



**U.S. Department of the Interior
Minerals Management Service
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NEWS RELEASE

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MMS ANNOUNCES NEW ROYALTY-IN-KIND AGREEMENTS

The Department of the Interior's Minerals Management Service (MMS) has awarded contracts to Dynegy Marketing and Trade and Duke Energy Trading and Marketing, LLC for the next royalty-in-kind gas pilot program on the Outer Continental Shelf. This initiative is part of three royalty-in-kind pilot programs that MMS is pursuing to test the effectiveness of taking royalties in kind as an alternative to the traditional cash basis for mineral royalties. The terms of the contracts are for production during the April 2000 through October 2000 period.

Dynegy was awarded a contract for approximately 200 million cubic feet per day from the High Island Offshore, Upper Texas Offshore, Pelican and Transco-High Island pipeline systems. Under the agreement, 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 of federal facilities.

Duke was awarded a contract for approximately 50 million cubic feet per day from the eastern leg of the Bluewater pipeline system. Under the agreement, Duke will take natural gas production from federal leases and deliver processed gas to the MMS at an onshore delivery point. The MMS will market the natural gas beginning in April 2000. Bidders will be able to prequalify to purchase this gas during March 2000. Inadequate bids were received on two additional natural gas pipelines.

The MMS and the State of Wyoming awarded crude oil sales contracts to Conoco Inc., Eighty-Eight Oil Co., Koch Petroleum Group, Plains Marketing, and TransCanada Energy Marketing USA, Inc. The contracts represent 5,100 barrels of crude oil per day taken from federal and state leases. Under the agreements, the sales of crude oil will be for production from April 2000 through September 2000. This sale represents the fourth such sale in Wyoming. Currently 44 percent of federal crude oil in the state is

being sold via the royalty-in-kind program.

The MMS plans to continue implementing additional royalty-in-kind projects. Additional contracts are to be solicited beginning in September 2000 for natural gas production beginning in November 2000. Solicitations for additional crude oil sales in Wyoming will be issued in August 2000, for the production beginning October 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 disburses about \$4 billion yearly in revenues from offshore federal mineral leases and from onshore mineral leases on federal and American Indian lands.

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