MMS

**U.S. Department of the Interior**
**Minerals Management Service**
**Office of Communications**

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# *NEWS RELEASE*

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## Statement from MMS Director Cynthia Quarterman

***Regarding results of the GAO report***

***on taking Federal oil and gas royalties in-kind***

"The GAO has reinforced our concerns about taking royalties in kind without careful planning and study. Their analysis, performed at the request of members of Congress, has found that it would not be feasible for the Federal government to take its oil and gas royalties in-kind except under certain conditions."

"Clearly, we need to proceed cautiously rather than with the untried, across-the-board approach mandated in the royalty in kind legislation proposed during this session of Congress. In our 1997 RIK Feasibility Study MMS identified concerns similar to GAO's and concluded we should conduct a series of pilot projects to test the circumstances under which royalties could best be taken in kind. We are committed to this course of action. We believe that each pilot will provide a learning experience to better understand today's market and a sound basis for making future decisions."

"As the steward for mineral assets on Federal public lands, we are determined to achieve a fair value when we sell the public's minerals. We believe we are doing that; taking a cautious approach that both makes sense and returns a fair value to the public."

Background:

Legislation mandating that royalties be taken in kind rather than in cash payment has been introduced in both Houses of Congress and relevant Committees have conducted hearings on the question. Currently most royalties are paid to the Federal government in cash. However, the legislation calls for all oil and gas royalties to be taken in kind regardless of the location or the market conditions in the areas of lease production. The House bill is H.R. 3334; the Senate counterpart is S. 1930. The Administration has strongly opposed the legislation because we believe it creates an uneven playing field, forcing MMS to sell production under disadvantageous conditions that will cost taxpayers and States estimated losses of up to $315 million or more under a mandatory RIK scenario.

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