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MMS, Wyoming Award Joint RIK Oil Contracts

The state of Wyoming and the Interior Department's Minerals Management Service have again teamed up for a sale of royalty crude oil produced in Wyoming. The sale is the eleventh in a series of joint sales dating back to 1998 when the state of Wyoming and the Minerals Management Service first entered into the Wyoming Oil Pilot Program.

"These contracts represent another milestone in our efforts to more efficiently manage royalty revenues from crude oil and natural gas from Federal leases," said MMS Director Johnnie Burton. "By teaming with the state of Wyoming on this sale, we are able to ensure fair market value for the oil, shorten the compliance cycle and accelerate revenue collection."

Harold Kemp, assistant director of Mineral Leasing and Royalty Compliance for the state of Wyoming, agrees. "This process will continue to be a major tool in our efforts to employ best practices in the disposition of Wyoming's mineral royalty interests." Kemp also noted that the latest bid awards "ensure fair market value for federal and state assets while reducing administrative and operational costs for both industry and government."

Teppco, 88 Oil and Tesoro Refining were awarded contracts on August 13, 2003 for approximately 1,500 barrels per day of both federal and state onshore "Royalty in Kind" (RIK) oil. Deliveries of the sweet and general sour production are scheduled to begin October 1, 2003 and continue through March 31, 2004.

Over the past decade, MMS has conducted feasibility studies and pilot projects to determine if taking royalty in kind (oil) as opposed to royalty in value (cash) is in the nation's best interests. Based on these projects, including the joint sales with the state of Wyoming, 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 maximization of taxpayer assets, reduction of regulatory costs and reporting requirements, shortening of the compliance cycle, and improvement of overall business efficiencies.

MMS is the federal agency responsible for managing the nation's oil, natural gas, and other mineral resources on the outer continental shelf in federal offshore waters. It also collects, accounts for, and disburses mineral revenues from federal and American Indian lands. Revenues collected by MMS from royalties, rents, bonuses and other sources from federal onshore and offshore leases are distributed to the U.S. Treasury; to the Land and Water Conservation

Fund for the acquisition and development of state and federal park and recreation lands; to the National Historic Preservation Fund and the Reclamation Fund; to individual states where the leases are located; and to Indian tribes and individual allottees. Those revenues totaled more than \$6 billion in 2002 and more than \$127 billion since the agency was created in 1982.

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