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MMS ANNOUNCES ROYALTY IN-KIND AGREEMENT

The Department of the Interior's Minerals Management Service (MMS) has awarded contracts to Duke Energy Trading and Marketing and Dynegy Marketing and Trade for its upcoming royalty in-kind (RIK) gas pilot program in the Outer Continental Shelf. This initiative is the third RIK pilot program that the MMS is pursuing to test the effectiveness of taking royalties in-kind as an alternative to the traditional cash basis for mineral royalties.

Under the agreements, Duke and Dynegy will take natural gas production from federal leases and deliver processed gas to the federal General Services Administration (GSA). GSA will use the federal natural gas to meet energy needs in federal facilities.

"We are pleased to begin this next phase of our royalty in-kind pilots. With the addition of this pilot we are now taking in-kind over 10 per cent of our offshore natural gas royalty production, or approximately 275 million cubic feet per day," said MMS Director Walt Rosenbusch. "The RIK pilots provide a unique opportunity to ensure an appropriate return on the nation's mineral assets."

Duke was awarded a contract for approximately 65,000,000 cubic feet per day from the Pelican and Stingray pipeline systems. Dynegy was awarded a contract for approximately 133,000,000 cubic feet per day from the High Island Offshore System. The terms of the contracts are for production from December 1999 through March 2000. Inadequate bids were received on two additional pipelines.

The MMS plans to continue implementing additional royalty in-kind projects. Additional contracts are to be solicited during this winter for natural gas production beginning in April 2000.

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 last year disbursed about \$6 billion in revenues from federal offshore mineral leases and from onshore mineral leases on federal and American Indian lands.

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