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MMS Completes RIK Sale of Gulf of Mexico Crude Oil to Small Refiners

The U.S. Department of the Interior's Minerals Management Service awarded three contracts for nearly 11 million barrels, worth an estimated \$275 million (calculated at \$25 per barrel) in Royalty in Kind Crude Oil to small refiners during the next six months.

Placid Refining Company of Port Allen, Louisiana; Gary-Williams Energy Corporation of Denver, Colorado; and U.S. Oil and Refining Company of Los Angeles, California were the successful bidders in the RIK sale for crude oil in the Gulf of Mexico.

Placid Refining is scheduled to accept about 25,000 barrels per day; Gary-Williams Energy will take 15,600 and U.S. Oil and Refining will take nearly 20,800 barrels. Transfer of oil to these refiners is scheduled to begin April 1, 2000.

The contracts can be extended for additional time, in increments of six months if parties are amenable to continuation.

While royalty payments are usually made in cash, the MMS may also take its royalty percentage "in kind"-in actual products. Royalty-In-Kind oil is oil accepted in lieu of cash royalties from companies producing oil on leases located on federal onshore and offshore lands.

This sale was a follow up to an October 1999 sale which involved RIK oil on the Pacific Coast and was worth about \$50 million during its first six months.

The RIK program was initiated by the Department of the Interior to assure small, independent refiners access to an adequate supply of equitably-priced crude oil.

"In a highly competitive market, small refiners are not always successful in procuring enough crude to assure a dependable production stream," explained Royalty Management Program spokesman Michael Baugher. "When a need is determined by the Secretary of the Interior, MMS conducts a sale of RIK oil to eligible independent refiners. MMS conducted sales in 1983, 1987, 1994 and 1999."

MMS is the federal agency that manages the Nation's natural gas, oil and other mineral resources on the Outer Continental Shelf, and collects, accounts for and disburses about \$4 billion yearly in revenues from offshore federal mineral leases and from onshore mineral leases on federal and Indian lands.

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