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Contracts Aim to Help Fill Strategic Petroleum Reserve

Three companies have been awarded royalty in kind (RIK) contracts for crude oil exchanges from federal offshore leases in the Gulf of Mexico to support the national Strategic Petroleum Reserve (SPR) Fill Initiative unveiled by President George W. Bush in November 2001.

The contracts, announced by the Interior Department's Minerals Management Service, involve more than 53,000 barrels per day of Gulf of Mexico royalty oil from 19 offshore meters. Shell Trading, Chevron Texaco and Exxon Mobil were awarded the contracts.

"These contracts demonstrate MMS's continuing commitment to maximize taxpayer assets, improve government efficiencies and enhance our nation's energy security by filling the Strategic Petroleum Reserve," said MMS Director Johnnie Burton.

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

The current SPR solicitation is a re-offering of royalty oil exchange packages awarded in April 2003 which are due to expire on September 30. In addition to these new contracts, there are ongoing exchange contracts and direct crude oil movement to support the SPR initiative for additional volumes of up to 77,000 barrels per day. The initiative to fill the nearly 107-million-barrel remaining capacity of the

Strategic Petroleum Reserve is a joint effort between MMS and the U.S. Department of Energy.

The Minerals Management Service is the federal agency responsible for managing the nation's oil, natural gas, and other mineral resources on the Outer Continental Shelf in federal offshore waters. The agency also collects, accounts for, and disburses mineral revenues from federal and American Indian lands. Those revenues totaled more than \$6 billion in 2002 and more than \$127 billion since the agency was created in 1982.

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MMS Internet website address: <http://www.boem.gov>