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MMS TO HOLD PILOT ROYALTY IN KIND OIL SALE IN THE GULF OF MEXICO

The U.S. Department of the Interior's Minerals Management Service (MMS) today announced the offering of approximately 35,000 barrels of Royalty In Kind crude oil per day from federal offshore properties in the Gulf of Mexico. This is the first oil pilot to take royalties in kind from federal leases in the Gulf of Mexico.

Royalty in Kind Oil is oil accepted as payment in kind (actual quantities of crude oil) rather than in value (cash).

"This is the first sale of RIK oil open to all bidders," said MMS Director Walter Rosenbusch, "Previous oil sales have been open exclusively to eligible small refiners."

"We believe that taking oil royalties as a share of production from the properties offered in this sale is a viable alternative to the usual practice of collecting oil royalties in cash. MMS will monitor the effectiveness of the RIK approach to taking crude oil royalties in the Gulf of Mexico," Rosenbusch added.

This sale will involve an estimated 35,000 barrels of royalty production from 58 federal properties located in the Gulf of Mexico. Approximately one half of these properties are currently involved in supplying oil to the Strategic Petroleum Reserve.

Delivery of actual production is scheduled to begin November 1, 2000, and continue for six months, with the opportunity to renew for an additional six-month period.

Specific information regarding the sale will be available in Solicitation No. 1435-02-00-RP-40337, which was issued today, and can be found on the MMS website at <http://www.mrm.mms.gov/whatsnew.htm>. Additional information may be obtained by contacting MMS's Todd Leneau at (303)275-7385.

MMS is the federal agency that manages the Nation's oil, natural gas, and other mineral resources on the Outer Continental Shelf; and annually collects, accounts for, and disburses about \$4 billion in revenues from federal offshore mineral leases and from onshore mineral leases on federal and Indian lands.

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MMS Internet website address: <http://www.mms.gov>
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