



Department of Energy
Strategic Petroleum Reserve Project Management Office
900 Commerce East
New Orleans, Louisiana 70123

July 30, 2004

TO PROSPECTIVE OFFERORS:

**AMENDMENT 001 TO REQUEST FOR OFFERS ON DE-RP96-04PO54700 FOR
EXCHANGE OF ROYALTY OIL**

This is Amendment 001 to the subject solicitation incorporates the following changes:

- Substitute Page 9 (amended 7/30/04) which incorporates Provision A.7.g. which addresses "freewater" and replace the original Page 9.
- Substitute Page 20 (amended 7/30/04) which deletes words "at Sun" from C.3.b.(2) and replace the original Page 20.
- Substitute attached revised Exhibit A (amended 7/30/04) as a result of a change in volume receipt for Mars at the Clovelly market center for the original Exhibit A.

The closing date for receipt of offers remains August 3, 2004, at 1100 hours (11:00 a.m.) local New Orleans, Louisiana time.

Sincerely,

A handwritten signature in black ink, appearing to read "M. G. Waggoner".

M. G. Waggoner
Contracting Officer

Enclosure

Note: The quality differential adjustments for the exchange oil delivered by the Contractor to the DOE will only apply in those instances wherein the quality of the crude oil being returned to the Government is below that of the exchange oil to be delivered to the Government listed in the Contractor's award. Specifically, the Government shall not be liable for any quality increase of the Contractor's exchange oil that is above the crude oil quality specifications listed in the contract for the Contractor's return of exchange oil.

- c. The allowable variations from the contracted quality are as follows:

<u>Quality Characteristics</u>	<u>Sour</u>	<u>Sweet</u>
API° Gravity	- 0.5	- 0.5
Sulfur - Mass, %	+ 0.20	+ 0.10

- d. Where practicable, to avoid monetary adjustments, the quality adjustments shall be paid in crude oil based on the following rates:

(1) API Gravity: Adjustment for Sour crude oil is 1.5¢ per barrel for each 1/10th degree (0.1°) decrease in API Gravity by which the allowable variation set forth above is exceeded. Adjustment for Sweet crude oil is 2¢ per barrel for each degree (1.0°) decrease in (API) Gravity, or part thereof, by which the allowable variation set forth above is exceeded.

(2) Total Sulfur: 1.0¢ per barrel for each 1/100th percent (0.01%) increase in total sulfur by which the allowable variations set forth above are exceeded.

- e. If the exchange oil delivered to the DOE falls below the minimum specification for API Gravity, or above the maximum specification for sulfur, as defined in Exhibit F, a quality differential adjustment will be applied, in accordance with Paragraph A.7.d., without a variance allowance on that portion exceeding the specification limit.
- f. If delivery of the crude oil to the SPR is made using the Contractor's tankage containing dissimilar oil characteristics, quality determination will be made, at the Government's option, using the test results from the destination SPR site delivery point.
- g. There is a limit of 0.1% freewater on delivery to the SPR as measured either by contractor's shore tank or on the vessel prior to discharge into tanks designated for DOE receipts. The inspector's gauges, witnessed by the DOE representative, found on the vessel at the dock facility or terminal shore tank will be the method used to determine the final free water barrel amount. This clause is effective in conjunction with the Water and Sediment [Vol.%] maximum limit of 1.0% as stated in Exhibit F. E.g., a 500,000 barrel oil delivery to the SPR is limited to 1.0% S&W (5,000 barrels), of which a maximum of 0.1% (500 barrels) can be freewater. Contractor is responsible for all costs associated with removal of excess freewater. Exceeding the freewater limitations specified herein will result in the cargo being rejected.

A.8 Request(s) for Substitution of Crude Oil Types for Delivery to SPR

After award, if the Contractor requests to offer a crude oil substitution for delivery which is not in its contract, the Government will evaluate the offer to determine whether the current value of the offered (substitution) crude exceeds the current value of contracted crude oil (or if a basket of crudes is in the contract whether the offered crude oil value exceeds the current value of the originally lowest-valued crude in the basket). If the crude oil value offered equals or exceeds the contracted oil value (or the Contractor agrees to pay the value differential to match the current value of the originally lowest-valued crude in the contract) and the crude meets the specifications listed in Exhibit F, it will be accepted. This evaluation will be done on a case-by-case basis for each substituted crude cargo tendered for delivery and the crude oil will not be added automatically to the basket of contracted crude oils (or single crude) in the contract for

sample collected by an automatic sampler whose performance has been proven in accordance with the API Manual of Petroleum Measurement Standards, Chapter 8 Section 2, Automatic Sampling of Petroleum and Petroleum Products (ASTM D4177), latest edition; or (2) from the Contractor's tankage in accordance with API Manual of Petroleum Measurement Standards, Chapter 8 Section 1, Manual Sampling of Petroleum and Petroleum Products (ASTM International (ASTM) D4057), latest edition; or (3) from a representative vessel composite sample obtained in accordance with the API Manual of Petroleum Measurement Standards Chapter 17 – Marine Measurement, Section 2 – Measurement of Cargoes On Board Tank Vessels. Preference will be given to samples collected by means of an automatic sampler when such a system is available and operational.

All methods above shall be in accordance with the latest API/ASTM standards and methods. If the measurements are determined by the Government's representative to be inaccurate or not to represent the volume delivered by the Contractor, the subsequent order of preference method, as stated above, shall apply.

- c. If the exchange oil tendered for delivery to the DOE does not meet the crude oil specifications as provided in Exhibit F (Paragraph A.7.e may be applicable), the Government reserves the right to refuse the acceptance of the delivery and the provisions of G.2. Default may apply.
- d. The custody transfer quality/quantity oil analysis shall be performed by the Government Representative's lab and shall be documented as the official measurements of record. The Contractor may request a representative portion of the custody transfer sample for their internal purposes, but any varying analysis results obtained by the Contractor shall not be binding on the Government nor override the Government's official measurements of record. The Contractor or his representative may, at its option, arrange to witness and verify testing simultaneously with the Government Representative at the Government Representative's lab. Such services, however, will be for the account of the Contractor. Any disputes will be settled in accordance with Paragraph G.5. Should the Contractor opt not to witness the testing, then the Government findings will be binding on the Contractor.
- e. For pipeline deliveries of exchange oil to the SPR storage sites, the Contractor shall ensure that the commercial pipeline carriers provide Government Representative access to the pipeline facilities for the obtaining of crude oil samples. Specifically, Government Representatives shall be provided access to the Shell Pipeline Erath facility for crude oil deliveries to West Hackberry, and to the Shell Pipeline Port Neches facility for crude oil deliveries to Big Hill.

NOTE: Any additional costs (including overtime) charged by the pipeline carrier which are directly associated with the Government sampling requirement shall be the responsibility of the Contractor.

EXHIBIT A
(Amended July 30, 2004)

MARKET CENTER	C.O. TYPE	QTY (BPD) AVAILABLE OCT/04	QTY (BPD) AVAILABLE NOV/04 - MAR/05	AVERAGE QTY AVAILABLE (BPD)	TOTAL ROYALTY OIL 6 MONTHS
St. James	Bonito	8,545	8,545	8,545	1,563,735
St. James	EI	4,598	2,752	3,066	558,996
Empire	HLS	22,561	28,632	27,598	5,057,526
St. James	LLS	493	4,751	4,026	741,693
Clovelly	Mars	24,367	37,142	34,966	6,413,736
Houma	Poseidon	494	494	494	90,402
Texas City	TXG*	3,785	3,785	3,785	692,655
Jones Creek	Hoops**	10,104	10,104	10,104	1,849,032
Total	Total	74,947	96,205	92,584	16,942,896

ROYALTY OIL
QUANTITIES ARE ESTIMATES ONLY

* For valuation purposes TXG is equal to WTI

** For valuation purposes HOOPS is equal to WTS