

**MINERALS MANAGEMENT SERVICE
MINERALS REVENUE MANAGEMENT
ROYALTY IN KIND**

**INSTRUCTIONS FOR PRE-QUALIFICATION
RIK CRUDE OIL SALES**

This document provides pre-qualification instructions to potential purchasers or exchange partners of Federal crude oil offered by MMS under its RIK programs in the Gulf of Mexico Outer Continental Shelf (OCS), including the Strategic Petroleum Reserve, Wyoming, and the Pacific OCS. Only pre-qualified companies will be allowed to bid on RIK crude oil offered for sale.

The pre-qualification process consists of three steps: (1) submitting financial statements and other documents detailing your company's financial conditions; (2) submitting supporting information illustrating your company's operations as an experienced and responsible purchaser of crude oil in the market area where you will be bidding (if not already provided in the financial statements), and (3) executing a signed copy of MMS's Base Contract – RIK Crude Oil General Terms and Conditions.

Financial Documentation

Financial documentation must demonstrate your company's creditworthiness. Company annual reports or financial statements should reflect the most recent fiscal year for your company, including any current financial assessments, and be accompanied by an independent auditor's report. Additional supporting information should include Securities and Exchange Commission filings, Standard & Poor's or Moody's debt ratings, published credit ratings, or other demonstrative financial information. Also, please provide the DUNS Number assigned to the company you wish to pre-qualify and relevant points of contact.

Please Note: Company financial and proprietary information will be kept confidential pursuant to 43 CFR § 2.13(c)(4).

If the corporate entity submitting the bid is different than the company for which financial documentation is provided and pre-qualification is approved, a parent guaranty also must be provided by the time the bid is submitted for the bidding entity to pre-qualify. A sample format of the parent guaranty can be found at <http://www.mrm.mms.gov/rikweb/PDFDocs/guaranty.pdf>. In situations involving joint ventures, subsidiaries, affiliates, or other corporate relationships, please be specific as to which company will be participating in the RIK program, which company will be held financially responsible, and the overall relationships of each company within the

corporate structure. Any questions regarding acceptable financial documentation should be directed to the MMS RIK office specified below.

In addition to the above requirements, **small refiners** must complete and submit Form MMS-4070, Application for Purchase of Royalty Oil, which demonstrates eligibility to participate as a qualified small refiner. This form may be found under MMS's form website at www.mrm.mms.gov/ReportingServices/Forms/Forms.htm.

Responsibility

If not detailed in the financial statements, you must provide a brief statement describing your company's operations in marketing, trading, brokering, transporting, refining, hedging, or other activities related to the disposition of crude oil. Your statement should include details about the size and/or volume of your transactions and the length of time your company has engaged in these activities.

Signed Contract

After notification from MMS that your company meets the financial criteria to bid on RIK crude oil, you must agree to and sign a copy of MMS's RIK Crude Oil General Terms and Conditions (GT&C). We must receive a signed GT&C no later than submittal of your bid for crude oil purchase. A copy of this contract can be found under MMS's RIK website at www.mrm.mms.gov/rikweb/Default.htm. This contract will govern the general terms and conditions of all Federal crude oil sales. Pricing, bidding, sales points, volume, and other information relative to specific crude oil sales will be provided to pre-qualified potential purchasers in individual Invitations for Offer.

General Instructions

After MMS has evaluated your company's creditworthiness, MMS will notify you of its findings. These findings will specify whether your company qualifies for bidding and what the amount of unsecured credit MMS is willing to extend to your company. Credit must be sufficient to cover 60 days worth of production for outright sales and 30 days for exchanges, such as the Strategic Petroleum Reserve. For bids exceeding the amount of unsecured credit, your company must agree to post a Letter of Credit, Bond, or other MMS-acceptable surety instrument to cover the excess amount to meet the 60- or 30-day requirement. MMS is willing to consider various forms of secured credit and encourages potential bidders to make offers to MMS regarding acceptable instruments. Please contact one of the MMS representatives specified below for more information regarding surety requirements. Use the address below to submit financial information.

MMS Points of Contact

Mailing address:

Minerals Management Service
Royalty In Kind
Attn: Mid Office Operations
P. O. Box 25165, MS 330B2
Denver, CO 80225-0165

Overnight Delivery:

Minerals Management Service
Royalty In Kind
Attn: Mid Office Operations
Building 85, Denver Federal Center
6th and Kipling
Denver, CO 80225

Questions Regarding Surety:

Larry Cobb (303) 231-3307

John Gansert (303) 231-3334

PAPERWORK REDUCTION ACT STATEMENT: The Paperwork Reduction Act of 1995 requires us to inform you that the information being collected under this solicitation is necessary to document fulfillment of royalty obligations and sales of minerals from leases on Federal offshore lands. We will use this information to evaluate bids on sales of royalty production. The estimated burden to report is approximately one hour per financial statement. Suggestions on reducing this burden should be directed to the Information Collection Clearance Officer; Minerals Management Service; 1849 C Street, N.W.; MS4230, Washington, DC 20240. Proprietary information submitted to the U.S. Department of the Interior is protected in accordance with standards established by the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1733), The Freedom of Information Act [5 U.S.C. 552(b)(4)], and the Departmental Regulations (43 CFR 2). Storage of such information and access to it are controlled by strict security measures. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number.