

DEPARTMENT OF THE INTERIOR

Minerals Management Service

1983 Sale Offerings to Eligible U.S.
Refiners of Royalty Oil Available From
Federal Offshore and Onshore Leases

AGENCY: Minerals Management Service,
Interior.

ACTION: Notice of 3 Sale Offerings of
Available Royalty Oil.

SUMMARY: The Minerals Management Service (MMS) of the Department of the Interior (DOI) is giving notice that it will conduct sales of both offshore and onshore royalty oil. The sales, to be conducted in three parts this fall, will include approximately 115,000 barrels of offshore crude oil and 35,000 barrels of onshore crude oil. This notice details the procedures which must be followed by applicants for participation in the three sale offerings.

DATES: Completed applications must be received by close-of-business (c.o.b.) on the following application dates for the respective sale dates:

Sale No.	Application Date	Sale Date
83-1	Sept. 16, 1983	Oct. 5, 1983
83-2	Oct. 14, 1983	Nov. 6, 1983
83-3	Nov. 15, 1983	Dec. 7, 1983

Excepts for good cause shown, applications received after the application dates will be rejected.

ADDRESS: Application forms for the contract purchase of Royalty-In-Kind (RIK) oil may be obtained from Minerals Management Service, Payor Accounting Branch, P.O. Box 5760 T.A., Denver, CO 80217. Completed applications should be returned to the same MMS office; the telephone number is (303) 231-3133. All sales will be held at the Denver Federal Center, Building 25, Room B1902, Lakewood, Colorado. Sales will commence at 9:00 a.m. local time.

FOR FURTHER INFORMATION CONTACT:
RIK Sale Coordinator Dennis Whitcomb at
(303) 231-3432.

SUPPLEMENTARY INFORMATION:**A. Royalty Oil Sale From Federal
Offshore Leases**

Pursuant to the provisions of the Outer Continental Shelf Lands Act, as amended, 43 U.S.C. 1353, and 30 CFR Part 262 (formerly 10 CFR Part 391 which was transferred and redesignated in 48 FR 1181, January 11, 1983), the Secretary of the Interior, in consultation with the Secretary of Energy, has determined that small refiners do not have access to adequate supplies of crude oil at equitable prices. Accordingly, Sale No. 83-1 for royalty crude oil produced on the Outer Continental Shelf (OCS) will be limited to small refiners (as defined in 30 CFR 262.102) and will be conducted pursuant to the provisions of 30 CFR 262.110(b).

As MMS stated in the **Federal Register** of January 14, 1983 (48 FR 1833): Notice of Intent to Revise Timing of U.S. Royalty Oil Sales from Federal Offshore and Onshore Leases; request for comments), available royalty oil will be offered in separate sales, based on geographical regions. For Sale No. 83-1, RIK oil from Federal leases in the OCS regions of the Gulf of Mexico and the Pacific Coast will be sold under contracts beginning January 1, 1984, with an expiration date of January 1, 1985. Approximately 100,000 barrels per day from the Gulf OCS region and 15,000 barrels per day from the Pacific OCS region will be offered in this sale to qualified applicants. The effective beginning date of subsequent royalty oil contracts for production from these regions will be January 1, 1985, and every 3 years hereafter.

MMS is holding the sale at the Denver Federal Center in Lakewood, Colorado, as early as is consistent with giving adequate notice and information to qualified applicants. Before the sale, an information package will be sent to every applicant who has filed a timely application with MMS. The package will include such pertinent data as: (1) The lease locations, oil quality, and approximate quantities of oil by lease; (2) a copy of the Federal oil contract; (3) a statement on the contract award process and billing procedure; and (4) sale arrangements such as the date, location, and time of the sale.

Applications for Sale No. 83-1 should be filed in triplicate and must contain the information required in 30 CFR 262.140. In addition, the application should specify the date of the sale, the sale number and the telephone number of the refiner.

If the available OCS royalty oil is insufficient to satisfy the requirements of all small refiners who have made application, the oil will be prorated among all such refiners and a lottery will be held for purposes of selecting available leases. Additional information on the allocation

process will be made available prior to and at the time of the sale.

**B. Royalty Oil Sales From Federal
Onshore Leases**

Pursuant to 30 U.S.C. 192, the Secretary of the Interior has determined that sufficient supplies of crude oil are not available in the open market to refiners not having their own source of supply for crude oil. Accordingly, such refiners will be given a preference in sales of onshore Federal crude oil in Sales No. 83-2 and 83-3.

Sale No. 83-2 includes RIK oil from Federal leases in the States of Alaska, Arizona, California, Idaho, Nevada, New Mexico, Oklahoma, Oregon, Texas, and Washington and will be sold under contracts beginning February 1, 1984, with an expiration date of January 1, 1986. Approximately 15,000 barrels per day will be offered in this sale to qualified applicants. The effective beginning date of subsequent royalty oil contracts for production from these 10 States will be January 1, 1986, and every 3 years thereafter.

Sale No. 83-3 includes RIK oil from Federal leases in all other States and will be sold under contracts beginning March 1, 1984, with an expiration date of January 1, 1987. Approximately 20,000 barrels per day will be offered in this sale to qualified applicants. The effective beginning date of subsequent royalty oil contracts for this region will be January 1, 1987, and every 3 years thereafter.

MMS is holding the sales at the Denver Federal Center in Lakewood, Colorado, as early as is consistent with giving adequate notice and information to qualified applicants. Before the sale, an information package will be sent to every applicant who has filed a timely application with MMS. The package will include such pertinent data as: (1) The lease locations, oil quality, and approximate quantities of oil by lease; (2) a copy of the Federal oil contract; (3) a statement on the contract award process and billing procedures, and (4) sale arrangements such as the date, location, and time of the sale.

This offering is made pursuant to the regulations set forth in Title 30 CFR Part 225, with a modification in the definition of the term "eligible refiner." The definition of an "eligible refiner" is no longer appropriate in accordance with the decision of the U.S. District Court for the District of New Mexico in *Plateau, Inc. v. Department of the Interior*, and which subsequently was sustained on appeal by the Tenth Circuit Court of Appeals. The effect of that decision is to alter the

criteria previously used in determining which applicants are qualified to purchase royalty oil from onshore Federal leases. For this sale "eligible refiner" will conform to the Court's limitation to a refiner that does not have its own source of crude oil. The Department interprets the Court's decision to mean that an "eligible refiner" is a refiner not having its own source of supply for its crude oil needs, and consequently for purposes of these sales is adopting the definition of an independent refiner formerly found in the Department of Energy regulations, 10 CFR 211.51 (1980).

All other provisions of the DOI regulations in 30 CFR Part 225 which require the applicant to qualify as a small business under the rules of the Small Business Administration similarly are negated. However, the definition of a "preference eligible refiner" is not affected by the *Plateau* decision. The Secretary of the Interior, in the exercise of the discretionary authority granted him by 30 U.S.C. 192, has elected to continue this geographic preference in the award of onshore Federal royalty oil contracts resulting from this offer. Thus, a preference will be granted to a refiner who applies to purchase onshore royalty oil produced in a designated area for use in its refinery located in the same geographical area. MMS has designated 6 onshore "preference" areas for this purpose as follows:

1. Alaska area includes the State of Alaska.
2. Western area includes the States of Arizona, California, Idaho, Nevada, Oregon, and Washington. Refineries located in Hawaii will also be given preference for oil produced in the Western area.
3. South Central area includes the States of New Mexico, Oklahoma, and Texas.
4. Central area includes the States of Kansas and Nebraska.
5. North Central area includes the States of Colorado, Montana, North Dakota, South Dakota, Utah, and Wyoming.
6. Eastern area includes all other States in which qualified RIK applicants have refineries.

Application for Sales No. 83-2 and 83-3 should be filed in triplicate and must contain the information requested in 30 CFR 225.5. In addition, the application should specify:

1. The sale number and date of sale;
2. a listing of current royalty oil contracts, if any; and
3. a self-certification that the applicant is an eligible refiner.

C. General Information

Applicants are advised that Pub. L.96-451 provides civil and criminal penalties for false or inaccurate reporting. Applicants are also cautioned to provide adequate detail on each item in the application to preclude rejection of the application from further consideration.

Accordingly, any questions on the application should be directed to the MMS office providing the application.

An otherwise eligible refiner will not be permitted to participate in a royalty sale if, at the time of the sale, that refiner is in arrears on payments owed (including interest) under a previously awarded royalty oil contract.

A purchase of Federal royalty oil will be required to furnish a surety bond or an irrevocable straight letter of credit acceptable to MMS, 45 days prior to the effective date of the contract. The surety must be in an amount as designated by MMS which will approximate the value of Federal royalty oil that could be taken by the purchaser in a 90-day period. If a letter of credit is furnished, it must be maintained by the purchaser for the term of the contract plus 180 days or for whatever additional period of time MMS may specify.

Dated: July 20, 1983

Lucy R. Querques,

Acting Associate Director for Royalty Management, Minerals Management Service

[Fr Doc. 83-20206 Filed 7-25-83; 8:45 am]
Billing Code 4310-MR-M

