

The NewsRoom

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Contracts Aim to Complete Strategic Petroleum Reserve Fill Initiative

More than 92,000 barrels of royalty-in-kind crude oil will be delivered per day to the nation's SPR, resulting in the expected completion of the current administration's initiative to fill the reserve to the 700-million-barrel capacity in the summer 2005 timeframe.

The deliveries, which are in the form of exchange contracts, will take place over six months and begin April 1, 2005, as announced today by the Minerals Management Service.

"Completing the current initiative to fill the SPR helps the nation meet its commitment to maintain emergency oil stocks and support national objectives for energy security," said MMS Director Johnnie Burton. She noted that the Royalty in Kind program provides an efficient and cost-effective means to fill the reserve.

The exchange contracts involve aggregation of crude oil royalties taken "in kind" (in the form of oil), rather than in value (cash), from offshore federal lease operators in the Gulf of Mexico. That oil is delivered to the U.S. Department of Energy at onshore market centers, where DOE enters into additional exchanges for crude oil of suitable quality delivered to SPR sites in Texas and Louisiana.

Contracts in the latest MMS exchange sale were awarded to ChevronTexaco Products Company in Houston, Texas; Shell Trading US Company in Houston; and ExxonMobil Oil Corp. headquartered in Virginia. The companies will provide more than 80,000 barrels a day of royalty crude oil, with MMS delivering approximately 12,500 barrels per day directly to DOE at onshore market centers.

The SPR is the world's largest supply of emergency crude oil, with the federally owned oil stocks stored in huge underground salt caverns along the coastline of the Gulf of Mexico.

The MMS and the DOE began the current fill initiative in April 2002 and anticipate that the 700-million-barrel capacity will be reached in the summer of 2005. As of early February 2005, the current inventory in the SPR is more than 681 million barrels of oil.

MMS, part of the U.S. Department of the Interior, oversees 1.76 billion acres of the Outer Continental Shelf, managing offshore energy and minerals while protecting the human, marine, and coastal environments through advanced science and technology research. The OCS provides 30 percent of oil and 23 percent of natural gas produced domestically, and sand used for coastal restoration. MMS collects, accounts for, and disburses mineral revenues from Federal and American Indian lands, with Fiscal Year 2004 disbursements of approximately \$8 billion and more than \$143 billion since 1982. The Land and Water Conservation Fund, which pays for acquisition of state and federal park and recreation land, gets nearly \$1 billion a year.

Relevant Web Sites:

[MMS Main Website](#)

Media Contacts:

[Patrick Etchart](#)

(303) 231-3162