

The NewsRoom

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MMS Small Refiner Program to Continue

Determination Concludes Need Still Exists

DENVER – The Minerals Management Service (MMS) announced today it will continue with sales restricted to small refiners as part of its Royalty-in-Kind (RIK) program.

The “Small Refiner Program” provides access to crude oil supplies for domestic refining companies with fewer than 125,000 barrels per day refining capacity and 1,500 employees. The program is currently operating at a level of approximately 30,000 barrels per day in the Gulf of Mexico.

By law, MMS has the authority to take its royalties “in value,” as a cash payment, or “in kind” as actual product, and then resell that product in the competitive marketplace. The law authorizes the Secretary of Interior to grant preference in the sale of royalty oil accruing to the United States from its oil and gas leases to small refiners not having their own supply of crude oil when sufficient supplies of oil are not available in the open market.

“In today’s extremely tight market and high fuel prices, it is important that we do all we can to encourage the ability for all refiners to operate efficiently,” said Randall Luthi, Director of MMS. He noted that many of these small refiners face market challenges in locating and acquiring adequate crude oil supplies, which places them at a competitive disadvantage to larger refiners. In many cases, Luthi added, these small refiners provide specialized capabilities, including producing jet fuel for use by Department of Defense installations.

MMS published a Federal Register notice in January 2008 soliciting comments on the program from the general public, interested parties, and small refiners. The comments received generally supported the need for MMS to continue the program.

As a result of the determination of need, MMS has scheduled its next sale of Federal royalty oil for eligible small refiners on Aug 6, 2008. Additional information about the sale, as well as the determination of need regarding the program, can be accessed via the web at: <http://www.mrm.mms.gov>, or <http://www.mrm.mms.gov/whatsnew.htm>.

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