DEPARTMENT OF THE INTERIOR

Minerals Management Service

1983 Sale Offerings to Eligible U.S. Refiners of Royalty Oil Available From Federal Offshore and Onshore Leases

AGENCY: Minerals Management Service (MMS), Interior.

ACTION: Notice of 3 Sale Offerings of Available Royalty Oil.

SUMMARY: Because the Secretary of the Interior has determined that some U.S. refiners do not currently have access to adequate supplies of crude oil, he is offering to sell the Federal Government's royalty share of oil produced from certain offshore and onshore Federal leases. This offering to all qualified applicants is made pursuant to regulations governing the disposal of Federal royalty-in-kind (RIK) oil. Applications for contracts will be processed as quickly as possible for the 3 separate sales to be conducted in 1983: Sale No. 83-1 on July 6; Sale No. 83-2 on August 3; Sale No. 83-3 on September 7. All 3 sales will be held at the Denver Federal Center, Lakewood, Colorado.

DATES: Completed applications for Sale No. 83-1 must be received by close-of-business (c.o.b.) June 15, 1983; for Sale No. 83-2 by c.o.b. July 15, 1983; for Sale No. 83-2 by c.o.b. August 15, 1983.

ADDRESS: Application forms for the contract purchase of RIK oil may be obtained from Mr. James Mikelson, Minerals Management Service, Payor Accounting Branch, P.O. Box 5760 T.A., Denver, CO 80217. Completed applications should be returned to the same MMS office; the telephone number is (303) 231-3133.

FOR FURTHER INFORMATION CONTACT: RIK Sale Coordinator Dennis Whitcomb, (303) 231-3432.

SUPPLEMENTARY INFORMATION: As MMS stated in the Federal Register of January 14, 1983 (48 FR 1833: Notice of Intent to Revise Timing of U.S. Royalty Oil Sales from Federal Offshore and Onshore Leases; request for comments), availability royalty oil will be offered in separate sales, based on the geographical regions designated below:

Sale No. 83-1

RIK oil from Federal leases in the Outer Continental Shelf (OCS) regions of the Gulf of Mexico and the Pacific Coast will be sold under contracts beginning October 1, 1983, with an expiration date of October 1, 1984. Approximately100,000 barrels per day will be offered in this sale to qualified applicants.

The effective beginning date of subsequent royalty oil contracts for production from these regions will be October 1, 1984, and every 3 years thereafter.

Sale No. 83-2

RIK oil from Federal leases in the States of Alaska, Arizona, California, Idaho, Nevada, New Mexico, Oklahoma, Oregon, Texas, and Washington will be sold under contracts beginning November 1, 1983, with an expiration date of October 1, 1985. Approximately15,000 barrels per day will be offered in this sale to qualified applicants.

The effective beginning date of subsequent royalty oil contracts for production from these 10 States will be October 1, 1985, and every 3 years thereafter.

Sale No. 83-3

RIK oil from Federal leases in all other States will be sold under contracts beginning December 1, 1983, with an expiration date of October 1, 1986. Approximately 20,000 barrels per day will be offered in this sale to qualified applicants.

The effective beginning date of subsequent royalty oil contracts for this region will be October 1, 1986, and every 3 years thereafter.

An application received after the specified date for a particular sale cannot be considered and must be rejected. If an MMS official requests additional information from an applicant, that additional information must be received by the date specified by the MMS requester of the application will be rejected.

MMS is adopting this 3 separate-sales schedule in order to furnish better production data to interested eligible purchasers of U.S. royalty oil. Comments received from the public and industry were uniformly positive.

Sales Terms Information

MMS is holding the 1983 sales as early as is consistent with giving adequate notice and information to qualified applicants. Before each sale, an information package will be sent to every applicant who has filed a timely application with MMS. The package will include such pertinent data as: (1) General administrative details concerning the allocation and contract award process; (2) a copy of the Federal oil and gas contract, including terms under which it will be awarded; (3) a statement on surety requirements; (4) the lease locations, quality and approximate quantities of royalty oil and, (5) sale arrangements such as the date, location, and time of each sale.

Eligibility Requirements for Applicants

For the purchase of offshore royalty oil, "eligible refiner" means the owner of an existing oil refinery or refineries (including refineries not in operation) who qualifies as a small business enterprise under the rules of the Small Business Administration and who is unable to purchase in the open market an adequate supply of crude oil to meet the needs of that total existing refinery capacity.

For the purchase of onshore royalty oil, "eligible refiner" means the owner of an existing oil refinery or refineries who is unable to purchase in the open market an adequate supply of crude oil sufficient for that refinery's operation at the time of application for royalty oil and whose total refining capacity (including parent and/or subsidiaries) does not exceed 175,000 barrels per day.

However, an otherwise eligible refiner would not be permitted to participate in a royalty sale if, at the time of the sale, that refiner was in arrears on payments owed (including interest and/or penalties) under a previously awarded royalty oil contract.

Moreover, the Secretary of the Interior, in the exercise of the discretionary authority granted him by applicable statutes, has elected to continue to grant a preference in the allocation of onshore Federal royalty oil. A preference will be granted to a refiner who applies to purchase onshore royalty oil produced in a designated area for use in a refinery located in the same or nearest geographical area. Designations by MMS used to establish 6 onshore " preference" areas for this purpose are as follows:

1. *Western area* includes the States of Arizona, Idaho, California, Nevada, Oregon, and Washington. Refineries located in Hawaii will also be given preference for oil produced in the Western area.

2. *Alaska area includes the State of Alaska.*

3. *South Central area* includes the States of New Mexico, Oklahoma, and Texas.

4. *Central area* includes the States of Colorado, Kansas, Nebraska, and Utah.

5. *North Central* area includes the States of Montana, North Dakota, South Dakota, and Wyoming.

6. *Eastern area* includes all other states in which qualified RIK applicants have refineries.

Surety Bond Requirement

A purchaser of Federal royalty oil shall be required to furnish a surety bond or an irrevocable straight letter of credit (from a financial institution acceptable to MMS) 45 days prior to the effective date of the contract. The surety must be in an amount equal to the value of Federal royalty oil that could be taken by the purchaser in a 90-day period. If a letter of credit is furnished, it must be maintained by the purchaser for term of the contract plus 180 days.

Dated: April 20, 1983.

Orie L. Kelm,

Deputy Associate Director for Royalty Management, Minerals Management Service.

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