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MMS Awards First Contracts to Deliver Royalty in Kind Oil for Fill of the Nation's Strategic Petroleum Reserve

The Minerals Management Service today announced the award of four contracts for the exchange of royalty in kind crude oil for delivery to the Department of Energy as part of a joint initiative to fill the remaining capacity of the nation's strategic petroleum reserve. The contracts involve some 60,000 barrels/day of royalty oil from federal offshore properties in the Gulf of Mexico.

Last November, President George W. Bush ordered that the SPR be filled to its capacity, calling the reserve "an important element of our nation's energy security." The SPR is estimated to require an additional 108 million barrels to bring it to its 700 million-barrel capacity.

The four initial contracts under this initiative were awarded to ChevronTexaco, Equiva, ExxonMobil, and Williams for a one-year term to exchange seven packages of offshore royalty oil in return for delivery at Gulf Coast market centers of similar quantities of crude oil to the Department of Energy. The DOE, in a coordinated, two-phase contracting effort, also announced today its award of a single contract to exchange crude oil delivered by MMS under the four contracts for similar quantities of crude oil to be used to fill the SPR sites.

"These awards are the result of MMS and DOE successfully working together, and also reflect a close working partnership between government and industry to rapidly respond to the President's directive in an effective and efficient manner," said Acting MMS Director Lucy Querques Denett. "We are pleased that this vitally important national initiative has commenced on such a positive and successful note." In its role, MMS is taking its oil royalties in kind, rather than cash, from offshore federal lease operators and delivering it to onshore oil market centers where DOE takes custody of the oil. In turn, DOE is exchanging the RIK oil for oil of suitable quality delivered to three SPR sites located in Texas and Louisiana.

Initial deliveries of RIK oil in April will be at a flow rate of 60,000 barrels per day. DOI and DOE are hoping to increase the flow rate later this year. Should this occur, both agencies will issue new solicitations for the additional volumes.

MMS is the federal agency 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 agency also collects, accounts for and disburses mineral revenues from federal and Indian leases. These revenues totaled nearly \$10 billion in 2001 and more than \$120 billion since the agency was created in 1982. Annually, nearly \$1 billion from those revenues go into the Land and Water Conservation Fund for the acquisition and development of state and federal park and recreation lands.

--MMS-20 Years of Service to America--

-MMS-

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