U.S. Department of the Interior
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# *NEWS RELEASE*

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## Energy, Interior Departments Begin Second Phase of Initiative to Transfer Royalty Oil to Nation's Strategic Reserve

The Department of Energy and the Department of the Interior today began the second phase of their joint initiative to add crude oil to the nation's emergency oil stockpile using royalty oil taken in kind from federal leases in the Gulf of Mexico.

The Energy Department issued a solicitation for offers to exchange up to 24 million barrels of royalty oil produced from federal offshore leases for crude oil to be delivered to the U.S. Strategic Petroleum Reserve. Offers are due on May 25, 1999.

"Our royalty oil initiative is off to a fast start, and for the first time in five years, oil is flowing into the Strategic Reserve and adding to our nation's energy security," said Energy Secretary Bill Richardson. "Now we are moving into the expanded, second phase of the initiative that will open the program to all lease holders and take as much as 100,000 barrels per day of royalty oil for the Reserve."

The Interior Department's Acting Assistant Secretary for Land and Minerals Management Sylvia Baca added, "We are glad to be able to provide more of our lessees in the Gulf of Mexico with the opportunity to participate in this program. Through the competitive bidding process we should be able to ensure that royalty oil is delivered to the Reserve at the lowest possible cost to the taxpayer."

The federal government expects to take a total of 28 million barrels of crude oil as payment of royalties due on oil produced from leases on the federally-owned Outer Continent Shelf. The oil would be added to the Strategic Petroleum Reserve to replace oil sold from the stockpile in fiscal years 1996 and 1997. The initiative to refill the Reserve was announced in February by Energy Secretary Richardson and Interior Secretary Bruce Babbitt.

In the first phase, agreements were reached with three of the largest crude oil producing companies in the Gulf of Mexico – Texaco, Shell, and BP-Amoco – to deliver approximately 3.5 million barrels of oil to the Reserve over the next three months. The first crude oil under this phase was received at the Reserve's Bayou Choctaw site in Louisiana last week.

In the second phase, the initiative will expand to include most of the federal oil leases in the Gulf of Mexico. The Energy Department and Interior's Minerals Management Service will conduct a competitive exchange in which royalty oil produced at the offshore platform will be offered for crude oil that meets the Reserve's specifications and may be delivered to any of four Reserve sites. The four sites are at Bayou Choctaw and West Hackberry in Louisiana or Big Hill and Bryan Mound in Texas.

Contracts are expected to be awarded by July 1, 1999, and initial deliveries of the royalty oil are expected to begin on or after August 1, 1999. The Energy Department expects to complete the delivery of exchanged oil to the Reserve no later than March 1, 2000.

Electronic copies of the solicitation can be obtained from the Strategic Petroleum Reserve - Project Management section of DOE's Web Site at www.spr.doe.gov. Questions on the solicitation should be directed to Rose Gaillard at (504) 734-4776, or Mike Waggoner at (504) 734-4444, or by e-mail to RIK9901@SPR.DOE.GOV.

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