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Contact: Patrick Etchart
Curtis Carey

(303) 231-3162
(202) 208-3985

SPR exchange contracts awarded

More than 100,000 barrels of royalty crude oil per day will continue to be delivered to the U.S. Department of Energy supporting the fill of the nation's Strategic Petroleum Reserve (SPR) after the Department of the Interior's Minerals Management Service (MMS) awarded exchange contracts in July.

These exchange contracts involve aggregation of crude oil royalties taken "in kind" (in the form of oil), rather than in value (cash), from offshore federal lease operators in the Gulf of Mexico. That oil, in turn, is delivered to onshore market centers where officials of the U.S. Department of Energy take custody, pending its exchange for crude oil of suitable quality that is then delivered to SPR sites in Texas and Louisiana.

"The Royalty in Kind program," said MMS Director Johnnie Burton, "provides an efficient and cost-effective means to continue filling the nation's Strategic Petroleum Reserve to maintain emergency oil stocks and support national objectives for energy security."

Contracts in the latest exchange sale were awarded to ChevronTexaco Products Company and Shell Trading US Company. Delivery on the six-month contracts is scheduled to begin October 1, 2004, and conclude March 31, 2005.

The goal of the current initiative is to fill the SPR to its capacity of 700 million barrels of oil. As of July 2004, the current inventory is approximately 663 million barrels of oil. The MMS began the current fill initiative in April 2002 and anticipates that the 700 million barrel capacity will be reached in mid-2005.

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 & Economic Value for America](#)

www.mms.gov