MMS RIK Program to Help Fill Strategic Petroleum Reserve

DENVER – The Department of the Interior’s Minerals Management Service (MMS) announced today that it had awarded contracts to five companies to transport Royalty in Kind (RIK) crude oil that will be used to resume filling the nation’s Strategic Petroleum Reserve (SPR) with approximately 9.2 million barrels of oil over the terms of the six-month contracts. Winning bidders are Chevron Products Company, Plains Marketing, ExxonMobil Oil Corp., Shell Trading Company, and Sempra Energy Trading.

The transportation contracts apply to an aggregation of crude oil royalties taken “in kind,” in the form of oil, rather than “in value” or cash payments, from federal offshore lease operators in the Gulf of Mexico.

The five contracts, awarded in early May, provide for the transport of 45,430 barrels per day from platforms in the Gulf of Mexico to onshore Gulf Coast market centers. In addition, the MMS will schedule the transport of 6,170 barrels per day to market, bringing the total to approximately 51,600 barrels per day that will be transferred to the U.S. Department of Energy (DOE).

The DOE will take custody of the oil at the onshore market centers, and exchange that oil for crude oil of suitable quality to be delivered to SPR sites in Texas and Louisiana. The six-month contracts call for delivery of the oil to begin July 1, 2007.

The SPR is one of the Nation’s primary means of assuring stability and security of America’s existing energy supply in the event of an unforeseen production or import disruption. Between 2002 and 2005, MMS and DOE worked cooperatively on a Presidential Directive to fill the SPR. During the fill initiative, MMS transferred over 112 million barrels of RIK oil at a value of $4.4 billion to the SPR. The current SPR Fill Initiative will add approximately 27 million barrels of crude to the SPR during the next 18 months.

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