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NATURAL RESOURCES COMMITTEE REPUBLICANS

CONGRESSMAN DOC HASTINGS, RANKING MEMBER

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Administration Canceled RIK Program in September – But Quietly Publishes Report Confirming RIK Made \$106 Million for Federal Government Last Year

“If President Obama is really serious about reducing his \$1.4 trillion deficit, why on earth would his Administration end a rare federal program that actually makes money for the government”

WASHINGTON, D.C. – The Department of the Interior just released the [FY 2008 Royalty-In-Kind \(RIK Report\)](#), which showed that the federal government made \$106 million by taking oil and natural gas royalty in-kind. This report comes on the heels of Secretary Ken Salazar’s September announcement that the Department of the Interior would end the RIK program, despite five years of taxpayer benefits from this profitable program.

“In light of this report, Secretary Salazar must provide justification for his decision to end the RIK program that has made the American taxpayers tens of millions of dollars in additional revenue from oil and gas,” said Ranking Member Doc Hastings. “If President Obama is really serious about reducing his \$1.4 trillion deficit, why on earth would his Administration end a rare federal program that actually makes money for the government? This is not only bad fiscal policy, but simply defies logic. Eliminating the RIK program instead of instituting reforms is a loss for taxpayers and costs the government money. The Administration also must explain why this report is being released in December when previous reports have been released during the summer, and why this report still hasn’t been made public on its website?”

Report highlights:

- In FY2008 Minerals Revenue Management (MRM) estimates that the Total Benefits of the RIK program was \$106 Million – this includes \$5.2 million in administrative savings, \$3 million in time value of money, and \$97 million in revenue performance:

Total Benefits of RIK Program - FY 2008			
	Crude Oil	Natural Gas	Total
Administrative Cost Savings	\$1,810,000	\$3,410,000	\$5,220,000
Time Value of Money Benefit	\$2,150,000	\$922,000	\$3,070,000
Revenue Performance	\$19,100,000	\$78,600,000	\$97,700,000
Total Benefits	\$23,100,000	\$82,900,000	\$106,000,000

- Over the last five years, this program has generated over \$256, 060,479 in benefits.
- In order to reform the RIK program, as of January 2009, MRM has completed 47 out of 85 recommendations from the Government Accountability Office, the Office of Inspector General, and the Royalty Policy Committee. Improvements that have been made include:
 - Enhanced ethics program and specific training for RIK employees
 - Clarified strict code of conduct for all MMS employees
 - Modified reporting structure for RIK
 - Strengthened coordination with MMS Contracting Office and the Minerals Revenue Management (MRM) Audit and Compliance organization
 - Enhanced revenue performance metrics
 - New verification of gross production volume procedures
 - Addition of an attorney dedicated to RIK in the Office of the Solicitor

Background

The RIK program was established by President Clinton in order to reduce costs and create a simple system of collecting oil and gas revenues. This allowed the government to receive either royalty in-value (cash payments) or royalty in-kind (1-6 or 1-8 barrels of oil or cubic feet of natural gas directly).

The RIK program reduces administrative costs, accelerates cash flow to the government, provides flexibility to use this oil and natural gas for government use, and most importantly is **only used if it returns more money to the federal government than a traditional royalty in-value program.**

The Energy Policy Act of 2005 (Sec. 342) required annual reports to Congress starting in 2006, although the program had already been in operation for several years. Previous year's results are highlighted in the FY2008 report on table 3.1, and previous year's reports are available below:

- The [FY 2006 RIK report](#) was released on June 28, 2007 and showed that the program brought in an additional \$28.8 million in revenue.
- The [FY 2007 RIK report](#) was released in August 2008, and showed the program brought in an additional \$63 million in revenue.

On October 2, 2009, Ranking Member Hastings sent a [letter](#) to Secretary Salazar requesting information on the economic impacts of eliminating the program. The Secretary has yet to respond to this letter.

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