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MMS, Wyoming team up for RIK crude sale

Contracts of approximately 2,500 barrels per day of Royalty in Kind (RIK) crude oil were awarded to three companies this month as part of a joint sale conducted by the Department of the Interior's Minerals Management Service (MMS) and the State of Wyoming.

The sale included both Federal and State of Wyoming crude oil. Deliveries on the contracts will begin Oct. 1, 2004, and will continue for six months.

Offers were received from five parties. Winning bidders included Teppco Crude Oil, L.P.; Nexen Marketing U.S.A., Inc.; and Eighty-Eight Oil. Awards included all of the offered sweet and portions of the asphaltic and newly offered Green River condensate. No general sour production was awarded.

The Aug. 11 sale is the 13th in a series of joint sales dating back to 1998 when the State of Wyoming and the MMS first entered into the Wyoming Oil Pilot Program. As in previous sales, MMS and the state will take royalties "in kind," in the form of oil, as opposed to "in value," or cash payments, and competitively sell the commodities in the marketplace.

Following earlier feasibility studies and pilot projects, MMS has determined that RIK will be an integral part of its approach to manage mineral royalties, to be used in tandem with royalties in value. Among the objectives of the effort are to return fair value on the public's royalty assets, reduce regulatory costs and reporting requirements, shorten the compliance cycle, and improve overall business efficiencies. In addition, taking royalties in kind in the form of product simplifies audits and can potentially reduce the number of audits performed on royalty in value cash payments.

The Minerals Management Service is the federal bureau in the U.S. Department of the Interior that manages the nation's oil, natural gas and other mineral resources on the Outer Continental Shelf in federal offshore waters. The bureau also collects, accounts for, and disburses mineral revenues from Federal and American Indian lands. MMS disbursed more than \$8 billion in 2003 and more than \$135 billion since it was created in 1982. Nearly \$1 billion from those revenues go into the Land and Water Conservation Fund annually for the acquisition and development of state and federal park and recreation lands.