

The NewsRoom

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MMS Nets Estimated \$537 Million in Gulf of Mexico RIK Gas Sale

DENVER – More than 76 billion cubic feet of natural gas was sold to six companies as part of a Royalty in Kind (RIK) Gulf of Mexico gas sale conducted this month by the Department of the Interior's Minerals Management Service (MMS).

Approximately 76 billion cubic feet of natural gas, or 241,000 Million British Thermal Units (MMBtu) per day, was sold under five- or 12-month contracts with delivery scheduled to begin Nov. 1, 2008.

The 76 billion cubic feet of gas is enough to supply the average gas needs of nearly 1 million U.S. homes for one year.

If natural gas prices in the Gulf remain in the area of \$7 per MMBtu, the sale will equate to more than \$537 million in total gross revenues. Actual revenues will vary based on natural gas prices over the life of the contracts.

The gas sold in the RIK sale involves an aggregation of royalties taken "in kind" in the form of product, rather than "in value" or cash payments, from gas production in the Gulf of Mexico. MMS then sells the gas competitively on the open marketplace with the goals of increasing revenues, improving government efficiencies, and shortening the compliance cycle.

Winning bidders on the gas are ConocoPhillips Co., Shell Energy North America, US LP, United Energy Trading LLC, J.P. Morgan Chase, Williams Gas Marketing Co., and National Energy and Trade, LP.

The Royalty in Kind Program began as a pilot program more than 10 years ago and is designed to ensure a fair return on the public's royalty assets. In Fiscal Year 2007, the program was credited with providing taxpayers and the Federal Government an additional \$63 million in benefits. From Fiscal Years 2004 through 2007, the program has generated additional benefits to the Government of approximately \$150 million.

The approximately 76 billion cubic feet of gas sold during this sale is based on average volumes of gas produced prior to Hurricane Ike. Actual volumes sold may vary as gas that was shut-in because of the hurricane is restored to production and delivered to market centers.

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