



**U.S. Department of the Interior  
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***NEWS RELEASE***

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**Minerals Management Service, Louisiana Agree to Take Certain Federal  
Offshore Oil and Gas Royalties in Kind**

The U.S. Department of the Interior's Minerals Management Service and the State of Louisiana signed a Memorandum of Understanding today agreeing to jointly develop and implement a royalty-in-kind (RIK) pilot program for certain Federal oil and gas leases located in the 8(g) zone offshore Louisiana. The pilot program may potentially include State oil and gas leases if the State so decides.

Under Outer Continental Shelf oil and gas lease terms, royalty payments can be collected either in cash or in kind. In the development and implementation of the RIK pilot program, the MMS and the State seek to potentially increase revenues, reduce conflict over the proper payment of royalties under lease terms, and reduce the administrative cost of managing the Federal and State royalty assets.

While the first three miles of offshore lands belong to the State of Louisiana, lands located seaward are in federal waters. The first three miles of federal offshore lands are designated 8(g)—as described in the OCS Lands Act.

"The RIK approach has been demonstrated to be an effective and efficient method of collecting royalties," said MMS Deputy Director Walter Cruickshank, who signed the agreement for MMS at a meeting of the Royalty Policy Committee in New Orleans, Louisiana. Jack Caldwell, Secretary of the Louisiana Department of Natural Resources, signed for the State.

"We are pleased to enter into this partnership with the State of Louisiana and look forward to this new opportunity to test the use of RIK," added Cruickshank. Nationally, through the RIK program, MMS is taking more than 160,000 barrels of crude oil and 400,000 MMbtu of natural gas in kind each day.

Louisiana receives 27 percent of the revenues associated with federal leases located in the 8(g) area. In 2002, the State received \$12.6 million as its share of these leases.

The Minerals Management Service and the State are anticipating the pilot program to be in place with the first royalties being collected in kind October 1, 2003.

MMS is the federal agency in the Department of the Interior that manages the nation's oil, natural gas and other mineral resources on the outer continental shelf in federal offshore waters. The agency also collects, accounts for and distributes mineral revenues from federal and American Indian lands. These revenues amounted to more than \$6 billion in 2002 and nearly \$127 billion since the agency was created in 1982.

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