

The NewsRoom

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MMS Estimates Nearly \$1 Billion Gross on RIK Sale to Small Refiners*Additional Unrestricted Sale Nets New Contracts to Four Companies*

DENVER – The Department of the Interior’s Minerals Management Service (MMS) announced today that two small refiners have been awarded contracts for the purchase of more than 12 million barrels of Royalty in Kind (RIK) crude oil produced from Federal leases in the Gulf of Mexico. In addition, MMS also announced that four companies were awarded contracts as part of an unrestricted RIK sale conducted at the same time. Both sales are expected to gross a total of nearly \$1 billion.

“The Minerals Management Service has made RIK crude oil available to small refiners for decades in an effort to provide them with a consistent oil supply at market prices,” said MMS Director Randall Luthi. “This benefits the small refiners and their local economies as well as the Federal government.” Luthi noted that many of these small refiners face market challenges in locating and acquiring adequate crude oil supplies, which places them at a competitive disadvantage to larger refiners.

The small refiner contracts were awarded to winning bidders as part of the 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 12-month contracts is scheduled to begin October 1, 2007. The contracts call for a total of approximately 12,694,700 barrels of crude oil to be delivered during the 12-month contract period, or approximately 34,780 barrels per day.

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

The two small refiners awarded contracts are Gary Williams Energy with headquarters in Colorado and a refinery in Oklahoma; and Placid Refining Company LLC, based in Louisiana.

In addition to the Small Refiner sale, MMS also awarded contracts for the sale of more than 1.5 million barrels of oil as part of a small unrestricted RIK sale. Four companies were awarded six-month contracts for the 1,548,820 barrels of oil, or approximately 8,510 barrels per day. Delivery on those contracts is also scheduled to begin October 1 and continue through March 31, 2008.

The four companies awarded six-month contracts in the unrestricted sale are Chevron Products Company, ExxonMobil Oil Corporation, Plains Marketing, and Shell Trading Company.

The combined 14.2 million barrels of oil sold in the two sales will convert to approximately 582 million gallons of petroleum products, including gasoline, diesel fuel, heating oil, jet fuel, heavy fuel oil, and other products. Assuming a \$70 per

barrel price, the total sales would amount to \$994 million.

Luthi said the MMS Royalty in Kind Program has demonstrated measurable benefits to the Federal government and taxpayers by reducing regulatory costs and reporting requirements, improving overall business efficiencies, and optimizing taxpayer assets. "These RIK sales provide a win-win situation to small refiners, the Federal government and the American public," he said.

The Royalty in Kind Program, now in its third year as a fully operational program, allows MMS to take its royalties "in kind," in the form of product, instead of "in value" or as a cash payment, and competitively sell that product in the open marketplace. In its latest report to Congress, MMS reported that the Royalty in Kind Program achieved a total revenue gain of \$28.8 million in Fiscal Year 2006 over what MMS would have received if it had taken its royalties in value, or as cash payments from the producers. This follows previous revenue gains of \$18 million and \$32 million in Fiscal Years 2004 and 2005, respectively, translating to a more than \$78 million increase in Federal revenues since the RIK program became fully operation three years ago.

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