies the ultimate party to be paid*
(ALCI) 14180001 Office of Surface Mining

(12) RFB provides reference information, for use by the beneficiary, i.e., (OSM)

(13) **ORG Identifies the originator of the payment*

(14) OGB identifies the originator's financial institution, if different from sender

(15) **OBI Any additional information the originator wants to include (i.e., Reporting Entity number, OS1 number)*

** MINIMUM INFORMATION THAT YOU MUST PROVIDE TO YOUR FINANCIAL INSTITUTION (FI) WHEN TRANSMITTING FUNDS TO OSM BY FEDWIRE*

Office of Surface Mining, 10/22/97, Collections Officer, 303-236-0330 Ext. 275

Remittance Express for the Office of Surface Mining Program Implementation Data Sheet

This form has been designed as an aid for Remitters in providing complete and accurate data to the financial institutions for originating **Automated Clear House (ACH) payments**. This is the record format for CCD+ with the associated addenda record format. (A CCD+ format may be sent without an addendum.)

ACH CCD+ Format

DATA ELEMENT NAME	CONTENTS	SIZE	POSITION
1. Record Type Code	*'6'	1	01-01
2. Transaction Code	*'22'	2	02-03
3. Receiving ABA	*'051036706'	8	04-11
4. Check Digit	*'6'	1	12-12
5. Account Number	*'312001'	17	13-29
6. Payment Amount	\$	10	30-39
7. Identification #	*your Reporting Entity #	15	40-54
8. Receiver Name	*Office of Surface Mining	22	55-76
9. Discretionary	(optional)	2	77-78
10. Addenda Indicator	'1' (addenda present) '2' no addenda	1	79-79
11. Trace Number	Assigned by your bank	15	80-94

* Indicates information permittee/operator must provide

DATA ELEMENT NAME	CONTENTS	SIZE	POSITION
A. Record Type Code	*'7'	1	01-01
B. Addenda Type Code	*'05'	2	02-03
C. Payment Related	*Reporting Entity Name, Reporting Entity Number and current OSM Doc Number	80	04-83
D. Sequence Number	Addenda number starting at 0001	4	84-87
E. Addenda Trace	Same as last seven numbers of detail trace number	10	30-39
* Indicates information permittee/operator must provide			

Chapter 4 Delinquent Payments

When you receive a bill

When an OSM-1 is completed and sent **or submitted on-line** without full payment for reclamation fees due, the Office of Surface Mining bills the permittee. Notification of debt is also sent to the operator and the reporting entity (when different from the permittee). However, the permittee will be ultimately held responsible for unpaid fees, regardless of the provisions of a contract between parties.

OSM is authorized to assess interest, penalties, and administrative costs on delinquent payments.

Interest

The annual interest rate assessed against unpaid fees is determined by the calendar quarter in which the fees are unpaid. The rate is established quarterly by the U.S. Department of Treasury. Interest is calculated by applying a formula:

$$\text{Principal} \times \text{interest rate} \times \text{number of days}/365 = \text{interest due}$$

Interest begins to accrue on the 31st day following the end of the calendar quarter in which the reclamation fee is owed. For example, an OSM-1 form is due for the fourth quarter on January 30. Interest begins to accrue on January 31 through the postmarked date of the payment.

Penalty

Since September 1, 1985, a penalty has been charged on unpaid reclamation fees. OSM imposes a six percent per year penalty on all AML reclamation fees delinquent more than 90 days. This penalty is charged in addition to interest and is retroactive to the due

date or September 1, 1985, whichever is later.

The penalty is not assessed if the fee and interest are paid in full within 90 days of the due date. If payment is not received, then penalty will be charged back to the 31st day following the end of the calendar quarter and will be charged through the postmark date of the payment.

Administrative charges

OSM assesses administrative charges to cover the cost of handling delinquent claims. An administrative charge of at least 16 dollars per month per permit year/quarter will be charged on any outstanding debt beginning with the second bill.

Application of late payments

When a reclamation fee payment is late, assessments will be applied in the following order:

1. Penalties
2. Administrative charges
5. Interest
6. Reclamation fees due

For example:

Permittee/operator owes a reclamation fee =	\$200
penalty =	20
administrative charges =	16
interest =	20
 Total	 \$256
Permittee/operator pays only	-200
Leaving a balance owed	\$ 56

The balance still owed is considered reclamation fee and will begin accruing interest, penalty, and administrative charges until the principal, additional interest, penalty, and administrative charges are paid in full.

Note: When paying delinquent debts, be sure to identify the applicable permit numbers and year/quarter of the reclamation fee.

Refunds

Reclamation fee overpayments of 175 dollars or greater are processed automatically after offsetting any debt in AML, audit or civil penalties.

Refund requests for less than 175 dollars must be in writing and sent to DFM:

Office of Surface Mining
Division of Financial Management
P. O. Box 25065
Denver Federal Center, Building 20
Denver, Colorado 80225
Phone: 1-800-799-4265, Ext. 325 (toll free)

Unpaid bills

When reclamation fees remain unpaid, FACT pursues debt collection. Certain actions may be taken to recover the debt:

- An installment payment plan agreement may be negotiated,
- A collection agency may be contracted,
- Legal action may be instigated against the delinquent company for recovery of debt, interest, and other fees,
- A ten-day notice may be issued to the applicable State Regulatory Authority for state enforcement action to active, non-compliant operations,

- A Notice of Violation and subsequent Cessation Order may be issued,
- Surface coal mine permitting actions and abandoned mine land reclamation contracts may be delayed or found to be ineligible due to any AML-related violation including non-respondent or failure to pay AML or AML audit debt.

Delinquent debt is also reported to credit bureaus.

Contact the Fee Accounting and Collections Team (FACT) at **1-800-799-4265, Ext. 325** for questions about delinquent debt and debt collection.

Chapter 5 Auditing Records

When you receive a bill resulting from an audit

The Division of Compliance Management periodically audits coal mining operations to determine if they are in compliance with Public Law 95-87, Section 402, and its implementing Federal regulations.

The permittee/operator of a mine must maintain records and books for a period of at least six years from the end of the calendar quarter in which the fee was due or paid, whichever is later, and make these records available to the auditors. These books and records should be current and should substantiate the tonnages, moisture deductions, and fee calculations reported on the OSM-1 form. These records, at minimum, should contain the following:

- The actual tons of coal produced, bought, sold, or transferred, the amount received per ton, the name of the person to whom the coal is sold or transferred, and the date of each sale or transfer

- The tons of coal used by the permittee/operator and the date of consumption
- The tons of coal stockpiled or inventoried that are not classified as sold for fee computation purposes
- The total BTU value of gas produced by a ton of coal in place of an *in situ* coal operation, the semiannual independent laboratory certification of the BTU value of gas produced, and the amount received for gas sold, transferred, or used
- The results of all laboratory analyses and relevant documentation used as the basis for excess moisture allowance

If a permittee/operator fails to maintain the required records, OSM may estimate the fees due and add a 20 percent adjustment to compensate for possible error. The permittee/operator may also be subject to paying a fee estimate should the auditors be denied access to the records, as well as reimbursement for expenses incurred for fee and penalty collection.

If an audit shows that the permittee/operator owes delinquent reclamation fees, OSM will bill for the reclamation fees plus interest, penalty, and administrative costs beginning with the year/quarter the fees were due. To avoid assessment for additional fees and other charges, the permittee/operators should:

- Ensure all tonnage sold, used, or transferred in the calendar quarter is reported
- Maintain the required accounting records

Chapter 6 Moisture Deduction

For clarification of this section, refer to the following official documents:

Title IV of the Surface Mining Control and Reclamation Act (SMCRA) of 1977

30 CFR Section 870.5 Definitions;

30 CFR Section 870.12(g)(3)(I) Reclamation Fee;

30 CFR Sections 870.18, 870.19, 870.20

Calculating Excess Moisture.

Beginning July 1, 1988, the Office of Surface Mining allowed a percentage deduction for excess moisture, calculated to be the difference between the inherent moisture found in the coal at the time of mining and the total moisture present in the coal at the point of fee assessment. The point in time of fee assessment is the first bona fide sale, transfer of ownership or use of the coal by the permittee/operator immediately after it is severed from a coal seam.

The first Rule became effective July 1, 1988. A subsequent amendment became effective on October 1, 1997. All excess moisture weight deductions must be based on standard laboratory tests used to determine the total and inherent moisture percentage. OSM's final determination of a permittee/operator's excess moisture allowance will be made on a case-by-case basis and depend on the particular facts of the situation.

Definition of terms

Excess moisture means the difference between total moisture and inherent moisture, calculated according to Section 870.19 for high-rank coals or the difference between total moisture and inherent moisture calculated according to Section 870.20 for low-rank coals.

Inherent moisture means moisture that exists as an integral part of the coal seam in its natural state, including water in pores, but excluding that present in macroscopically visible fractures, as determined

Total moisture means the measure of weight loss in an air atmosphere under rigidly controlled conditions of temperature, time and air flow, as determined according to either Section 870.19(a) or Section 870.20(a).

As-shipped coal means raw or prepared coal that is loaded for shipment from the mine or loading facility.

Blended coal means coals of various qualities and predetermined quantities mixed to control the final product.

Channel sample means a sample of coal collected according to ASTM standard D4596-93 from a channel extending from the top to the bottom of a coal seam.

Commingled coal means coal from different sources and/or types combined prior to shipment or use.

Core sample means a cylindrical sample of coal that represents the thickness of a coal seam penetrated by drilling according to ASTM standard D5192-91.

Correction factor means the difference between the equilibrium moisture and the inherent moisture in low rank coals for the purpose of Section 870.20(a).

Equilibrium moisture means the moisture in the coal as determined through American Society for Testing and Materials (ASTM) standard D1412-93.

High-rank coals means anthracite, bituminous, and subbituminous A and B coals.

Low-rank coals means subbituminous C and lignite coals.

Slurry pond means any natural or artificial pond or lagoon used for the settlement and draining of the solids from the slurry resulting from the coal washing process.

Tipple coal means coal from a mine or loading facility that is ready for shipment.

General rules for calculating excess moisture

If you are an operator who mined coal after June 1988, you may deduct the weight of excess moisture in the coal to determine reclamation fees you owe under 30 CFR 870.12(b)(3)(i). Excess moisture is the difference between total moisture and inherent moisture. The following sections explain how to calculate excess moisture in HIGH-rank and LOW-rank coal. Report your calculations to the OSM-1 form, Coal Reclamation Fee Report, for every calendar quarter in which you claim a deduction. Some cautions:

(a) You or your customer may do any test required by the regulations. But whoever does a test, you are to keep test results and all related records for at least six years after the test date.

(b) If OSM disallows any or all of an allowance for excess moisture, you must submit an additional fee plus interest computed according to Section 870.15(c) and penalties computed according to Section 870.15(f).

Calculating excess moisture in HIGH-rank coals

Here are the requirements for calculating the excess moisture in high-rank coals for a calendar quarter. ASTM Standards D2234-89, Standard Test Methods for Collection of a Gross Sample of Coal; D3302-91, Standard Test Method for Total Moisture in Coal; D5192-91, Standard Practice for Collection of Coal Samples from Core; D1412-93, Standard Test Method for Equilibrium Moisture of Coal at 96 to 97 Percent Relative Humidity and 30°C; D4596-93, Standard Practice for Collection of Channel Samples of Coal in a Mine are incorporated by reference as published in the 1994 Annual Book of ASTM Standards, Volume 05.05. Each applicable ASTM standard is incorporated as it exists on the date of the approval, and a notice of any change in it will be published in the Federal Register. You may obtain copies from:

ASTM
100 Barr Harbor Drive
West Conshohocken, Pennsylvania 19428

A copy of the ASTM standards is available for inspection at the

Office of Surface Mining
Administrative Record, Room 101
1951 Constitution Avenue, NW
Washington, D.C. 20240

Or [visit],

Office of the Federal Register
800 North Capitol Street, NW
Suite 700
Washington, D.C. 20408

Or [mail],

Office of the Federal Register
National Archives and Records Administration
700 Pennsylvania Avenue, NW
Washington, D.C. 20408

1. Calculate excess moisture percentage using one of these equations. ***If you file electronically and have moisture adjustments, the E-Filing system calculates a lower fee using the more advantageous complex moisture equation (2nd equation shown below).***

$$EM = TM - IM$$

or

$$EM = TM - \left(\frac{IM \times 100 - TM}{100 - IM} \right)$$

EM equals excess moisture percentage. TM equals total as-shipped moisture percentage calculated, according to Tables 1 and 3 of this section. IM equals inherent moisture percentage calculated according to Tables 2 and 4 of this section.

2. Multiply the excess moisture percentage by the tonnage from the bona fide sales, transfers of ownership, or uses by the operator during the quarter.

Table 1. Calculating TOTAL moisture percentage in HIGH-rank coals

Collect and test each day you ship or use coal

Collect a sample of as-shipped or used coal. Follow procedures in ASTM D2234-89.

Test the sample for daily total moisture percentage. Follow laboratory procedures in ASTM D3302-91 or D2961.

Obtain prior OSM approval for use of other procedures.

Convert daily test results to quarterly figures and report them

1. Multiply daily total moisture percentage by daily tonnage shipped or used. You now have daily total moisture tonnage.
2. Add up daily total moisture tonnage for the quarter.
3. Add up daily tonnage shipped or used in the quarter.
4. Divide 2 by 3.

Report this total moisture percentage in high-rank coal for the quarter on OSM-1, Coal Reclamation Fee Report.

Table 2. Calculating INHERENT moisture percentage in HIGH-rank coals

<p>Choose from 3 ways to collect and test</p> <p>First</p> <p>Collect a core sample.¹ Follow procedures in ASTM D5192-91.</p> <p>Test the sample to estimate inherent moisture. Follow laboratory procedures in ASTM D1412-93.</p> <p>Or second</p> <p>Collect a channel sample. Follow procedures in ASTM D4596-93.</p> <p>Test the sample to estimate inherent moisture. Follow laboratory procedures in ASTM D1412-93 or ASTM D3302-91.</p> <p>Or third</p> <p>Collect a sample of blended coal, as-shipped coal, tippie coal, commingled coal, or coal from slurry ponds. Follow</p>	<p>Choose from 2 ways to time the tests and convert the results for quarterly reporting</p> <p>First</p> <p>Collect and test once each quarter. Report test results for that quarter on OSM-1. Test results need no converting; they are in quarterly units already.</p> <p>Or second</p> <p>Create a 24-month baseline and update as follows:</p> <p><i>For reporting months 1-24 . . .</i></p> <p>Collect and test one sample each month. Each quarter, calculate a weighted average percentage of inherent moisture:</p> <ul style="list-style-type: none"> ● Multiply a month's inherent moisture percentage by tons produced or shipped. You now have the month's inherent moisture tonnage. ● Add up 3 months of that inherent moisture tonnage ● Divide by tons produced or shipped in those 3 months. Report the quarter's weighted average percentage on OSM-1. <p><i>For all subsequent months . . .</i></p> <p>Collect and test one sample for inherent moisture every 12 months. Calculate - and report in the following 4 quarters - one updated rolling average percentage:</p> <ul style="list-style-type: none"> ● Add to the annual sample percentage the inherent moisture percentages for the <p>(Continued on next page)</p>
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¹Core sampling was approved by the ASTM effective January 1, 1992.

Table 2. Calculating INHERENT moisture percentage in HIGH-rank coals (continued)

<p>Choose from 3 ways to collect and test procedures in ASTM D1412-93. Test the sample to estimate inherent moisture. Follow laboratory procedures</p>	<p>Choose from 2 ways to time the tests and convert the results for quarterly reporting preceding 23 tests.</p> <ul style="list-style-type: none"> ● Divide by 24. Report the weighted average percentage on OSM-1.
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Table 3. Calculating TOTAL moisture percentage in LOW-rank coals

<p>Collect and test each day you ship or use coal</p> <p>Collect a sample of as-shipped or used coal. Follow procedures in ASTM D2234-89.</p> <p>Test the sample for daily total moisture percentage. Follow laboratory procedures in ASTM D3302-91.</p> <p>Obtain prior OSM approval for use of other procedures.</p>	<p>Convert test results to quarterly figures and report them</p> <p>Convert daily total moisture percentage to quarterly total moisture percentage:</p> <ol style="list-style-type: none"> 1. Multiply daily total moisture percentage by daily tonnage shipped or used. You now have daily total moisture tonnage. 2. Add up daily total moisture tonnage for the quarter. 3. Add up daily tonnage shipped or used in the quarter. 4. Divide 2 by 3. <p>Report this total moisture percentage in low-rank coal for the quarter on OSM-1, Coal Reclamation Fee Report.</p>
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Table 4. Calculating INHERENT moisture percentage in LOW-rank coals

Collect and test once a month

Collect 1 sample of as-shipped coal. Follow procedures in ASTM D2234-89.

Test the sample to estimate inherent moisture. Follow laboratory procedures in ASTM D1412-93.

Convert test results to quarterly figures and report them

Calculate inherent moisture percentage for the quarter:

- Average the 3 equilibrium moisture results from your monthly tests.
- Add to this average a **Correction Factor** that can be calculated for the first quarter, according to Table 5 below.

Report this inherent moisture percentage for the quarter on OSM-1.

Table 5. Calculating the Correction Factor for Table 4

<p>Collect and test in the first quarter a deduction is taken</p> <p>Collect 15 samples that are representative of the entire seam from a freshly exposed, unweathered coal seam face. Follow procedures in ASTM D1412-93 Appendix X1.</p> <p>Test each sample for two things:</p> <ul style="list-style-type: none"> ● Inherent moisture ● Equilibrium moisture <p>Follow laboratory procedures in ASTM D1412-93 Appendix X1</p>	<p>Convert test results into a correction factor for all quarterly reports</p> <p>Use the test results to calculate a correction factor:</p> <p>Average the 15 inherent moisture results from your tests</p> <ul style="list-style-type: none"> ● Average the 15 equilibrium moisture results from your tests ● Subtract the average equilibrium moisture from the average inherent moisture. <p>You now have a correction factor for the first quarter the deduction is taken and all later quarters. Use it in Table 4 above. The correction factor may be changed at any time by repeating the steps in this table.</p> <p>A correction factor applies to only the bench sampled. If multiple benches or seams are mined simultaneously, the sample results may be combined from the different benches or seams to calculate an average correction factor. The correction factor may be updated by repeating the procedures or incorporation new test results with the initial result.</p>
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Chapter 7 Raw or Clean Coal

Reclamation fees on clean coal tonnages

Effective June 23, 1997, the permittee/operator is allowed to pay reclamation fees on clean coal tonnages providing:

- The permittee/operator cleaned the coal it mined and sold this coal, or
- Transferred raw coal to an unrelated second party who purchased and cleaned the mined coal, and paid the permittee/operator only for the clean coal

Cleaning the coal means removing materials extraneous to the coal, such as dirt and clay, but not removing impurities inherent in the coal
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The following examples clarify this policy:

Example 1

The permittee/operator delivers 100 tons of coal to a preparation plant owner who determines, through accepted standard industry analysis, that only 90 tons of coal will be recovered after cleaning. The preparation plant owner pays for 90 tons. The permittee/operator is responsible for fees based only on the 90 tons sold.

Example 2

The permittee/operator delivers 100 tons of coal to a preparation plant owner who pays for the entire 100 tons. The permittee/operator determines that the coal, when cleaned, would have a reject factor of

10 percent, and therefore pays reclamation fees on only 90 tons. However, the permittee/operator is responsible for paying reclamation fees on the entire 100 tons because the permittee/operator received funds for 100 tons. OSM would assess reclamation fees, interest, and penalties for the 10 tons sold that was not included in the original payment of fees to OSM.

Example 3

The permittee/operator delivers 100 tons of coal to a preparation plant owner who determines, by accepted standard industry analysis, that only 90 tons would be recovered after cleaning. The preparation plant owner pays the permittee/operator for only 90 tons. The permittee/operator subsequently determines that the coal contains 5 tons of ash, and therefore pays fees on 85 tons sold (90 tons of clean coal minus 5 tons of ash). However, the permittee/operator is responsible for paying reclamation fees on the entire 90 tons because the permittee/operator received funds for 90 tons. OSM would assess reclamation fees, interest, and penalties for the 5 tons sold that was not included in the original payment of fees to OSM. No deductions are allowed for matter that is intrinsic to the coal. The correct tonnage for calculating the reclamation fee payment is 90 tons.

Maintaining records

The importance of maintaining records that show run-of-mine or raw tonnage and calculations that substantiates the basis of clean coal transactions cannot be overemphasized. All permittee/operators must maintain these records, as specified in 30 CFR 870.12(b)(3)(ii) and (iii) and 30 CFR 870.16. Failure to do so may result in penalties and higher reclamation fees

Section 870.12(b)(3)(ii) and (iii) of 30 CFR states:

Operators selling coal on a clean coal basis shall retain records that show run-of-mine tonnage and the basis for the clean coal transaction. Insufficient records shall subject the operator to fees based on raw tonnage data.

Chapter 8 Completing Mining Activities

The inspection report

After the permittee/operator has completed all coal mining activities, the regulatory inspector (state or Federal) will issue an inspection report that certifies all mining activities have been completed.

Once the permittee/operator sends a copy of the inspection report to the Division of Financial Management, FACT and states all stockpiled coal has been sold, transferred or used and that reclamation has begun, Form OSM-1 for that permit will no longer be sent.

The performance bond

The permittee/operator is responsible for finishing the job by fully reclaiming the mined land (both surface and underground) either

- Back to the land's original use, or
- Improving the land for new use that benefits both landowners and communities.

The performance bond, originally posted by the operator when the mining permit was granted, is fully released when all performance standards have been met, and full reclamation of the site, including permanent re-vegetation, is determined to be successful. However, the performance bond can be partially released as the various phases of reclamation (backfilling, re-grading, and re-vegetation) are successfully completed. The bond release serves as a final certification of successful completion of the coal mining/reclamation process under the Surface Mining Control and Reclamation Act of 1977, as amended (SMCRA).

Chapter 9 IRS- Coal Producers Federal Excise Tax Responsibilities

Producers are likely to be liable for payment of the Black Lung Federal Excise Tax on Coal, as defined in Internal Revenue Code Section 4121. If you are liable for the Excise Tax, you will be required to file a quarterly excise tax return (Form 720) with the Internal Revenue Service. This tax is in addition to a producer's requirements for filing Office of Surface Mining fee returns. The tax is designated for the Black Lung Disability Trust Fund.

The following will help you determine if you are liable for the Federal Excise Tax. Also attached is a copy of Form 720 and 720 instructions, used to report and pay the Black Lung Coal Federal Excise Tax. Additional assistance and information concerning your Federal Excise Tax can be obtained by calling 1-800-829-1040 or by accessing the IRS web site at <http://www.irs.gov>.

Coal production

Coal is produced from surface mines if all geological matter (trees, earth, rock) above the coal is removed before the coal is mined. Treat coal removed by auger and coal reclaimed from coal waste refuse piles as produced from a surface mine.

Treat coal as produced from an underground mine when the coal is not produced from a surface mine. In some cases, a single mine may yield coal from both surface mining and underground mining. Determine if the coal is from a surface mine or an underground mine for each ton of coal produced and not on a mine-by-mine basis.

Determining tonnage or selling price

The producer pays the tax on coal at the time of sale or use. In figuring the selling price for applying the tax, the point of sale is f.o.b. (free on board) mine or f.o.b. cleaning plant if you clean the coal before selling it. This applies even if you sell the coal for a delivered price. The f.o.b. mine or f.o.b. cleaning plant is the point at which you figure the number of tons sold for applying the applicable tonnage rate, and the point at which you figure

the sale price for applying the 4.4% rate.

The tax applies to the full amount of coal sold. However, the IRS allows a calculated reduction of the taxable weight of the coal for the weight of the moisture in excess of the coal's inherent moisture content. Include in the sale price any additional charge for a freeze-conditioning additive in figuring the tax.

For this computation, do not include the excise tax imposed on coal in the sales price.

Tax Rates

The tax on underground mined coal is the lower of:

- ◆ \$1.10 a ton, or,
- ◆ 4.4% of sales price.

The tax on surfaced mined coal is the lower of:

- ◆ \$.55 cents a ton, or,
- ◆ 4.4% of sales price.

Coal used by the producer

The tax on coal applies if the coal is used by the producer in other than a mining process. A mining process means the same for this purpose as for percentage depletion. For example, the tax does not apply if, before selling the coal, you break it, clean it, size it, or apply any other process considered mining under the rules for depletion. In this case, the tax applies only when you sell the coal. The tax does not apply to coal used as fuel in the coal drying process since it is considered to be used in a mining process. However, the tax does apply when you use the coal as fuel or as an ingredient in making coke since the coal is not used in a mining process.

You must use a constructive sale price to figure the tax under the 4.4% rate if you use the coal in other than a mining process. Base your constructive sale price on sales of a like kind and grade of coal by you or other producers made f.o.b. mine or cleaning plant. Normally, you use the same constructive price used to figure your percentage depletion deduction.

Blending

If you blend surface-mined coal with underground-mined coal during the cleaning process, you must figure the excise tax on the sale of the blended, cleaned coal. Figure the tax separately for each type of coal in the blend. Base the tax on the amount of each type in the blend if you can determine the proportion of each type of coal contained in the final blend. Base the tax

on the ratio of each type originally put into the cleaning process if you cannot determine the proportion of each type of coal in the blend. However, the tax is limited to 4.4% of the sale price per ton of the blended coal.

Exemption from tax

The tax does not apply to sales of lignite and imported coal. The only other exemption from the tax on the sale of coal is for coal exported as discussed next.

Exported

The tax does not apply to the sale of coal if the coal is in the stream of export when sold by the producer and the coal is actually exported.

Coal is in the stream of export when sold by the producer if the sale is a step in the exportation of the coal to its ultimate destination in a foreign country.

For example, coal is in the stream of export when:

1. The coal is loaded on an export vessel and title is transferred from the producer to a foreign purchaser, or
2. The producer sells the coal to an export broker in the United States under terms of a contract showing that the coal is to be shipped to a foreign country.

Proof of export is necessary and could include any of the following items.

- A copy of the export bill of lading issued by the delivering carrier.
- A certificate signed by the export carrier's agent or representative showing actual exportation of the coal.
- A certificate of landing signed by a customs officer of the foreign country to which the coal is exported.
- If the foreign country does not have a customs administrator, a statement of the foreign consignee showing receipt of the coal.

The following is a copy of the [Form 720](#) that is used to report and pay the Federal Black Lung Tax on Coal.



Acrobat Document

(Double click on the above symbol to show a Form 720)

The following is a copy of the [Instructions for the Form 720](#).



Acrobat Document

(Double click on the above symbol to show the Form
720 instructions)

OSM FREQUENTLY ASKED QUESTIONS

1. Q: When is the Coal Reclamation Fee Report (OSM-1 form) due?

A: The OSM-1 form and appropriate fees must be postmarked within 30 days after the end of the calendar quarter.

2. Q: When is the OSM-1 form due if the due date falls on a weekend?

A: If the due date falls on a weekend, the OSM-1 form and fees must be postmarked by the Friday prior to the due date to ensure timely filing.

3. Q: What if I can't pay the AML fees right now?

A: If a completed OSM-1 form is filed without the associated reclamation fees, a bill for the fees (and appropriate late charges) will be mailed to you. Pay from this bill to avoid additional late charges. You can also contact a Collection Specialist at 800-799-4265, ext. 325 to see if you qualify for a payment agreement.

4. Q: How do I pay by wire transfer?

A: If you file electronically, you may schedule an automatic payment of your fees on-line.

There are two additional electronic payment options available: wire transfer, available at all financial institutions; and Automated Clearing House (ACH), available at some financial institutions. If you are interested in paying electronically, please call your OSM contact at 800-799-4265, ext. 325. We will fax or mail instructions to you.

5. Q: I just started my mining company. Where do I send my OSM-1 form and payment?

A: If the fee due is \$25,000 or more, the fee must be transmitted

electronically to OSM (see above question , “How do I pay by wire transfer?”). Fees less than \$25,000 can be paid by wire, check, or money order. Do not send cash! Send the OSM-1, and check or money order, to: Office of Surface Mining, PO Box 360095M, Pittsburgh PA 15251.

6. Q: What if the information on my OSM-1 is not correct?

A: You may change the pre-populated information on the electronic form. On the paper form, line out the incorrect information and write in the correct information.

7. Q: I have a new permit, but didn't receive an OSM-1 form, or the permit number wasn't included in my OSM-1 packet. What do I do?

A: Call OSM at 800-799-4265, ext. 325 to request a blank form; or make a copy of Parts 2 and 3 of the form you did receive and fill in with the information pertaining to the new permit.

8. Q: I made a mistake on a prior quarter OSM-1. How do I correct it?

A: If you file electronically, you may amend prior quarters on-line from 2000/quarter 1 forward, even if you filed the quarter on paper.

If you are filing on paper, an “Amended OSM-1” form is mailed with every OSM-1. Fill out the Amended form, sign, and notarize. Mail the amended form to PO Box 360095M, Pittsburgh, PA, 15251, or call OSM at 800-799- 4265, ext. 325 to request an Amended form.

9. Q: I received an OSM-1 for a permit that I sold or transferred or is being reclaimed. Do I need to file this OSM-1?

A: File the OSM-1 with a note stating when the permit was sold/transferred and to whom; or mark the “Mining Complete” box (Part 2, Section 7) and submit the latest inspection report for the permit. OSM will research and verify the information with the State Regulatory Authority (SRA). As long as you receive an OSM-1 form for a permit, you need to file the form until OSM has confirmed that you are no longer the permittee of record or reclamation has begun, at which time OSM will stop mailing the form to you.

10. Q: I have an incidental permit to remove coal on a commercial building

site. Must I pay reclamation fees on this coal?

A: Yes, fees must be paid on the coal removed under incidental permits for all commercial construction projects. Only incidental coal removal that is part of a Federal, State, or local government-financed highway or other construction is exempt from paying fees.

11. Q: Do I have to file an OSM-1 if I didn't have any production?

A: If you receive an OSM-1 form, it must be completed and returned to OSM. You must report zero tonnage for any quarter in which there is no reportable tonnage if the permit is still active.

12. Q: Do I have to file an OSM-1 if I'm not mining?

A: Yes, you must report zero tonnage or applicable reportable tonnage until stockpiles are depleted. Once all tonnage for a permit is sold, used or transferred, including stockpiles, mark block "C, Mining Complete" and block "D, All stockpiles reported" on the OSM-1 form. If you have a copy of the State or Federal inspection form which verifies that mining is complete, please include it with your OSM-1.

13. Q: Do I have to file an OSM-1 form for quarters being audited and/or for quarters following the audited quarters?

A: As long as you receive OSM-1 forms, you need to file, even for quarters being audited. If you believe you have received the OSM-1 form in error, call OSM (800-799-4265, ext. 325) to speak to an Accounting Technician.

14. Q: Why was an OSM-1 sent to me when I have an agreement with a contractor/ operator/other party that he will file and pay the fees?

A: OSM-1 forms are usually mailed to permittees, but they can be sent to any other entity at the request of a permittee. However, an agreement between private parties to assign the obligation to file the OSM-1 and/or to pay fees does not relieve the permittee, the operator, or the company with the primary economic interest in the sale of the coal of their legal responsibility to be sure the forms are filed and fees are paid.

15. Q: I lost/never received the OSM-1 that was mailed to me. Can you send another?

A: We can mail or fax a new form to you. Call OSM (800-799-4265, ext. 325) to request a form for each permit you hold. When you call, we will verify that we have the correct mailing address, contact name, and phone number for the OSM-1. You can also download a blank OSM-1 form from the OSM website at: www.osmre.gov/pdf/osmform1.pdf.

16. Q: Why does the OSM-1 form have to be notarized?

A: Notarization is required under Public Law 95-87, Sec. 402c (Surface Mining Control and Reclamation Act of 1977) (Website: www.osmre.gov/smcra.htm .)

If you file electronically, **The Electronic Filing system offers an Additional Signature Option:** The Unsworn signature option provides an electronically signed and dated document **that you may choose in lieu of the Notary option.**

17. Q: I received a non-respondent letter but I'm no longer associated with the company. What do I need to do?

A: Call OSM (800-799-4265, ext. 325) to speak to an Accounting Technician, or return the letter with a written explanation stating why you believe you are not required to submit an OSM-1. If the permit has been transferred, assigned, or sold to a new permittee please send us a copy of the approved State or Federal transfer document.

NOTICE

All persons engaged in or carrying out mining operations should take notice of your responsibilities under Title IV of the Surface Mining Control and Reclamation Act of 1977, 30 U.S. C. 1201 et seq, commonly referred to as “SMCRA” OR “the Act.” Among your responsibilities enumerated in the Act is the duty to report and pay AML fees, as set out in 30 U.S.C., 1232.

The Secretary of the Interior holds permittees and operators jointly and severally responsible for reporting and paying AML fees. Furthermore, under OSM’s interpretation of “operator,” mining contractors and mineral owners are sometimes jointly and severally liable for reclamation fees.

Please take notice that agreements between private parties which purport to allocate the obligation to report and pay AML fees do not relieve the permittee or the operator of their responsibilities under Title IV of the Act. Regardless of the provisions of a contract between a permittee, operator, and others who are “operators” under OSM’s interpretation of that term (including independent contractors and mineral owner), you may have a statutory duty to report and pay AML fees.

Finally, please take notice that failing to file the AML report (generally known as the OSM-1), or knowingly filing a false report, is a crime punishable by a fine of not more than \$10,000 and/or by imprisonment for not more than one year. See 30 U.S.C., 1232(d). Additionally, failing to pay the AML fees which accrue on all coal production is a violation of a permit condition. See 30 C.F.R., 773.17(g).

Payer Handbook Glossary

ASTM: American Society for Testing and Materials

Cleaning the coal: Removing materials extraneous to the coal, such as dirt and clay, but not removing impurities inherent in the coal

DCM: Division of Compliance Management. This Division is responsible for audit functions. Contact DCM regarding questions about audit policy and kinds of records that must be kept

DFM: Division of Financial Management (DFM). Contact DFM, FACT when there are problems with the OSM-1 form, payments, reclamation fee debt, etc.

Excess moisture: The difference between total moisture and inherent moisture.

FACT: Fee Accounting and Collection Team, located at the Division of Financial Management in Denver, Colorado.

Mineral owner: One who has a minimum of 10 percent ownership or leasehold interests in the minerals and conveys the right to extract the minerals to the permittee. For purposes of completing the OSM-1 form, this includes those with legal ownership of the coal. Also, mineral owners include those who have the right to extract the coal and to receive the economic benefits normally associated with ownership of the coal, such as payment for the value of the coal.

Operator: For purposes of completing the OSM-1 form, the “Operator” is defined as the company that is actually removing coal at the mine site

OSM: The Office of Surface Mining (OSM); authorized by the Surface Mining Control and Reclamation Act of 1977, as amended

OSM-1: Coal Reclamation Fee Report (OSM-1 Form)

OSM-1 Document Number: Unique document number printed in upper right corner of each OSM-1 form per quarter. Current OSM-1 document number should be used.

Payer Letters: Letters informing permittee/operators of official policy changes, clarifying issues, and communicating critical changes as they occur. Watch for these notices. Payer Letters will often be included in the OSM-1 mailings

Permit: A permit to conduct . . . coal mining and reclamation operations issued by the State regulatory authority pursuant to a state program or issued by OSM pursuant to a Federal program

Permittee: The entity to whom the permit is issued. This entity may be an individual, partnership, association, society, joint stock company, firm, company, corporation or other business organization

Point in time of fee assessment: The first bona fide sale, transfer of ownership, or use of the coal by the permittee/operator immediately after the coal is extracted from a coal seam

Purchaser of coal: Defined as persons or entities who purchased 10 percent or more of the production from a given permit

Reporting entity: Reporting Entity is the company or corporation that is responsible for filing the OSM-1 form.

Reporting entity number: Six-digit number assigned by OSM to the company or corporation that is responsible for filing the OSM-1 form.

SMCRA: Surface Mining Control and Reclamation Act of 1977, as amended

Ton: Defined as 2000 pounds (0.90718 metric ton)

Directory

OSM Contacts:

Engineering/Technical

If you have questions about types of coal, complex moisture calculations, or acceptable tests or laboratories, contact the professional assigned to your state:

Dr. Kewal K. Kohli **1-412-937-2175**
Technical Assistance Division, OSM-ARCC
Three Parkway Center, Pittsburgh, PA 15220

Audit/Records

If you have general questions about audit policy or the kind of records you should maintain, call or write

James Krawchyk, Chief, **1-412-937-2912**
Division of Compliance Management, OSM
Three Parkway Center, Pittsburgh, PA 15220

For ad valorem issues for mines in OH, MD, PA, WV, or VA,
call Jerry Farnella at **1-412-937-2901**

For other states, call Jane Gray, **1-859-260-8411** or John Sender, **1-859-260-8412**

AVS User Liaison

1-800-643-9748

Billing/Accounting

If you have questions on filling out the OSM-1 form, call or write
OSM Account Representatives **1-800-799-4265, Ext 325**

OSM, Division of Financial Management, FACT
P.O. Box 25065
Denver, CO 80225-0065

Collections

If you have questions about your debt or debt payment, call or write
Collections Specialists **1-800-799-4265, Ext 325**

OSM Division of Financial Management, FACT
PO Box 25065
Denver, CO 80225-0065

Mine Safety and Health Administration (MSHA)**Contact Numbers :**

If you have questions about a Civil Penalty assessed by
MSHA....call - 570-826-6431

To report an injury, illness, mine production, or if you have
questions about the employment quarterly report (7000-1 form)
Call....303-231-5453

For training plans, training certification or Education policy
Call....303-231-5434

For green card certification, call.....303-231-5472