



NEWS RELEASE

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RIK Sale in Wyoming Generates Millions

Revenue Forecast to Increase \$5 Million to \$10 Million from Gas Sale

DENVER – A recent Minerals Management Service (MMS) Royalty in Kind (RIK) gas sale in Wyoming’s southwest region is expected to generate an additional \$5 million to \$10 million increase compared to royalties taken as cash payments. Federal lease terms and statutes allow MMS to take royalties "in kind" as product, and then sell the product competitively on the open market, instead of taking the royalties “in value,” or as cash payments.

The successful sale of 36 billion cubic feet of gas, which is approximately 120,000 MMBtu (Million British thermal Units) per day, was the first from the fields in Wyoming’s southwest region, and included enough gas to supply more than 460,000 homes with their average gas needs for one year.

“This sale followed months of intense and comprehensive analysis of the Rocky Mountain gas markets,” MMS Director Johnnie Burton said. “That analysis prompted an expansion of the RIK program to accommodate the sale of the royalty gas produced from Federal leases in Wyoming’s Jonah and Pinedale fields.”

The RIK program provides measurable benefits to both the government and the American public by reducing regulatory costs, improving overall business efficiencies, shortening the compliance cycle, and increasing taxpayer returns.

“These RIK sales continue to generate very high interest,” Director Burton said, “with the American public reaping the benefits.” She went on to say how MMS decided to expand the onshore RIK gas sale program, because the analysis indicated a revenue increase was likely; a forecast proven to be true by the results of this successful sale.

Wyoming is to receive 50 percent of the revenues from this sale. The bidding was highly competitive with 14 companies making offers on the four packages sold. The winning bidders included Sempra Energy Trading Corp., UBS Energy LLC, and Oneok Energy Marketing and

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Trading Co. LP. Delivery of the gas began in January 2007 and continues through Oct. 31, 2007.

The RIK program has improved government efficiency by reducing administrative costs by nearly 50 percent compared to managing royalties received in value. This translated to a cost reduction of approximately \$3.74 million for FY 2005 alone.

Begun as a pilot program 10 years ago, the MMS RIK program demonstrates that the government is able to perform more like a private business and, in doing so, increase receipts to the American public. In FY 2004, receipts to the Treasury were increased by \$18 million and again increased by \$32 million in FY 2005 through the RIK program, over what would have been taken in as royalties as cash payments. RIK business operations have markedly shortened the business cycle on transactions, another significant achievement for MMS, according to Director Burton.

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