

STRATEGIC PETROLEUM RESERVE  
RIK PHASE IVb Solicitation  
DE-RP96-08PO54910  
QUESTIONS & ANSWERS

1. Question: In what instances would the DOE suspend this offer for exchange of royalty oil? i.e. if it were determined that the current price environment made it a bad time to fill, who would be the acting force to stop it?

Answer: The Secretary of Energy has made clear that the Department does not intend to suspend this solicitation for exchange of royalty oil for ultimate delivery to the SPR. The fill rate of 70,000 barrels per day is still less than one-tenth of one percent of the 85 million barrels per day world oil market. The SPR Office assessed the market, as required by its published acquisition procedures, concluding that the proposed method of acquisition and the quantities involved would not unduly exacerbate market conditions and that the benefits derived from incrementally increasing the size of the Strategic Petroleum Reserve outweigh the exposure to market price risk.

2. Question: Item C.2.a.1 describes the measurement location for deliveries through Sun terminal to West Hackberry. I am concerned with this as deliveries through Sun always is through hot-tanking. The amount delivered off the ship will never be equal to the volume through the DOE meter. Some volume of oil will be left in the tank. How does the successful contractor recover the value of the oil that doesn't get delivered out of the tank? Can't the DOE control the tankage, and then just use the Sun dock meter as the measurement point? Then there would not be a problem with any oil left in the tank - it would be the DOE's oil.

Answer: As indicated in the solicitation the contractor must coordinate with the terminals/pipeline operators for delivery into the SPR sites. Therefore, communication is essential dealing with these parties in understanding upfront how tank bottoms will be handled. The DOE meter skid at the Sun Terminal is considered to be the optimum custody transfer/measurement point since there doesn't have to be multiple custody/measurement transfer points depending on the method of delivery, i.e. vessel or pipeline, into Sun.

3. Question: Since Forties is no longer acceptable sweet crude for delivery into the SPR can it be consider as acceptable sour crude?

Answer: Yes, Forties does qualify as acceptable sour crude.

4. Question: Under section A.8, there is mention of an administrative fee. Can the DOE indicate the range of costs of this fee?

Answer: The administrative fee for each crude substitution request is approximately \$2,000.

5. Question: For the current offer for royalty exchange barrels, we have a question regarding the 3<sup>rd</sup> party inspection of the barrels being delivered to the spr. Will they be available to test the crude 24/7, whenever our vessel would arrive, or is it possible it will have to wait for the inspector to pull / test samples?

Answer: Third party inspector and laboratory testing is contracted for availability 24/7. Vessel sampling is conducted once vessel is all fast at the disport dock.

6. Question: Why do major oil companies have to put up offer guarantee(s) versus a corporate commitment letter?

Answer: Everyone must be treated equally. It wouldn't be equal requiring some to incur guarantee costs and not others.

7. Question: Regarding item C.1, receipt of royalty oil at the market center. In previous solicitations, the royalty oil that the DOE contractor received from the MMS was nominated on about the 21st of the month prior to delivery of the oil. With limited exceptions, that volume did not change. Now, the MMS has stated that these delivery volumes will be subject to change at any time during or after the delivery month.

That will leave the DOE contractor subject to volume changes on any grade of oil at any time up to and including the point at which the volumes are finally documented, which means sometime after the 10th of the month following delivery. Technically, these changes could occur months later if the MMS so desires?

Also, can the DOE confirm that these volume changes will be communicated to the DOE contractor promptly? And that there will be a date after which no volume changes will be allowed?

Answer: All the issues raised are outside the purview of the SPR. We work on a continual basis with the MMS to ensure the DOE contractor(s) receives data as soon as possible.

8. Question: Provide the status of the following crudes for acceptability for delivery to the SPR: Forties, Kissanje, Girassol, Azeri, Cabinda, Plutonio, Southern Green Canyon and Cold Lake.

Answer: Forties is not acceptable as sweet crude, however it is acceptable as sour. Kissanje and Girassol are acceptable on a provisional basis meaning should the first cargo's quality characteristics fall outside the SPR specifications the

crude will no longer be acceptable for delivery into the SPR. Azeri is acceptable crude for delivery into the SPR. Cabinda, Plutonio, Southern Green Canyon and Cold Lake are unacceptable crudes for delivery to the SPR.