

## **Operational Project: Royalty-in-Kind Oil from Federal Leases in Wyoming**

### **Future**

- MMS plans to post the 5<sup>th</sup> competitive IFB for crude oil from Federal leases in Wyoming about July 15, 2000. The offering is expected to again include crude oil from State of Wyoming properties. The delivery period for successful bidders will be October 01, 2000 through March 31, 2001.

### **Recent Developments**

- **In April, 2000, MMS initiated movement of the Wyoming crude oil RIK activities from pilot status to a more permanent status as one of the Royalty Management Program's RIK Operational Projects.**
- **On April 1, 2000 five successful bidders began taking delivery of RIK crude oil offered under a fourth Wyoming IFB, posted February 1, 2000. These deliveries will continue for a 6-month term. The bidders took all offered 5,170 bbls/day, a 61% increase over the last sale.**
- **Effective April 1, 2000 about 44% of federal oil royalty volumes in Wyoming is being taken as RIK.**

### **Background**

- The operational Project for Oil from Federal Leases in Wyoming grew out of the first RIK pilot program, developed and implemented by MMS, in collaboration with the State of Wyoming (State). That RIK pilot program was designed to test taking of crude oil royalties as a share of production (i.e., "in-kind" rather than "in-cash") and subsequently sell that crude oil in the open market.
- Crude oil from Federal and State properties was successfully marketed during the Pilot phase of Wyoming RIK activities under three separate Invitations for Bid (IFB). These competitive sales at the lease each resulted in contracts with the successful bidders to take royalty oil for a 6-month term. The State committed production from State properties to all except the first sale.
- The production has been offered from properties in the Powder River and Big Horn Basins, comprising different qualities of crude oil (sweet, sour, and asphaltic) and different other characteristics (e.g., high, medium and low production volumes, varying royalty rates, piped and trucked production).
- The Department and the State are pleased with results of these sales of Wyoming royalty oil and plan to continue them under the RIK Operational Project. Evaluation of impacts on government revenues and administrative costs to government and industry will continue.
- Two RIK pilot programs based on the recommendations in the MMS 1997 RIK Feasibility Study are now ongoing. Click here to view information on [the offshore natural gas RIK pilot in the 8\(g\) waters off Texas](#), and on the offshore Gulf of Mexico natural gas RIK pilot. Both of those pilots investigate the feasibility of RIK competitive sales of natural gas to the public. They also involve transfer of royalty production to other Federal Agencies to study efficacy of retaining the Federal asset for use within the government. Click here to view details of [our objectives for the RIK pilots](#).

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