a transportation allowance and will continue until the end of the calendar year.

(iii) After the Form MMS–4402 reporting period, the lessee must file a page one and all supporting schedules of Form MMS–4293 for the actual transportation allowance calculated for the reporting period. The Form MMS–4293 is due within three months after the end of the reporting period, unless MMS approves a longer period.

These changes would address the study group's recommendations concerning MMS' administration of allowances and the need to focus on actual data reported annually rather than the current focus on estimated allowance rates reported at the beginning of each allowance year. Accordingly, MMS would continue to require the submission of an annual form which notifies MMS of the payor's intent to take allowance deductions from the royalty value.

Consistent with this amendment, paragraph (iv) of § 206.262(c)(2) would be removed and existing paragraphs (v), (vi), (vii), and (viii) would be redesignated (c)(2)(iv), (v), (vi), and (vii).

MMS would also make technical corrections to this section as a result of adopting changes recommended by the study group.

MMS proposes to amend § 206.262(c) by adding paragraph (5) that reads:

A lessee is required to file a new Form MMS–4293 if adjustments are made to actual non-arm's-length transportation allowances on Form MMS–2014.

MMS is proposing this change to comply with the study group's report. This change emphasizes MMS' focus on collecting actual data as opposed to estimated data and allows adjustments to allowance data previously submitted to MMS.

MMS proposes to amend § 206.262(d) and revise the title that would read:

(d) Interest charges and assessments for incorrect or late reports and failure to report

MMS is making corrections to the regulations by adding language that would further define and clarify the purpose of this section.

MMS proposes to amend § 206.262(d) by deleting paragraphs (1), (2) and (3) replacing them with the following schedule:

(d) Interest charges and assessments for incorrect or late reports and failure to report. MMS shall levy assessments and interest charges in accordance with the table below. MMS will determine interest rates in accordance with 30 CFR 218.202.

If a lessee * * *	The assessment is * * *	Plus interest calculated * * *
Files an inaccurate or Late Form MMS-4402	\$10 per allowance line required on Form MMS–4402.	
Deducts a transportation allowance on Form MMS-2014 without complying with requirements for actual cost reporting on Form MMS-4293.	An amount equal to 10 percent of the total allowance amount deducted on Forms MMS-2014 during the year.	From the date that Form MMS–4293 was due until the date that the form was received.
Takes a transportation allowance on Form MMS-2014 by improperly netting the allowance against the sales value of the coal instead of reporting the allowance as a separate line item on Form MMS-2014 as required by paragraph (c)(4) of this section.		From the end of the month in which Form MMS–2014 containing the netted allowance was submitted to the date MMS discovers the netted amount.
Erroneously reports a transportation allowance that results in an underpayment of royalties.		Payment of interest on the amount of the underpayment.

These changes would adopt the study group's recommendations concerning the need for and equity of allowance payback and late-payment interest charges for failure to file allowance forms. The study group also determined that the current payback sanction is excessive. However, MMS' objective is to gather timely and accurate actual cost information to assess the legitimacy of allowance deductions. Accordingly, the study group recommended that payors failing to timely file required forms would be assessed an amount equivalent to a fixed percent of the total allowance amount deducted during the year plus an amount calculated as equivalent to late-payment interest from the date the actual cost information was due until the date the form was actually received.

The public is invited to participate in this rulemaking action by submitting data, views, or arguments with respect to this notice. All comments must be received by 4:00 p.m. of the day specified in the DATE Section and at the location in the ADDRESSES section of this preamble.

V. Other Matters

Separate regulations concerning valuation of natural gas for royalty purposes are currently being developed for Federal leases and for Indian leases through two separate negotiated rulemaking committees. These committees are addressing both natural gas valuation and transportation and processing allowance issues.

The committee addressing natural gas valuation for Federal leases recommended in its March 1995 report that transportation and processing allowance forms no longer be required. This recommendation is one of numerous recommendations for broad changes to existing regulations governing the valuation of natural gas produced from Federal leases. The future rulemaking to be prepared considering the recommendations of the Federal negotiated rulemaking committee will include the proposal for eliminating the requirement for allowance forms.

The amendments to the coal valuation regulations related to allowances being proposed today mirror changes being proposed by separate rulemaking to the oil and gas valuation regulations related to allowances. The changes being proposed to the coal and the oil and gas allowance rules may ultimately be reconsidered depending on the outcome of the future gas valuation rulemaking developed from the recommendations of the Federal negotiated rulemaking committee.

MMS also would like comment on the effective date for the final rule. One option is to make any final rule effective as of January 1, 1995, the beginning of the current allowance year. Another option is to make the rule effective as of the date of publication of this proposed rule since royalty payors are on notice of the possible rule change on that date. Commenters should address this issue in their comments.

VI. Procedural Matters

The Regulatory Flexibility Act

The Department has determined that this rulemaking will not have a significant economic effect on a substantial number of small entities under the Regulatory Flexibility Act (5