



NEWS RELEASE

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MMS Helps Small Companies Meet Market Challenges

Helping four small companies meet market challenges, the Minerals Management Service recently awarded contracts for the purchase of crude oil produced in federal waters of the Gulf of Mexico and the Pacific Ocean.

As part of the MMS Small Refiners Program, MMS helps overcome the challenge of locating and acquiring crude oil supplies by taking oil royalties “in-kind” as product from federal offshore leases and selling it to qualified small refiners. Delivery on the six-month contracts is scheduled to begin April 1, 2005, at approximately 50,000 barrels per day.

“This ongoing program provides small refiners access to a consistent oil supply at market prices, benefiting the refiners and their local economies as well as the federal government,” said Lucy Querques Denett, associate director of the MMS’s Minerals Revenue Management program. In many cases, Denett noted, these small refiners provide specialized capabilities, such as producing jet fuel for use by nearby Department of Defense installations.

The four small refiners who won contracts include Paramount Petroleum Corp. in California; Gary Williams Energy in Colorado and Oklahoma; U.S. Oil and Refining Co. in California and Washington state; and Placid Refining Company LLC, in Louisiana.

Some bids on a portion of the oil were not accepted after it was determined that a better return for taxpayers could be achieved by either taking the royalties in-value (as cash payments), or by offering the oil in an upcoming sale scheduled in February that is open to any and all bidders.

Denett noted that MMS has made oil produced on federal leases available to small refiners for many years, recognizing that their difficulty in accessing a consistent oil supply at market prices placed them at a competitive disadvantage to larger refiners. MMS has conducted periodic reviews of the program and determined that the Royalty-In-Kind small refiner program continues to benefit small refiners by providing consistent access to crude oil at equitable prices.

The RIK Program also continues to provide benefits to the federal government and taxpayers by optimizing taxpayer assets, reducing regulatory costs and requirements, and improving overall business efficiencies.

MMS, part of the U.S. Department of the Interior, oversees 1.76 billion acres of the Outer Continental Shelf, managing offshore energy and minerals while protecting the human, marine, and coastal environments through advanced science and technology research. The OCS provides 30 percent of oil and 23 percent of natural gas produced domestically, and sand used for coastal restoration. MMS collects, accounts for, and disburses mineral revenues from Federal and American Indian lands, with Fiscal Year 2004 disbursements of approximately \$8 billion and more than \$143 billion since 1982. The Land and Water Conservation Fund, which pays for acquisition of state and federal park and recreation land, gets nearly \$1 billion a year.

MMS: Securing Ocean Energy and Economic Value for America

MMS Main Website: www.mms.gov