



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

---

***NEWS RELEASE***

---

**FOR RELEASE:**

October 19, 1998

**CONTACT:** [Anne-Berry Wade](mailto:Anne-Berry.Wade@MMS.gov)  
(202) 208-3985

Michael L. Baugher  
(303) 231-3162

**MMS AND TEXAS**

**ANNOUNCE JOINT RIK PILOT PROJECT**

The Department of the Interior's Mineral Management Service (MMS) and the State of Texas's General Land Office (GLO) announced today the beginning of a joint royalty in-kind (RIK) pilot project for natural gas in the Gulf of Mexico. The project is one of three RIK pilots that MMS is pursuing to test the effectiveness of taking royalties in kind as an alternative to the traditional cash basis for mineral royalties.

MMS and the GLO will jointly take and sell gas taken from federal leases in the 8(g) zone. The 8(g) zone is a 3 mile wide band just beyond the state's jurisdiction, which extends out in the Gulf of Mexico to 10.35 miles. Each coastal state, including Texas, receives 27 percent of the revenues generated from oil and natural gas development in the 8(g) zone off their coast. In this pilot, Texas will assist the MMS in marketing the gas and will continue to receive 27 percent of the revenues. The purpose of the project is to test whether or not taking gas in-kind will increase the royalty revenues of the Federal Government and State of Texas.

A primary focus of the joint project will be to supply natural gas to Federal and State governmental facilities while providing utility savings for government agencies. The GLO has successfully managed such a program for many years on behalf of Texas agencies.

"We are pleased to be working side by side with experts from the GLO to develop and manage a pilot program that will use Texas' innovative gas in-kind program and expand it to the Federal level," said MMS Director Cynthia Quarterman. "We must investigate all options to more effectively and efficiently manage our nation's mineral assets and this in-kind pilot program provides such an opportunity ."

Mr. Gary Mauro, Commissioner of the Texas General Land Office added, "Texas has been extremely successful in taking oil and gas royalties in kind. I believe what has been good for Texas can also be good for the United States."

The Texas General Land Office manages 20.5 million acres of state land and mineral rights, with 13.5 million acres dedicated to the Permanent School Fund. Beginning in 1983, the GLO began a royalty in kind program and since then, several million additional dollars has been added to the state's public education fund.

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 Indian lands.

**-MMS-**

MMS Internet website address: <http://www.mms.gov>  
24 hour Fax-on-Demand Service:(202) 219-1703