



**U.S. Department of the Interior
Minerals Management Service
Office of Communications**

NEWS RELEASE

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**MMS TO DETERMINE
IF ROYALTY-IN-KIND OIL FOR SMALL REFINERS IS NEEDED**

The U.S. Department of the Interior's Minerals Management Service (MMS), is initiating a Determination of Need process to help decide if there should be a sale of federal government royalty oil under its small refiner Royalty-In-Kind (RIK) program.

While royalty payments are usually made in cash, the MMS may also take its royalty percentage "in-kind" such as in actual products. In-kind oil is accepted in lieu of cash royalties from companies producing oil from leases located on federal onshore and offshore lands.

An RIK program for small refiners was initiated by the Department of the Interior to assure small, independent refiners of an adequate supply of equitably-priced crude oil. MMS conducted sales in 1983, 1987 and 1994. Existing RIK contracts expire May 1, 1999. A Determination of Need is not an indication of a pending sale but the first step in identifying general marketplace conditions. The information gathered will be used to assist the Secretary of the Interior in making a determination about a sale.

"In a highly competitive market, small refiners are not always successful in procuring enough crude to assure a dependable production stream," explained MMS Director Cynthia Quarterman. "When needed, MMS conducts a sale of RIK oil to eligible independent small refiners and over the years, the small refiner RIK program has been an important source of crude oil for many refiners."

Recipient refiners pay for the oil at a fair-market price, providing the federal government with no less than it would have received had it accepted cash royalty payments. Additionally, recipient refiners pay costs of operating the program through administrative fees.

"The preservation of small businesses and the jobs they create is one of this Administration's primary goals," said Quarterman. "Making royalty-in-kind oil available to small refiners is a means to help accomplish this objective."

In the December 9, 1998, *Federal Register*, the MMS is requesting comments and written responses to 13 questions from small and independent petroleum refiners, as well as other interested parties, regarding

pricing and access to crude oil. Responses for official consideration must be submitted by January 25, 1999, to Tom Brozovich, Minerals Management Service, Royalty Management Program, P.O. Box 25165, MS 3131, Denver, Colorado 80225-0165; or by E-mail to thomas.brozovich@mms.gov. He may also be reached by telephone at (303)231-3351 for additional information.

MMS is the federal agency that manages the Nation's natural gas, oil and other mineral resources on the Outer Continental Shelf, and collects, accounts for and disburses about \$6 billion yearly in revenues from offshore federal mineral leases and from onshore mineral leases on federal and Indian lands.

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