

The NewsRoom

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Onshore RIK Gas Sale Nets Four New Contracts

Gross Revenues Expected to Exceed \$384 Million

DENVER – More than 76 billion cubic feet of natural gas was sold to four companies in a Federal Royalty in Kind (RIK) onshore gas sale conducted this month by the Department of the Interior's Minerals Management Service (MMS).

The sale offered royalty gas from Federal lands in the Jonah-Pinedale area in western Wyoming. The more than 76 billion cubic feet of royalty gas, or approximately 240,000 MMBtu (Million British Thermal Units) per day, was sold under five- or 12-month contracts with delivery scheduled to begin on November 1, 2008.

The 76 billion cubic feet of gas is enough to supply the average gas needs of more than 950,000 U.S. homes for one year.

If current natural gas prices in the area were to remain at \$5 per MMBtu, the sale would equate to more than \$384 million in total gross revenues. Actual revenues will vary based on natural gas prices over the life of the contracts.

The state of Wyoming will receive nearly 50 percent of the revenues generated by the sale of Wyoming gas, since the gas production occurs within that state's borders.

Eleven companies submitted 75 bids on the gas packages offered, with four companies awarded contracts. Winning bidders are Constellation Energy Commodities Group Inc., Oneok Energy Services Co., Sempra Energy Trading, and Shell Energy North America.

The gas sold in the RIK sale involves an aggregation of gas royalties taken "in kind" by MMS in the form of product, rather than "in value" or cash payments, from gas production occurring on Federal lands in Wyoming. MMS then sold the gas competitively in the open marketplace.

Begun as a pilot program more than 10 years ago, the Royalty in Kind Program is designed to ensure a fair return on the public's royalty assets, improve government efficiencies, reduce regulatory costs and reporting requirements, and shorten the compliance cycle.

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[MMS: Securing Ocean Energy & Economic Value for America](#)
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