

Wells in the 8(g) area are small
royalty oil production only 402 bbls/day
royalty gas production 72 mcf/day

Wells mostly condensate produced with the gas
Development focussed on gas royalty production will take
share of the oil production with it
Condensate commingled with oil and separated onshore

**to work in close collaboration with Texas
ing Texas RIK program from State Leases is
od fit**

**uccessful and established: we can learn from them
ale economies, efficiencies from working together
enefits of further aggregation for smaller volumes
ate leases adjacent to Federal leases
same pipelines, markets, information
same opportunities**

**ently sorting out the proper vehicle to use for
boration**

**Potential Size of GOM pilot dwarfs the other two
e, complex undertaking**

**Quality Gas production from GOM is 2.3bcf/day
makes MMS the largest supplier of gas from the Gulf
size and effect on the market becomes a consideration
planning the pilot**

**elaborate transportation network and highly
evolved, complex market structures
much to understand before we jump into it**

**and complexity dictate that it will take
another year before we can confidently have a
plan that we can implement -- Oct 1, 1999 start
work has begun**

**analyzing lease data, pipeline infrastructure, processing
facilities, assessing which fields to take in kind
like Wyoming, hope to structure a program that helps
understand the key success factors better, and
comprehensively and broadly tests RIK potential in the
Gulf of Mexico**

**working on the Legal issues, contractual/procurement
issues, and developing a marketing strategy**

are well on our way but

don't have all the answers yet, a lot of work remains

we are committed to producing the best possible pilots

**continued collaboration with Industry essential to Pilot
process**

each is a key part of our effort

By Spring we will have Wyoming and Texas 8(g) pilots

structures ready

**Need sufficient time for contracting, notification, systems and
specific details,**

Winter target for GOM pilot structure

**er RIK the MMS might have to cover
s currently paid by lessees
ed to *create value* to overcome these costs
ompetitive market is a zero sum game
hanging the seller does not increase value
ompetition means you can not simply raise
e price of a product
have to change the the product
usiness as usual doesn't cut it**

to bundle services with the basic oil or commodity to add value

aggregation is an example of a potential service MMS could supply

adds value because it reduces costs for the purchaser eliminates a service currently provided by someone else in the industry value chain - who are the losers?

do we have a competitive advantage to provide these services?

value in less-competitive markets is created by overcoming barriers to competition

**the economic transformation
the Information Age created an
opportunity for RIK?**

**the Federal Government add net
value by actively managing its
revenue stream?**