



# NEWS

---

---

---

## U.S. Department of the Interior

---

### *NEWS RELEASE*

---

**FOR RELEASE:**

November 13, 2001

**CONTACT:** Mark Pfeifle  
John Wright  
202-208-6416

### **Interior Supports Royalty In Kind to Strengthen Long-Term Energy Security and Fill Strategic Petroleum Reserve**

**(WASHINGTON)** - Secretary of the Interior Gale Norton today announced that the Interior Department will assist in the administration initiative to fill up the Strategic Petroleum Reserve. Interior will transfer royalty oil taken in kind from federal leases in the Gulf of Mexico.

“Using royalty in kind to help fill up the Reserve is an important component of the administration’s overall strategy to improve our nation’s long-term energy security. We look forward to working with Secretary Abraham and the Energy Department to implement this vital initiative,” Secretary Norton said.

Secretary Norton has directed Deputy Secretary Steve Griles to work with the Minerals Management Service to begin implementing the transfer as quickly as possible. International events may disrupt the supply of oil at any time, making this program critical for helping protect the country from any such events.

The president’s National Energy Plan recommended that the administration consider transferring Gulf of Mexico royalty oil to the SPR to increase the size of the reserve. The SPR would need another 108 million barrels of oil to fill to its capacity of about 700 million barrels.

Lands and offshore waters managed by the Department of the Interior account for 30 percent of the energy produced in the United States. MMS is responsible for collecting royalties. MMS has traditionally collected royalties from federal oil and gas leases in cash, but, in 1998, it started testing the effectiveness of collecting royalties in kind. This has proven to be an effective tool for royalty collections.

Currently, MMS is taking about 100,000 barrels per day of royalty oil in kind, about half of which is sold to the nation’s small refiners. The small refiner program will continue, and all existing contracts will be honored. MMS expects to start deliveries of 60,000 barrels per day in April 2002 and expects the transfer to grow to 130,000 barrels per day by October 2002.

This is the second time that Interior has transferred oil to the SPR. In 1999 and 2000, MMS transferred 28 million barrels to the Department of Energy for use in adding to the reserve.

-MMS-

MMS Internet website address: <http://www.mms.gov>