

The NewsRoom

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Four Companies Win Gulf Oil Contracts

RIK Sale expected to generate \$318 million

DENVER – The Department of the Interior's Minerals Management Service (MMS) announced that more than 5.7 million barrels of crude oil from Federal leases in the Gulf of Mexico were sold to four companies as part of an unrestricted royalty-in-kind (RIK) sale.

The 5,796,550 barrels of crude oil, or 26,555 barrels per day, were sold in six or 12 month contracts with delivery scheduled to begin July 1, 2009. The crude oil will convert to more than 226 million gallons of petroleum products used as gasoline, diesel fuel, heating oil, jet fuel, heavy fuel oil, and other products.

If crude oil prices in the Gulf remain in the area of \$55 a barrel, the sale will equate to more than \$318 million in total gross revenue. Actual revenue will vary based on crude oil prices over the life of the contracts.

Four companies were awarded contracts: ConocoPhillips Inc., Gary-Williams Energy Corp., Sempra Energy Trading, and Shell Trading US Company.

The sale was conducted under the MMS's royalty-in-kind authority, which allows MMS to take its royalties in the form of product, instead of in the form of a cash payment. The MMS then competitively sells the product on the open market in an effort to ensure a fair return on the public's royalty assets, improve government efficiencies, reduce regulatory costs, and shorten the compliance cycle.

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