

The NewsRoom

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Unrestricted RIK Crude Oil Sale Draws Strong Bids

DENVER - More than 97,000 barrels a day of Royalty in Kind crude oil from the Gulf of Mexico has been sold to six companies as part of an unrestricted sale conducted by the Department of the Interior's Minerals Management Service.

The contracts announced today, for a total of 97,265 barrels per day, are for six-month terms with delivery scheduled to begin Oct. 1, 2005. Winning bidders include Chevron Products Company, ExxonMobil Oil Corp., Morgan Stanley Capital Group Inc., Sempra Energy Trading, Shell Trading Company, and Plains Marketing.

Included in this sale was RIK oil that had previously been exchanged as part of recent efforts to fill the Strategic Petroleum Reserve (SPR) to its 700-million-barrel capacity. MMS completed its last exchanges as part of the administration's SPR fill initiative in July, freeing up a portion of that oil for the unrestricted sale. The sale also included production from leases within the 8(g) zone offshore the State of Louisiana, which joined MMS through a Memorandum of Understanding in a joint state-federal partnership.

While a total of 98,585 barrels per day were offered in this sale, bids on a small portion of the oil were not accepted after it was determined that a better return for taxpayers could be achieved by taking the royalties in value (as cash payments).

The oil sold in the unrestricted sale involves an aggregation of crude oil royalties taken "in kind," in the form of oil, rather than in value or cash payments, from offshore Federal leases in the Gulf of Mexico. The oil is then competitively sold in the open marketplace. The RIK program, in its first full year as an operational program following earlier pilot programs, aims 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.

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. The OCS provides 30 percent of oil and 21 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, and contributes to the Land and Water Conservation Fund and other special use funds, with Fiscal Year 2004 disbursements of approximately \$8 billion and more than \$143 billion since 1982.

Relevant Web Sites:

[MMS Main Website](#)

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[MMS: Securing Ocean Energy & Economic Value for America](#)
U.S. Department of the Interior