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NEWS RELEASE

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MMS ANNOUNCES NEW ROYALTY-IN-KIND AGREEMENTS

The Department of the Interior's Minerals Management Service (MMS) has awarded a contract to Dynege Marketing and Trade as a result of a competitive sale under the MMS royalty-in-kind pilot program for natural gas on the Outer Continental Shelf in the Gulf of Mexico. This initiative is one of four royalty-in-kind pilot programs the agency is pursuing to test the effectiveness of taking royalties in kind as an alternative to the traditional cash basis for mineral royalties. In addition to this Gulf of Mexico-wide pilot, other MMS royalty-in-kind activities have included natural gas in the 8(g) waters off Texas in the Gulf of Mexico; crude oil in the State of Wyoming; and crude oil from the Gulf of Mexico. MMS also operates a program for the benefit of small refiners of crude oil.

Dynege was awarded a contract for approximately 180 million cubic feet per day from the Stingray, Pelican Gas Gathering System, HIOS/ UTOS, ANR Nearshore Louisiana, and Transco North High Island pipeline systems. Inadequate bids were received on one additional natural gas pipeline. The term of the contract is for production during the November 1, 2000, through March 31, 2001, period.

Under the agreement, Dynege will take custody of royalty gas at federal offshore leases and will provide MMS a payment of gas in kind at two onshore delivery points - ANR and NGPL Louisiana pools. Some of the payment gas will be transferred by MMS to the federal General Services Administration, which will use the federal natural gas to meet energy needs of federal facilities. The MMS will market the balance of the processed gas in its established monthly bid-week and term sales. In order to compete in these sales, companies must submit in advance to MMS **documents requesting pre-qualification** <[DocumentsDoc/PDF%20Docs/prequal622.PDF](#)>. Inquiries regarding qualifying to bid and purchase natural gas under these competitive sales may be directed to Mr. Martin Grieshaber at (303) 275-7118. Companies already qualified to purchase gas from the MMS need not qualify again.

The next competitive RIK offerings other than monthly bid week sales will be of natural gas from federal leases connected to the Matagorda Offshore Pipeline System (MOPS) and the Bluewater Pipeline System in the Gulf of Mexico. These offerings will be posted to MMS's website under "What's New" and result in contracts with a term beginning November 1, 2000, and terminating March 31, 2000. The Bluewater production was previously available only under monthly sales.

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

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