

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

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***NEWS RELEASE***

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**FOR RELEASE:**

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**MMS ANNOUNCES THIRD RIK PILOT OFFERING NATURAL GAS FROM FEDERAL PROPERTIES  
IN THE GULF OF MEXICO**

The Department of the Interior's Minerals Management Service (MMS) announced today its third royalty-in-kind (RIK) pilot, which will offer natural gas in the Gulf of Mexico (GOM). This third pilot will test a different approach using a competitive auction to move up to 260 million Btu's of natural gas per day. The gas is the royalty share produced from certain

Federal leases in the GOM. The GOM natural gas pilot is the third RIK pilot in the agency's pilot program.

"I'm very excited about our RIK pilot programs because I believe royalty in-kind has advantages for both the Federal Government and industry. Our goal is to realize the potential for revenue enhancement as well as increase administrative efficiency," said MMS Director Walt Rosenbusch.

"The purpose behind the pilot program is for the Government to determine and test the key factors required for a successful Federal oil and gas RIK program as well as test the effectiveness of collecting royalties in-kind, rather than in cash. All three pilots will help us make informed and effective decisions on where and when to use royalty-in-kind in the best interest of the taxpayer," added Rosenbusch.

The concepts being examined in this third pilot differ from the two pilots currently underway in Wyoming and the Texas offshore. The Wyoming oil pilot is testing competitive sales of crude oil at the lease. MMS and the State of Wyoming recently held their third sale of royalty oil from both Federal and State leases. The Texas natural gas pilot includes leases offshore Texas in which both the State and Federal Governments have a revenue interest. MMS is managing this pilot in cooperation with the Texas General Land Office, which has years of experience managing its own RIK program.

The GOM offering will involve Federal properties offshore Western Louisiana and is expected to include a large number of operators, lessees and potential purchasers. Under the terms of this offer, bidders will offer a quantity of natural gas at a specific market center location in return for royalty gas from specified locations at or near the leases. In future RIK sales in the GOM, additional royalty gas will be offered and additional methods of disposal will be tested.

Specific information regarding the sale will be detailed in an Invitation for Bid, No. RIK-2000-GOMR-001 and posted October 8, 1999, on the MMS website at [www.mms.gov](http://www.mms.gov) under "What's New".

Exhibit A from the Invitation for Bid will list the properties from which the MMS plans to take its royalty gas. This

is the gas that will be made available for bids. An advance version of Exhibit A, subject to revision, has been posted on the website.

For additional information on MMS's RIK pilots, contact Bonn Macy at (202) 208-3827. For technical information concerning the IFE documents, terms, and processes for Federal leases, contact Greg Smith at (303) 275-7102.

MMS is the Federal agency that manages the Nation's natural gas, oil and other mineral resources on the Outer Continental Shelf; and collects, accounts for, and last year disbursed about \$6 billion in revenues from Federal offshore mineral leases and from onshore mineral leases on Federal and American Indian lands.

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