



NEWS RELEASE

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Three companies win RIK gas contracts

DENVER - More than 195,000 MMBtu (million British Thermal Units) of Royalty in Kind (RIK) gas produced from federal leases in the Gulf of Mexico was sold to three companies during a winter gas sale conducted by the Department of the Interior's Minerals Management Service (MMS).

The sale was conducted in early October and provides for a total of 195,575 MMBtu of RIK gas per day to be delivered to six offshore pipeline systems originating in the Gulf of Mexico, and destined for consumer and industry use in the continental United States. The sales are for five- or 12-month terms with delivery beginning Nov. 1, 2005.

Winning bidders included Chevron Natural Gas, Sequent Energy Management LP, and BP Energy Company. A total of 42 bids were received on the 7 individual gas packages that were offered.

According to Lucy Querques Denett, Associate Director of the Minerals Revenue Management program, "Taking this royalty gas in-kind ensures that the federal government and taxpayers receive a fair market value for this critical energy resource." She added that the RIK program continues to help reduce regulatory costs and improve overall business efficiencies.

Combined with packages sold in an earlier sale this year, this latest sale means that MMS will be delivering for sale approximately 630,000 MMBtu of federal royalty gas every day starting Nov. 1, 2005.

The gas "Royalty in Kind" effort, originally begun as a pilot program in the latter 1990s, continues to provide strong returns to the federal government and taxpayers. In the past, the government historically collected revenues in the form of "Royalty in Value" cash payments made by those who lease and produce gas on federal lands. Taking "Royalty in Kind," in the form of product, allows the government to maximize taxpayer assets, reduce regulatory costs and reporting requirements, and improve overall business efficiencies.

MMS, part of the U.S. Department of the Interior, oversees 1.76 billion acres of the Outer Continental Shelf, managing offshore energy and minerals while protecting the human, marine, and coastal environments. The OCS provides 30 percent of oil and 21 percent of natural gas produced domestically, and sand used for coastal restoration. MMS collects, accounts for, and disburses mineral revenues from Federal and American Indian lands, and contributes to the Land and Water Conservation Fund and other special use funds, with Fiscal Year 2004 disbursements of approximately \$8 billion and more than \$143 billion since 1982.

MMS Website: www.mms.gov
MMS: Securing Ocean Energy & Economic Value for America