

MMS Fast Facts

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Minerals Revenue Management Program – Royalty in Kind Program

The Minerals Management Service (MMS), through its Minerals Revenue Management Program, manages the collection, verification and disbursement of approximately \$11 billion in mineral revenues annually. These revenues are associated with the leasing and the production of oil, natural gas, alternative and renewable energy, and other minerals on Federal offshore lands on the outer Continental Shelf (OCS) and onshore Federal and Indian lands.

The MMS works to ensure that revenues are timely and correctly reported and paid. Each month, approximately 2,100 companies report and pay royalties associated with over 28,000 producing Federal and Indian leases. The MMS's goal is to ensure that the Federal Government is realizing fair market value for the minerals produced on federal lands. As MMS collects royalty payments from industry for the commodities produced on Federal lands, there are two ways in which MMS can receive payments, either in value or in kind.

The MMS has the authority to collect royalties for oil and gas at fair market value produced on Federal lands, both onshore and offshore under the Mineral Leasing Act of 1920 for onshore resources and under the Outer Continental Shelf Lands Act for offshore resources. These statutes provide the Secretary of the Interior with two options for collecting oil and gas royalties.

Payments may be received as:

- Royalty in Value (RIV) also known as “cash payments”; or
- Royalty in Kind (RIK) also known as “payments in produced commodities”

Historically, most of oil and gas royalties have been collected as RIV. In the late 1990's, MMS began examining the potential to take royalty in kind through a series of pilot programs. As a result of the pilots, MMS concluded that the RIK method is a practical tool to use in managing the Nation's oil and gas royalty assets. Since 2004, MMS has instituted a permanent operational RIK program that has proven to be a successful tool to be used in tandem with RIV.

The RIK program has proven to reduce administrative costs to the Federal government, reduce conflict over the determination of royalties, and increase revenues to the U.S. Treasury. For example, in Fiscal Year 2006, MMS reported a total increase of \$28.8 million revenue gain to the Treasury by taking royalties in kind. A revenue gain of \$26.2 million was received over what would have been received if the government had taken its royalties “in value,” as cash payments from industry. An additional \$2.6 million was earned in interest on RIK revenues received because the transaction takes less time than accepting payments under “royalty in value.”

It is anticipated that the MMS will release in the near future its Annual RIK Report to Congress which will highlight the performance of the RIK program for Fiscal Year 2007. We will provide you with that information when it becomes available.

To find out more information about MMS and its programs, please contact the MMS Office of Congressional Affairs at (202) 208-3502; or visit our websites:

MMS at <http://www.mms.gov>

Mineral Revenue Management Program at <http://www.mrm.mms.gov/>

Offshore Energy and Minerals Management Program at <http://www.mms.gov/offshore/>