

U.S. Department of the Interior
Minerals Management Service
Office of Public Affairs

NEWS RELEASE

FOR RELEASE:

March 14, 2001

CONTACT: A.B. Wade
(202) 208-3985

Michael L. Baugher
(303) 231-3162

MMS Analyzes Results of Wyoming Oil Royalty-in-Kind Pilot Program

The Minerals Management Service's royalty-in-kind pilot program in Wyoming has successfully demonstrated that taking oil production in kind is a viable alternative to the traditional method of taking royalties in value, in some circumstances.

MMS began conducting pilot RIK projects to test the circumstances under which taking oil and gas royalties in kind, rather than in value, makes sense. The Wyoming oil RIK pilot, conducted in partnership with the state, began in the fall of 1998.

According to MMS Acting Director Tom Kitsos, "This pilot program has provided the MMS with invaluable experience in operating any future RIK activities. While the Wyoming oil market is complex, the MMS and the state have demonstrated that they can initiate and operate an ongoing RIK program."

From the Wyoming oil RIK pilot, the MMS has gained valuable information for evaluating future RIK programs. The agency has learned that:

- Selective use of RIK should be revenue neutral.
- Lessees can benefit from a reduced administrative burden.
- There is greater certainty for both the lessee and the government because valuation disputes can be avoided.
- RIK does not work in every situation. For example, MMS stopped offering trucked properties because of the lack of competitive bids and purchaser interest.

The MMS and the state took and sold in kind between 25 and 30 percent of the royalty barrels produced in Wyoming during the 18-month period covered by the analysis. A total of 1.643 million barrels of federal and state oil were sold with a value of \$27.66 million.

The evaluation of the Wyoming oil pilot covered a time of extreme price volatility. The values received for in kind oil from both the federal and state leases exceeded prices received in value by more than \$810,000 during the 18-month period.

The MMS has published a draft report and is seeking comments from the public, the oil and gas industry, states, and members of Congress before making final conclusions. Comments should be provided to the MMS by April 27, 2001. The report can be found on the MMS website at <http://www.mrm.mms.gov/rikweb/PDFDocs/WyoOilRIKMarchFinal.PDF>.

The MMS, a bureau in the U.S. Department of the Interior, is the federal agency that manages the nation's natural gas, oil and other mineral resources on the outer continental shelf. The agency also collects, accounts for and [disburses more than \\$5 billion per year in revenues](#) from federal offshore mineral leases and from onshore mineral leases on federal and Indian lands.

This press release and in-depth information about MMS programs may be found on the MMS home page. To receive the

latest MMS news releases automatically by email, send a request to [Monica Contee](#).

-MMS-

MMS Internet website address: <http://www.mms.gov>