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NEWS MEDIA CONTACT
Patrick Etchart, 303-231-3162

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RIK Report Details \$63 Million Gain

MMS Delivers FY 2007 Results to Congress

DENVER – More than \$63 million in additional benefits was achieved for the Federal Government and American taxpayer in Fiscal Year 2007 through the Royalty in Kind (RIK) Program administered by the Department of the Interior’s Minerals Management Service (MMS).

The \$63 million gain is detailed in an annual report to Congress prepared by MMS that examines the FY 2007 performance of the Royalty in Kind Program.

“This report demonstrates that the RIK Program continues to deliver solid and measurable benefits through increased financial returns to the American public, decreased administrative costs, and shortened compliance cycles,” said MMS Director Randall Luthi. He added that the program’s performance continues to outpace its goals.

Luthi noted the objectives of the program are to improve government efficiencies, reduce regulatory costs and reporting requirements, shorten the compliance cycle, and ensure a fair return on the public’s royalty assets. “The program is meeting those objectives,” Luthi said.

Begun as a pilot program more than 10 years ago, the RIK Program allows MMS to take its royalties in kind, in the form of oil or gas, instead of in value as a cash payment, and then competitively sell the product in the open marketplace. The program is designed to ensure a fair market return on the public’s royalty assets, and improve government efficiencies.

A MMS analysis of the Fiscal Year 2007 results reveals that of the \$63 million in benefits gained during the fiscal year, \$56.5 million in additional revenue was achieved through open and competitive sales of the oil and natural gas, compared to what would have been received if MMS had taken its royalties in value, or as cash payments; \$3.5 million was achieved through

administrative savings; and \$3 million was gained through what is called the “Time Value of Money,” attributed to receiving receipts several days earlier compared to royalty-in-value cash payments.

Additionally, this year’s report updates the figures from previous years to reflect the administrative cost savings attributed to the RIK program. The updated numbers for Fiscal Years 2006, 2005, and 2004 are \$31.2 million, \$36 million and \$19.5 million respectively. That translates into a more than \$150 million gain achieved by the RIK program since it became fully operational four years ago.

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

The full report will be posted later today on the MMS Web site: <http://www.mms.gov>

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