

INVITATION FOR OFFERS

**FOR
LEASE**

GOVERNMENT REAL AND RELATED PERSONAL PROPERTY

NAME OF PROPERTY ST. JAMES TERMINAL & DOCKS(CAPLINE SYSTEM)

One Hundred Fifty-Three acre, St. James Marine Terminal and Docks are located at milepost 158 on the Mississippi River, 45 miles west of New Orleans, Louisiana. This lease excludes the use of the Bayou Choctaw and Weeks Island pig traps. Attached are the St. James Marine Terminal Facility Description brochure dated 2001, Part I - Lease Provisions, and Part II - Government Oil Movement Provisions.

FOR Crude Oil Terminalling and Storage

AS DESCRIBED IN THE INVITATION FOR OFFERS

OFFERS MUST BE RECEIVED

Location: U.S. Department of Energy
Strategic Petroleum Reserve
Project Management Office
900 Commerce Road East
New Orleans, Louisiana 70123
Mailroom, 1st floor, Room Number 100

Date: **July 9, 2001**

Time: **12:00 Noon** local New Orleans time

For further information or clarification on this Invitation For Offers, please contact, Mrs. Patricia C. Sigur, Realty Officer, at (504) 734-4347, or e-mail at patricia.sigur@spr.doe.gov.

This solicitation can be obtained at <http://www.spr.doe.gov/doesec/Business.htm>

I N V I T A T I O N F O R O F F E R S

DUE DATE: Duplicate original offers for Lease Agreement of the St. James Terminal and Docks are to be submitted to the U.S. Department of Energy (DOE) by **July 9, 2001**, no later than **12:00 noon** local New Orleans time.

REQUIRED INFORMATION: The initial written offer for Lease Agreement must include as a minimum,

- (1) A commercial business plan
- (2) Proposed lease terms and conditions
- (3) Proposed rental payments, and
- (4) Support of SPR operation requirements

Commercial Business Plan - The offeror shall provide a general description of the envisioned commercial operations for the St. James Terminal and Docks, which would address the petroleum market served, type of operation (common carrier/private), needed terminal modifications, envisioned annual throughput, etc.

Lease terms and conditions - The offerors must include the desired length of the lease (in years), including firm term and desired options; the company provisions for facility maintenance and operations; and a detailed hazardous pipeline safety training description for complying with Department of Transportation regulations (49 Code of Federal Regulation, Section 195.403). Regarding the length of lease, the Government will consider any time period proposed, but the Government's preference is a minimum 5 year firm term, with options.

Rental Payments - The Government will consider a broad range of rental payment alternatives including fixed rent, fixed rent with escalation, percentage of income received, combinations of these alternatives, and other commercial arrangements that offerors may suggest. The goal is to produce the highest return possible to the Government. Government has the option to receive rental payment in dollars and/or crude oil.

Support of SPR Operations - The offerors must identify their willingness to accommodate and provisions for meeting the SPR's requirements for oil movements as described in the following paragraphs and attached Government Oil Movement Provisions, Part II.

- (a) Future oil fill or withdrawals of the SPR's Bayou Choctaw Site will require access to the St. James Terminal. Such movements will be via tanker or pipeline and will be coordinated with the Lessee.
- (b) The Government will require the Lessee to support an SPR drawdown during a National Energy Emergency via
 - (1) direct transfer of crude oil from the SPR pipeline to the LOCAP (LOCAP connection) and/or CAPLINE (CAPLINE connection) terminals (such deliveries will be direct movements not requiring terminal tankage or subject to oil movement tariffs), and
 - (2) marine distribution services to outload vessels from the St. James Terminal docks.
- (c) SPR system test exercises may be conducted once per year which may require use of limited tankage for a short period (less

than one week). Such operations will be coordinated between Department of Energy and the Lessee and will be scheduled so as to minimize interference with ongoing terminal operations.

The Offeror must propose the arrangements, including price, under which the offeror will meet the Government's oil movement requirements. The Government's preference is an arrangement that will allow no cost oil movements for National Emergencies or operational emergencies, and preferred customer rates for all other movements.

DEPOSIT: All offerors are required to enclose with their initial offer, a deposit of \$10,000.00, to guarantee that the offeror will enter into a written lease document. Such guaranty must be in the form of a wire payment or an irrevocable letter of credit. The issuing bank of the letter of credit must maintain an account with any Federal Reserve Bank or Branch and be a participant in the Fed's on-line FEDWIRE funds transfer system. DOE reserves the right to request evidence that the bank official signing the letter of credit is authorized to do so, such as a confirming telex, telephone call, or letter from another bank official, or other appropriate evidence as determined by the Government representative. The letters of credit must be valid until time of award. After awards the letters of credit will be returned only upon request and the wire deposits returned immediately.

NEGOTIATIONS: During the months of July and August 2001, DOE plans to negotiate with the offerors whose initial offers are deemed to be in the competitive range. Therefore, it is important that the offeror present their best terms with the initial offer. At the completion of all negotiations, the government plans to then request these offerors to submit their "Best and Final" offers in September 2001. At that time, the offerors will be provided a reasonable opportunity to submit any price, technical, or other revisions to their initial offers that may have resulted from the negotiations. An award is anticipated by November 1, 2001. However, the Government has the option to award a lease contract without negotiations.

REJECTION OF OFFERS: The right is reserved, as the interests of the government may require, to reject at any time all offers, and to waive any informality in offers received, and to accept or reject any items of any offer unless such offer is qualified by specific limitation.

EVALUATION FACTORS:

- 1) Highest net return to the Government,
- 2) Technical, including the demonstrated ability to operate the facility and the terms proposed to support SPR oil movements,
- 3) Soundness of the proposed business venture,
- 4) Future improvements to the leased property, and
- 5) Other factors, including past performance, that make one proposal more advantageous to the Government.

CURRENT TENANT'S RIGHT OF FIRST REFUSAL: The current tenant, Equilon, has the preferential right to match any offer received by the Government for the lease of the St. James terminal. Therefore, after selection of the best offer and before award, the Government will provide a copy of the proposed terms and conditions to Equilon to determine if they will match the proposal. The Government will exclude any proprietary information, provided it is identified as such by the offeror.

PART I
LEASE PROVISIONS

A. AUTHORITY

The Government, acting by and through the Secretary of Energy, under the authority of the DOE Organization Act and the Energy Policy and Conservation Act and applicable rules, orders, and regulations, represented herein by having determined that the property hereby leased is not excess property as defined by Section 3(e) of the Federal Property and Administrative Services Act of 1949, as amended (10 U.S.C. 472), and that the leasing thereof will be advantageous to the Government and in the public interest, hereby leases the St. James Terminal and Docks to the Lessee, and the Lessee hereby leases the James Terminal and Docks from the Government.

B. GENERAL MAINTENANCE OBLIGATION

Lessee, at its own expense, shall so protect, preserve, maintain, repair and replace the Leased Property, that the same will at all times be maintained in good repair and tenantable condition, subject, however, to ordinary wear and tear. Toward that end the Lessee has provided its maintenance procedures to the Government and the Government has accepted those procedures as adequate maintenance standards. Lessee's obligation includes the obligation to correct any deficiencies in the maintenance of the Leased Property identified by the Government to the Lessee as a result of the Government's inspection of the Leased Property, or otherwise.

C. CONDITION OF LEASED PROPERTY

Lessee has examined, knows, and accepts the condition and state of repair of the Leased Property and acknowledges that the Government has made no representation concerning such condition and state of repair, nor any agreement or promise to alter, improve, adapt, repair, or keep in repair the same, or any item thereof, which has not been fully set forth in this Lease Agreement.

D. ACCESS, MONITORING AND INSPECTION

The Government and its representatives shall have access to the Leased Property at all reasonable times for any purposes not inconsistent with the quiet enjoyment thereof by Lessee, including, but not limited to, the purpose of inspection. Wherever practicable, the Government shall give advance notice of such inspection to Lessee and offer the opportunity to accompany the Local Government Representative or his designee. The Government has the right to monitor the property involved and inspect records related thereto as necessary to ensure compliance with the terms and conditions of the Lease Agreement.

E. LESSEE OPERATION AND COMPLIANCE

Lessee shall be solely responsible for obtaining and keeping in force any and all permits necessary to physically operate the Leased Property. Lessee shall not use or permit the use of the Leased Property or any part thereof for any unlawful or unauthorized purpose, and shall not do or permit any action or thing that in any way degrades the value or usefulness of the Leased Property from its condition at the commencement of the Lease Term.

Lessee shall comply with all valid laws, ordinances, regulations, orders, judgments, and right-of-way provisions that now or hereafter may be applicable for use or occupancy by Lessee of the Leased Property, including, but not limited to, Department of Transportation Pipeline Safety Regulations (49 CFR 195), as well as all pertinent Occupational Safety and Health Administration regulations. Lessee shall not use or permit the use of the Leased Property or any part thereof for any unlawful or unauthorized purpose or any purpose that is not in conformance with this Lease Agreement.

F. INSTALLATIONS, ALTERATIONS, AND REMOVALS

It is expressly agreed and understood that Lessee will make no permanent alterations, additions, or improvements to or installations upon the Leased Property without the prior written approval of the Local Government Representative, which permission will not be unreasonably withheld, and then only subject to the terms and conditions of such approval which may include an obligation of removal and restoration upon the expiration or termination of this Lease Agreement, as the Local Government Representative may direct. Except insofar as said approval expressly provides otherwise, all such alterations, additions, improvements, and installations made by Lessee shall become the property of the Government.

Lessee shall make such modifications in a timely manner so that the Government's operational testing will not be interrupted and so that the system(s) can be made operational in accordance with Government specifications under a National Energy Emergency or an Operational Emergency.

G. RESTORATION OF LEASED PROPERTY

Before the expiration or termination of this Lease Agreement, at the direction of the Government Representative or designee, Lessee shall restore the Leased Property to the condition in which it was received, or to such improved condition as may have resulted from any improvement made therein by the Government or by Lessee during the Lease term, however, subject to (i) ordinary wear and tear, or (ii) to damage by third parties or by the Government, its agents, contractors, employees or assigns or (iii) Force Majeure. Lessee shall have sixty (60) days prior to termination to accomplish such restoration, or such additional time as is fair and reasonable. In addition, at the same time, Lessee shall remove its property from the Leased Property or such property shall be deemed abandoned by Lessee and may be used or disposed of by the Government in any manner whatsoever without any liability to account to Lessee therefor, but such abandonment shall in no way reduce any obligation of Lessee to perform restoration under this paragraph. In the event that the Leased Property is not restored to the condition at the time of Lease commencement, normal wear and tear notwithstanding, then the Government may cause the Leased Property to be restored at the sole expense of Lessee.

H. LESSEE LIABILITY

Lessee, its parent, affiliate(s), subsidiary company(ies) and directors, employees, servants and agents covenants that it will

defend, indemnify and save and hold harmless the Government (including its contractors and subcontractors) and its employees and agents for and from any and all liability, fees, fines, penalties, costs or claims by third parties for damages to property or injuries to or death of persons which may arise from or be incident to the use and occupancy of the Leased Property, and for and from any and all liability fees, fines, penalties, costs, claims or damages to the property or injuries to or death of the person of Lessee's officers, agents, servants, employees, or others who may be on said premises at their invitation or the invitation of any one of them, arising from Lessee's lease activities, to the extent such claims, liability, injury, or death arises out of the negligence or willful misconduct of the Lessee.

Lessee further covenants that any property of the Government damaged or destroyed by Lessee incident to Lessee's use and occupancy of the Leased Property shall be promptly repaired or replaced by Lessee, or in lieu of such repair or replacement Lessee shall pay the Government money in the amount sufficient to compensate for the loss sustained by the Government by reason of the destruction of the property. Lessee's obligation with respect to repair or replacement of Government property damaged or destroyed as a result of normal wear and tear is set forth elsewhere in this Agreement.

I. OIL SPILLS

Lessee is responsible for all notifications, cleanup and remediation of all oil spills from the Leased Property while Lessee is in operational control of the Leased Property. Lessee shall immediately report to the Government all oil spills during the use of the Leased Property to the Bayou Choctaw control room (225) 692-6232.

J. FORCE MAJEURE

Neither party shall be responsible to the other for loss arising from failure in performing hereunder caused by reason of : act of God, a strike or labor dispute, fire, explosion, electrical blackout, war, rebellion, insurrection, riot, act, regulation or general edict of any governmental authority in its sovereign capacity or any other similar or dissimilar cause reasonably beyond the control of the Party affected. Notwithstanding the above, Lessee shall not be relieved of the obligation to pay rental fees during the continuance of such Force Majeure situation. In the event such Force Majeure situation cannot be remedied within a reasonable time by reasonable efforts to do so and continues for more than ninety (90) days, then either party may terminate this Lease Agreement by written notice to the other party, whereupon both Parties shall be relieved of all unaccrued obligations hereunder.

K. INSURANCE, REPAIR AND REPLACEMENT

If insurance is otherwise required by this Lease Agreement, then each policy of insurance against loss of or damage to the Leased Property shall contain a loss payable clause reading as follows:

"Loss, if any, under this policy shall be adjusted with Lessee and the proceeds, at the election of the Government, shall be payable to Lessee; any proceeds not paid to Lessee shall be payable

to the Treasurer of the United States."

In the event that any item or part of the Leased Property shall require repair, rebuilding, or replacement resulting from loss or damage, the risk of which is assumed by Lessee under this Lease Agreement, then Lessee shall promptly give notice thereof to the Local Government Representative and, to the extent of its liability as provided in this Lease Agreement, shall, upon demand, either compensate the Government for such loss or damage, or rebuild, replace, or repair the item or items of the Leased Property so lost or damaged, as the Government may elect. In the event that the Government shall direct Lessee to effect any repair, rebuilding, or replacement which it is required to effect pursuant to this paragraph the Government shall direct the payment to Lessee of so much of the proceeds of any insurance carried by Lessee and made available to the Government on account of loss of or damage to any item or part of the Leased Property as may be necessary to enable Lessee to effect such repair, rebuilding, or replacement. In the event the Government shall elect not to require Lessee to repair, rebuild, or replace any item or part of the leased Property lost or damaged, Lessee shall promptly pay the Government out of any insurance proceeds collected by Lessee such portion thereof as may be allocable to loss of or damage to the Leased Property. When compliance with a Government request to effect any repair, rebuilding, or replacement of any lost or damaged item or part of the Leased Property would involve the incurring of costs in excess of Lessee's liability for such loss or damage under this Article, Lessee shall be under no obligation to effect same until after a satisfactory agreement has been reached between the Government and Lessee with regard to Government reimbursement of such excess costs to Lessee.

L. ASSIGNMENT OR SUBLETTING

No interest of Lessee in this Lease Agreement or the Leased Property may be assigned or sold without the prior written consent of the Government. Lessee shall not mortgage, pledge or otherwise encumber its interest in the Leased Property. Lessee may sublease the Leased Property, provided that any such sublease is subject to the terms of this Lease Agreement, and further provided that such subleasing does not release Lessee from its obligations hereunder. The Government shall not unreasonably withhold its approval of an assignment to other parties.

M. EXISTING AND FUTURE EASEMENTS AND RIGHTS-OF-WAY

This Lease Agreement is subject to all outstanding easement and rights-of-way over, across, in, and upon the Leased Property, or any portion thereof, and to the right of the Government to grant such additional easements and rights-of-way over, across, in and upon the Leased Property as the Government shall determine to be in the public interest, provided, that any such additional easement or rights-of-way shall not unreasonably interfere with Lessee's right of peaceful occupancy.

N. LIENS

Lessee shall promptly discharge, or cause to be discharged, any valid lien, right in rem, claim or demand of any kind, except one in favor of the Government, which at any time may arise or exist with

respect to the Leased Property or materials or equipment furnished therefore, or any part thereof, and if the same shall not be promptly discharged by Lessee, the Government may discharge, or cause to be discharged, the same at the expense of Lessee.

O. STATE AND LOCAL TAXES

Lessee is required to pay to the proper taxing authorities all taxes, payments in lieu of taxes, assessments or similar charges which may be assessed or imposed on the property and to assume all costs of operating obligations. In the event that, as a result of any future Act of Congress subjecting Government-owned property to taxation, any taxes, assessment or similar charges are imposed by State or local authorities upon the Leased Property (other than upon Lessee's possessory interest therein), Lessee shall pay the same when due and payable.

P. PAYMENTS

All payments, except the initial offer deposit, to the Government required under this Lease Agreement shall be made electronically, using either the fed wire system or the Automated Clearing House (ACH) electronic funds transfer network utilizing the Federal Remittance Express (REX) Program. When using the fed wire system route U.S. dollar payments to the U. S. Treasury, ABA # 021030004, U.S. Dept of Energy (SPRPMO) account # 89185369. Please include company name and contract number DE-RL96-01PO92113 on payment detail. To send payments to SPRO via the Remittance Express (REX) Program of the ACH Network, route payments to Federal Reserve Bank of Richmond, ABA # 051036706, U.S. Dept of Energy (SPRO) account # 349003, (either CTX or CCD+ format may be used). Include company name and contract number DE-RL96-01PO92113 on payment detail.

In lieu of payments in dollars, at Government's option, Lessee shall provide, or cause to be provided, payment as Crude Oil barrels that meet the Government's specifications for storage within the Strategic Petroleum Reserve.

Q. INTEREST

Notwithstanding any other provision of this Lease Agreement, payment not received by the invoiced due date will accrue interest, beginning with the billing date, at the U.S. Treasury's current value of funds rate, currently 6% per annum. An administrative fee of \$20.00 for each 30-day period will also be charged for costs associated with the processing and handling of a delinquent account. Additionally, a penalty charge of 6% per annum, retroactive to the first day of delinquency, will be assessed on any portion of the debt outstanding after 90 days. Interest will be assessed on money held by Lessee for future purchase of crude oil, but no administrative or penalty costs will be assessed.

R. TERMINATION BY GOVERNMENT

If Lessee fails to perform any of the terms or conditions of this Lease Agreement, the Government may elect to terminate this Lease Agreement and no adjustment of any advance rentals paid by Lessee shall be made, and the Government shall be entitled to recover and Lessee shall pay to the Government:

- (a) The costs incurred in resuming possession of the Leased Property.
- (b) The costs incurred in performing any obligation on the part of Lessee to be performed hereunder.
- (c) An amount equal to the aggregate of all rents and charges assumed hereunder and not theretofore paid or satisfied, less the net rentals, if any, collected by the Government on the reletting of the Leased Property, which amounts shall be due and payable at the time when such rents, obligations, and charges would have accrued or become due and payable under this Lease Agreement.

S. COVENANT AND AGREEMENT

Each covenant and agreement contained in this Lease Agreement is intended to be, and shall be construed to be, a separate and independent covenant. If any term or provision of this Lease Agreement or any application thereof shall be invalid or unenforceable, the remainder of this Lease Agreement or any other application of such term or provision shall not be affected thereby, unless the absence of the invalid provision fundamentally undermines the continued existence of this Lease Agreement.

T. FAILURE OF GOVERNMENT TO INSIST ON COMPLIANCE

The failure of the Government to insist, in any one or more instances, upon performance of any of the terms, covenants, or conditions of this Lease Agreement shall not be construed as a waiver or relinquishment of the Government's right to the future performance of any such terms, covenants, or conditions of the other Party to this Lease Agreement, but the obligation of such other Party with respect to such future performance shall continue in full force and effect.

U. EQUAL EMPLOYMENT OPPORTUNITY

In connection with the performance of work under this Lease Agreement, Lessee agrees not to discriminate against any employee or applicant for employment because of race, religion, color, age, sex, or national origin. The aforesaid provision shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. Lessee agrees to post hereafter in conspicuous places available for employees and applicants for employment, notices setting forth the provisions of the nondiscrimination clause. Lessee further agrees to insert a provision referencing this obligation in all subcontracts hereunder, except subcontracts for standard commercial supplies or raw materials.

V. COVENANT AGAINST CONTINGENT FEES

Lessee warrants that no person or selling agency has been employed or retained to solicit or secure this Lease Agreement upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees or bona fide established commercial or selling agencies. For breach or violation of this warranty, the Government shall have the right to annul this Lease Agreement without liability or in its discretion to add to the rental price or consideration, or otherwise recover, the full amount of such

commission, percentage, brokerage, or contingent fee. (Licensed real estate agents or brokers having listings on property for rent, in accordance with general business practices, and who have not obtained such licenses for the sole purpose of effecting this Lease Agreement, may be considered as bona fide employees or agencies within the exception contained in this clause.)

W. GRATUITIES

(1) The right of Lessee to proceed may be terminated by written notice if, after notice and hearing, the Department of Energy's Project Manager or a designee determines that Lessee, its agents, or another representative of Lessee:

- (a) Offered or gave a gratuity (e.g., an entertainment or gift of more than \$50 in value) to an officer, official, or employee of the Government; and
- (b) Intended, by the gratuity, to obtain a Lease Agreement or favorable treatment under this Lease Agreement.

(2) The facts supporting this determination may be reviewed by any court having lawful jurisdiction. If this Lease Agreement is terminated under paragraph (1) above, the Government is entitled to pursue the same remedies as in a breach of the Lease Agreement. The rights and remedies of the Government provided in this clause shall not be exclusive and are in addition to any rights and remedies provided by law or under this Lease Agreement.

X. OFFICIALS NOT TO BENEFIT

No member of or delegate to Congress, or resident commissioner, shall be admitted to any share or part of this Lease Agreement, or to any benefit arising from it. However, this clause does not apply to this Lease Agreement to the extent that this Lease Agreement is made with a corporation for the corporation's general benefit.

Y. RECORDS RETENTION AND AUDIT

Lessee shall maintain adequate books, payrolls, and records in connection with the measurement of volumes shipped through the Leased Property and with the operation and maintenance of the Leased Property in accordance with 49 CFR 195 regulations and other applicable federal, state, or local regulations. All records shall be retained in accordance with 49 CFR 195 regulations, or for a period of three (3) years, whichever is longer. The Government or its representative has the right to audit all records in connection with this Lease Agreement. At the end of this Lease Agreement, all retained operating and maintenance records shall be turned over to the Government.

Z. CRUDE OIL SAMPLES

The Government shall have the right at anytime to request that the Lessee provide Crude Oil samples for analysis. The Lessee will send the sample to a laboratory designated by the Government. The Government shall also have the right to witness the taking of the samples, if necessary.

PART II
GOVERNMENT OIL MOVEMENT PROVISIONS

1. NATIONAL ENERGY EMERGENCY

In the event a National Energy Emergency is declared by the President, which requires the GOVERNMENT to draw down the Strategic Petroleum Reserve (SPR), the GOVERNMENT would require oil to be moved through the St. James Storage Facility (i.e. from the St. James Storage Facility to other connected pipelines, storage terminals and/or docks) on a PRIORITY basis.

The GOVERNMENT will coordinate and schedule its oil movements with the LESSEE during a drawdown of the SPR in accordance with its drawdown procedures. The GOVERNMENT declares three alert levels, increasing in urgency, when drawdown of the SPR crude oil is expected. Under Alert Level I, the LESSEE will be requested to provide DOE with information regarding the LESSEE's current St. James Storage Facility activities. Under Alert Level II, the LESSEE will be notified that an SPR drawdown may be ordered and the LESSEE will be requested to update DOE with information regarding the LESSEE's current St. James Storage Facility activities. Under Alert Level III, the LESSEE will be notified that an SPR drawdown has been ordered and the LESSEE shall make the requisite St. James Storage Facilities available to the SPR within 15 days from the receipt of the written notice of impending drawdown.

During an Alert Level III full rate drawdown of the Reserve, the GOVERNMENT will require the LESSEE terminal operator to support the SPR drawdown via (1) the direct transfer of crude oil from the SPR pipeline to the LOCAP (LOCAP connection) and/or CAPLINE (CAPLINE connection) terminals, and (2) marine distribution services to outload vessels from the St. James Terminal docks. All oil movements into the terminal will be metered. All oil deliveries to the LOCAP and CAPLINE terminals will be direct movements not requiring terminal tankage or pumping systems. Marine distribution services will require terminal tankage and pumping systems.

In less than a full rate drawdown, the Government will require the same support as described above, however the St. James Storage Facility will be available to the LESSEE for commercial operations to the maximum extent possible.

During the period of Alert Level III, the LESSEE will continue to maintain the leased property in accordance with its Maintenance Plan.

2. NON-EMERGENCY OIL MOVEMENTS

The LESSEE shall provide St. James Storage Facility terminaling services for GOVERNMENT crude oil to be moved through the leased property for the purposes of oil fill, oil withdrawal (oil sale, oil exchange, etc) and system test exercises.

Oil fill or oil withdrawals will be coordinated and scheduled through provisions established for commercial oil movements.

SPR system test exercises may be conducted periodically (maximum of once per year) which may require the use of the St. James Storage Facility for a short period of time. All system test exercises will be coordinated between the GOVERNMENT and the terminal LESSEE and the pipeline operator, and will be scheduled so as to minimize interference with ongoing commercial operations.

3. OPERATIONAL EMERGENCY OIL MOVEMENTS

In the event of an operational emergency occurs at the Strategic Petroleum Reserve storage facility which require a significant relocation of inventory, the LESSEE will make the leased St. James Terminal and Docks available to the Government, as soon as possible, after being notified by the Government.

4. OIL MOVEMENT PRIORITIES AND RATES

	<i>Government Oil Movements</i>	<i>Priority & Rates</i>
National Energy Emergency (SPR DRAWDOWN)	Locap/Capline Distribution	Top Priority No Charge
	Marine Distribution	Top Priority Preferential Rate
Non-Emergency	Oil Fill	Preferential Priority & Rate
	Oil Withdraw (Sale/Exchange)	Preferential Priority & Rate
	System Test Exercise	No Charge
Operational Emergency	Oil Relocation	Top Priority