

The NewsRoom

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RIK Gas Sales Expected to Gross \$1 Billion

Ten Companies Awarded Contracts for Natural Gas

DENVER – The Department of the Interior's Minerals Management Service (MMS) sold more than 124.7 billion cubic feet of natural gas in three Royalty in Kind (RIK) gas sales conducted this month.

The three sales offered royalty gas from the Jonah and Pinedale areas and the Madden Field in Wyoming; from the Cliffside Helium Enrichment Unit located in Potter County, Texas, near the city of Amarillo; and offshore in the Gulf of Mexico. The more than 124.7 billion cubic feet of royalty gas, or approximately 388,500 Million British Thermal Units (MMBtu) per day, were sold under seven- or 12-month contracts with delivery scheduled to begin April 1.

Assuming a natural gas price of \$8 per MMBtu, the sales would equate 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 124.7 billion cubic feet of gas is enough to supply the average gas needs of more than 1.5 million U.S. homes for one year.

All told, 10 companies were awarded contracts. Winning bidders were Tenaska Marketing Ventures, Constellation Energy Commodities Group Inc., Sequent Energy Management LP, Cheniere Energy Inc., Coral Energy Resources, Magnus Energy Marketing, Ltd., Mico Incorporated, Total Gas & Power North America Inc., UBS Energy LLC, and Williams Power Company.

The gas sold in the RIK sales involves an aggregation of gas royalties taken "in kind" in the form of product, rather than "in value" or cash payments, from gas production in Wyoming, from gas extracted from the Cliffside Helium Enrichment Unit in Texas, operated by the Bureau of Land Management, and offshore in the Gulf of Mexico. MMS then sells the gas competitively in the open marketplace.

Begun as a pilot program more than 10 years ago, the Royalty in Kind Program is designed to ensure a fair return on the public's royalty assets, improve government efficiencies, reduce regulatory costs and reporting requirements, and shorten the compliance cycle.

The state of Wyoming will receive 49 percent of the revenues generated by the sale of Wyoming gas, since the gas production occurs within that state's borders. Receipts from the Cliffside Helium Enrichment Unit sale are returned to the Bureau of Land Management.

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