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Strategic Petroleum Reserve exchange contracts awarded; MMS, Wyoming team up on RIK sale

Three major oil companies have been awarded contracts by the Minerals Management Service (MMS) for the exchange of an estimated 100,405 barrels per day of Gulf of Mexico Royalty-in-Kind (RIK) crude oil to support the national Strategic Petroleum Reserve Fill Initiative unveiled by President George W. Bush in November 2001.

With these contracts, MMS will take its oil royalties in-kind (in the form of product), rather than in value (cash), from offshore federal lease operators and deliver it to onshore oil market centers where the Department of Energy (DOE) will take custody of the oil. The DOE, in turn, will exchange the RIK oil for oil of suitable quality that can be delivered to Strategic Petroleum Reserve storage sites located in Texas and Louisiana.

The RIK program provides a deliberate and cost-effective means to continue filling the nation's Strategic Petroleum Reserve in support of national objectives for energy security and to mitigate potential supply disruptions.

Contracts in the latest sale were awarded to ChevronTexaco, Shell Trading and ExxonMobil. Delivery on the six-month contracts is scheduled to begin April 1, 2004. The oil will be delivered from more than 100 facility metering points in the Gulf of Mexico.

The MMS RIK Program Office will also ship an additional 12,135 barrels per day of royalty crude oil directly to DOE at onshore market centers, with one producer transporting an additional 2,700 barrels per day directly to the DOE. That translates to a total of approximately 115,000 barrels per day of wellhead oil being committed to the Strategic Petroleum Reserve Fill Initiative. To date, approximately 646 million barrels of oil have been added toward the approximate 700 million barrel capacity of the Strategic Petroleum Reserve.

Joint Wyoming sale

The Minerals Management Service also announced that it has again teamed with the State of Wyoming for the sale of royalty crude oil produced in Wyoming. The February sale was the 12th in a series of joint sales dating back to 1998 when the State of Wyoming and the MMS first entered into the Wyoming Oil Pilot Program.

Three firms were awarded contracts for approximately 1,300 barrels per day of both Federal and State sweet and general sour production. Winning bidders were Teppco, Nexen and Tesoro Refining. Delivery is scheduled to begin April 1, 2004, and continue through Sept. 30, 2004.

The Minerals Management Service is the federal bureau in the U.S. Department of the Interior that manages the nation's oil, natural gas and other mineral resources on the Outer Continental Shelf in federal offshore waters. The bureau also collects, accounts for, and disburses mineral revenues from Federal and American Indian lands. MMS disbursed more than \$8 billion in 2003 and more than \$135 billion since it was created in 1982. Nearly \$1 billion from those revenues go into the Land and Water Conservation Fund annually for the acquisition and development of state and federal park and recreation lands.

* * * *MMS*: Securing Ocean Energy and Economic Value for America * * *