



NEWS RELEASE

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MMS Completes RIK Sale

Nine Companies Awarded 13 Contracts for Gulf Gas

DENVER – The Minerals Management Service successfully completed a Royalty-in-Kind (RIK) natural gas sale. The sale, concluded Oct. 11, will deliver more than 91.6 billion cubic feet of RIK gas, or some 271,300 MMBtu (Million British Thermal Units) per day, to be delivered over 5- or 12-month terms.

At today's natural gas price of \$7 per MMBtu, this would equate to approximately \$641 million in total gross revenues. Actual revenues will vary based on natural gas prices over the life of the contract.

"These RIK sales continue to generate tremendous benefits to the U.S. government," said MMS Director Randall Luthi. "Improved government efficiencies, shorter compliance cycles, and increased revenues represent just a few of the benefits of the RIK program," he said.

The gas will be delivered beginning Nov. 1, 2007, to 13 offshore pipeline systems originating in the Gulf of Mexico, and destined for consumer and industrial use in the continental United States. That volume of gas is enough to supply the average gas needs of nearly 1.2 million U.S. homes for one year.

Nine companies were awarded contracts for the 13 sales packages that were offered. Winning bidders include Bear Energy LP, BG Energy Merchants, ConocoPhillips Inc., Louis Dreyfus Energy Services, National Energy and Trade, LP, PPM Energy Inc., Sequent Energy Management LP, United Energy Trading, LLC, and Williams Power Company.

Luthi noted that bidding was strong for the sale, with 21 companies tendering a total of 175 offers for the RIK gas.

The gas sold in the RIK sale involves an aggregation of gas royalties taken "in kind," in the form of product, rather than "in value" or cash payments, from offshore Federal leases in the Gulf of Mexico. MMS then sells the gas competitively in the open marketplace. The RIK program has been shown to improve government efficiencies, reduce regulatory costs and reporting requirements, provide early certainty to royalty values, and ensure a fair return on the public's

royalty assets. To date, the program has successfully reduced administrative costs and provided significant revenue uplifts over royalty in value or cash payments.

Luthi said MMS will continue to use RIK sales in tandem with royalty in value or cash payments, depending upon the particular business case, to ensure a fair return on the public's royalty assets.

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