

The NewsRoom

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MMS Publishes Notice Announcing end of RIK Small Refiner Program

Continues Phasing out RIK Program

DENVER – The Department of the Interior's Minerals Management Service (MMS) today published a Federal Register Notice announcing the end of the Royalty in Kind (RIK) Small Refiner Program. The Program will be discontinued when current contracts expire at the end of Fiscal Year 2010.

"This is an administrative step as we continue to phase out the various elements of the Royalty in Kind program," said MMS Director Liz Birnbaum. "We are meeting all of our contractual obligations and will ensure the termination of this program is completed in an orderly manner."

On September 16, 2009 Secretary Salazar announced that he would be reforming and restructuring the Department's management of U.S. energy resources, starting with the termination of the Royalty in Kind program, which accepted oil and natural gas from producers in lieu of cash royalties. After a thorough review of the Royalty in Kind program, he announced a phasing out of the program and an orderly transition over time to a more transparent and accountable royalty collection program.

Participation in the program has been declining since the 1980s. In the mid-1980s, MMS had 60 RIK contracts for small refiners, while six contracts were in place in 1999. Today, only two companies are participating in the Small Refiner Program, and there is evidence these refiners are able to access adequate supplies of crude oil from other sources.

The Federal Government initially established its program to sell royalty oil to small refiners in 1976 to provide small refiners with access to adequate supplies of crude oil at equitable prices. Under the Small Refiner Program, MMS took its royalty portion of production from one or more Federal leases "in kind," or as product, and then sold the crude oil to a qualifying small refiner through competitive sales.

The Federal Register Notice can be accessed via the web at: http://www.federalregister.gov/OFROUpload/OFROData/2010-07032_P1.pdf.

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