

The NewsRoom

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**Secretary Norton Unveils Royalty-in-Kind Business Plan:
Federal Program Aims to Optimize Value for Taxpayers**

[Secretary of the Interior Gale Norton](#) today announced the release of a five-year business plan for the [Federal royalty-in-kind \(RIK\) program](#), aimed at enhancing management of the Nation's oil and gas royalty assets. The RIK program, administered by Interior's Minerals Management Service (MMS), generates revenues through receiving oil and gas royalties in kind, rather than in cash, and competitively selling the commodities in the marketplace.

"The new MMS *Five Year Royalty in Kind Business Plan* provides the blueprint to successfully increase revenues and decrease administrative costs associated with managing our oil and gas royalty assets," said Secretary Norton. "We are applying proven private sector business practices to improve government efficiencies and effectiveness," she continued.

The plan is a culmination of six years of pilot testing and validation of the RIK approach. During that time, the MMS has achieved a host of RIK program successes that have prepared the agency to fully deploy this business management approach. Secretary Norton noted that assessments of the RIK program to date indicate that business efficiencies are being achieved, conflict with oil and gas producers is diminishing, and MMS is achieving revenue increases of generally 1 to 3 percent more than cash royalties.

"The MMS is now poised to fully deploy a royalty asset management strategy that selectively uses both RIK and cash royalties to optimize returns to taxpayers," said Secretary Norton. "The release of this business plan signifies that we are moving to an operational phase of RIK from the previous pilot projects. Implementation of the plan will result in an effective, steady-state RIK program of the highest quality and integrity," she added.

The business plan incorporates suggestions of the [General Accounting Office](#) and recommendations from MMS's commercial consultant, the [Lukens Energy Group](#) of Houston, Texas, to clearly outline RIK program objectives and to routinely and comprehensively measure RIK program performance. As such, the plan includes measurable commercial and administrative goals aimed at increasing efficiencies and effectiveness of the government's management of mineral royalties and an emphasis on even greater internal controls.

Secretary Norton added that "with release of this plan, we commit to routine reporting to Congress on MMS's progress in achieving the plan's goals."

[MMS Director Johnnie Burton](#) said, "We are pleased with the new RIK business plan. It arrays a suite of program objectives and management actions. I am confident that we will meet these challenging expectations and continue establishment of a top tier royalty asset management program of which all Americans can be proud."

Copies of the business plan are available from the [MMS Minerals Revenue Management](#) web page.

The Minerals Management Service is the Federal bureau in the U.S. Department of the Interior that manages the nation's oil, natural gas, and other mineral resources on the Federal Outer Continental Shelf. The agency also collects, accounts for, and disburses mineral revenues from Federal and American Indian leases. MMS disbursed more than \$8 billion in Fiscal Year 2003 and more than \$135 billion since the agency was created in 1982. Approximately \$1 billion from those revenues go into the Land and Water Conservation Fund annually for the acquisition and development of state and Federal park and recreation lands.

Relevant Web Sites

[BOEM Website](#)

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