

The NewsRoom

Release: #3617

Date: February 26, 2007

Six Companies Awarded RIK Crude Contracts

DENVER - More than 7.1 million barrels of Royalty in Kind (RIK) crude oil and condensate from Federal leases in the Gulf of Mexico and the Pacific Outer Continental Shelf have been sold to six companies as part of an RIK sale, the Department of the Interior's Minerals Management Service (MMS) announced today.

The sale was conducted as part of the MMS's Royalty in Kind program, which allows MMS to take its royalties "in kind," in the form of product, instead of "in value," in the form of cash payments. MMS then competitively sells the product in the open marketplace, selecting the time and location of the sale that will provide the maximum benefit to the American public. The RIK program continues to improve government efficiencies, reduce regulatory costs and reporting requirements, shorten the compliance cycle, and return a fair value on the public's royalty assets.

The contracts awarded as part of the February sale provide for approximately 7.16 million barrels of crude, or 41,750 barrels per day. Delivery is scheduled to begin April 1, 2007. The crude oil will convert to more than 293 million gallons of petroleum products, including gasoline, diesel fuel, heating oil, jet fuel, heavy fuel oil, and other products.

Those companies that submitted winning bids were Chevron Products Company, Citadel Investment Group, ExxonMobil Oil Corp., Marathon Petroleum Co., Plains Marketing, and Shell Trading Company. The majority of contracts were for 3-month terms, with additional contracts awarded for 6- and 12-month terms.

The oil sold in this unrestricted sale involves an aggregation of crude oil taken from offshore Federal leases in the Gulf of Mexico and the Pacific Outer Continental Shelf.

Begun as a pilot program 10 years ago, the Royalty in Kind program has become a fully operational program that increases receipts to the American public. In FY 2004, receipts to the Treasury were increased by \$18 million and again increased by \$32 million in FY 2005 through the RIK program, over what would have been taken in as royalties as cash payments.

Media Contacts:

Patrick Etchart