



United States Department of the Interior

MINERALS MANAGEMENT SERVICE

Royalty Management Program
P.O. Box 25165
Denver, Colorado 80225-0165

IN REPLY REFER TO:

MMS-VDS-O&G:96-0355
Mail Stop 3152

OCT 7 1996

Re: Standard and Poor's Industrial BBB Bond Index

Dear Payor:

Regulations governing the calculation of oil and gas transportation and processing allowances, coal transportation and washing allowances, and geothermal netback deductions direct that the rate of return is Standard and Poor's (S&P) monthly average industrial BBB bond index, or multiple thereof, as published in S&P's *Bond Guide* for the first month of the annual reporting period for which the allowance/deduction is applicable. (Indices currently appear on page 3 of the *Bond Guide*.) This rate of return remains effective during the reporting period and is redetermined at the beginning of each subsequent reporting period. Reporting periods are generally a calendar year (January through December).

Beginning with its July 1996 *Bond Guide*, S&P replaced the Corporate Bond Index, including the industrial BBB, with a new index. The new index is reported for monthly averages beginning January 1996.

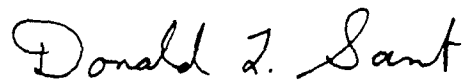
Because *Bond Guides* prior to July 1996 report the old indices, some confusion may result in determining the appropriate rate of return. Therefore, use the following rules to select your correct rate:

- For reporting periods beginning before June 1, 1996, use the old industrial BBB bond index as reported in the June 1996 and previous *Bond Guides*. (The June 1996 *Bond Guide* reports old indices for May 1995 through May 1996.) For example, if your reporting period began in January 1996, your rate of return will be 7.83 percent (until the beginning of your next reporting period). If your reporting period began in May 1996, your rate of return will be 8.67 percent.
- For reporting periods beginning on or after June 1, 1996, use the new industrial BBB bond index as reported in the July 1996 and subsequent *Bond Guides*. For example, if your reporting period began in June 1996, your rate of return will be 8.21 percent (until the beginning of your next reporting period).

If you have questions regarding your rate of return, please call one of the following:

Oil and gas transportation and processing allowances	Jim Morris	(303) 275-7213
Coal transportation and washing allowances	Harold Corley	(303) 275-7203
Geothermal netback deductions	Charles Brook	(303) 275-7250

Sincerely,



Donald T. Sant
Deputy Associate Director for
Valuation and Operations