



NEWS RELEASE

U.S. Department of the Interior
Minerals Management Service
Office of Public Affairs

For Release: August 1, 2005
Release: 3212

Contact: Patrick Etchart (303) 231-3162

Small refiners win RIK crude oil contracts

DENVER - Five small refiners have been awarded contracts for the purchase of approximately 53,000 barrels per day of Royalty-in-Kind crude oil produced in the Gulf of Mexico and the Pacific Ocean, the Department of the Interior's Minerals Management Service (MMS) announced today.

The five contracts were awarded to winning bidders as part of MMS's Small Refiner Program, where oil royalties are taken "in-kind" as product from Federal offshore leases and sold to qualified small refiners. Delivery on the six-month contracts is scheduled to begin Oct. 1, 2005.

MMS has made RIK crude oil available to small refiners since 1976 in an effort to provide them with a consistent oil supply at market prices, benefiting the small refiners and their local economies as well as the Federal government. "Many of these small refiners continue to face market challenges in locating and acquiring adequate crude oil supplies," said Lucy Querques Denett, associate director of the MMS's Minerals Revenue Management program, "placing them at a competitive disadvantage to larger refiners."

In many cases, Denett added, these small refiners provide specialized capabilities, including producing jet fuel for use by nearby Department of Defense installations.

The five small refiners who won contracts include Paramount Petroleum Corp. in California; Gary Williams Energy with headquarters in Colorado and a refinery in Oklahoma; U.S. Oil and Refining Co. with offices in California and Washington State; Placid Refining Company LLC, based in Louisiana; and Western Refining with refineries in Texas.

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 that will be open to any and all bidders.

Denett noted that the MMS Royalty in Kind Program continues to provide measurable benefits to the Federal government and taxpayers by reducing regulatory costs and requirements, improving overall business efficiencies, and optimizing taxpayer assets. “These RIK sales,” she said, “provide a win-win situation to small refiners, the government and the American public.”

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. The OCS provides 30 percent of oil and 21 percent of natural gas produced domestically, as well as sand used for coastal restoration. MMS collects, accounts for, and disburses mineral revenues from Federal and American Indian lands, and contributes to the Land and Water Conservation Fund and other special use funds, with Fiscal Year 2004 disbursements of about \$8 billion and more than \$143 billion since 1982.

MMS Website: www.mms.gov
MMS: Securing Ocean Energy & Economic Value for America