



Minerals Management Service

U.S. Department of the Interior
Minerals Management Service
Office of Public Affairs

NEWS RELEASE

NEWS MEDIA CONTACT
Patrick Etchart, 303/231-3162

FOR IMMEDIATE RELEASE
Tuesday, March 27, 2007

RIK Gas Sale Grosses \$1 Billion in Total Revenues *Ten Companies Awarded 13 Contracts for Gulf Gas*

DENVER – The Federal government should receive more than \$1 billion in revenue following a successful Royalty-in-Kind (RIK) sale of natural gas, the Department of the Interior’s Minerals Management Service (MMS) announced today.

The sale, concluded March 8, will deliver approximately 137.5 billion cubic feet of RIK gas, or some 398,300 MMBtu (Million British Thermal Units) per day, to be delivered over seven-month or 12-month terms. Assuming a current natural gas price of \$7.50, this equates to more than \$1 billion in total gross revenues. Actual revenues will vary based on natural gas prices over the life of the contract.

The gas will be delivered beginning April 1, 2007 to 13 offshore pipeline systems originating in the Gulf of Mexico, and is destined for consumer and industry use in the continental United States. That volume of gas is enough to supply the average gas needs of approximately 1.7 million U.S. homes for one year.

Ten companies were awarded contracts for the 13 sales packages that were offered. Winning bidders included Bear Energy; Eagle Energy; Coral; Louis Dreyfus; National Energy and Trade, LLC; Williams Power Company; BG Group; Total Gas & Power North America Inc.; Fortis Energy Marketing & Trading; and Constellation Energy Commodities Group Inc.

Bidding was strong in the sale, with 20 companies tendering a total of 152 offers for the RIK gas.

The gas sold in the RIK sale involves an aggregation of gas royalties taken “in kind,” in the form of product, rather than “in value” or cash payments, from offshore Federal leases in the Gulf of Mexico. MMS then sells the gas competitively in the open marketplace. The RIK program has been shown to improve government efficiencies, reduce regulatory costs and reporting requirements, shorten the compliance cycle, and ensure a fair return on the public’s royalty assets. To date, the program has successfully reduced administrative costs and provided significant revenue uplifts over royalty in value cash payments.

-- MMS --