

RFP NO. DE-RP96-20PO00001

EXCHANGE FOR STORAGE OF THIRTY (30) MILLION BARRELS OF CRUDE OIL
PRODUCED IN THE U.S. FOR THE STRATEGIC PETROLEUM RESERVE

Questions & Answers

1. **Question:** It seems the only stipulation is that the Crude oil stored needs to be produced by US producers. Are there any carve outs or considerations for smaller producers so they can be competitive or is it simply who can provide the most economics to the DOE?

Answer: In accordance with section M.2(a) “The DOE shall award contract(s) resulting from this Request for Proposal to those responsible Offeror(s) whose offer(s) conforming to the Request for Proposal shall be in the DOE’s judgment to be the most advantageous offer to the Government. See also section B.5(a) of the RFP which states “The primary factor determining winning bids will be the highest fixed monthly exchange ratio submitted by a conforming bidder (on Exhibit A of Section J).”

2. **Question:** We’re interested in participating in the Exchange for Storage RFP submitted today. We wanted to inquire about the requirements and characteristics of the contractors that would be allowed to submit proposals. We couldn’t find that in the RFP documentation.

Answer: In accordance with the RFP section B.1(b) “Offerors, which include regular sellers or distributors of crude oil, must certify (see Section K.3 OFFEROR CERTIFICATION) that all Crude Oil shipments received by the SPR pursuant to this solicitation will be sourced from U.S. entities such as: (i) individuals, corporations, partnerships, or governmental entities, (ii) which are either United States citizens, incorporated or organized in the United States, or governmental entities of the United States or one of its states.”

3. **Question:** Page 16 says the allowable sulfur variation is +/- 0.10% for sweet but the example on page 17 uses an allowable variance of +/- 0.05%:

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

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

Page 17 Example		
Sulfur Wt% - Quality Variance	0.13%	0.06%
Allowable Variance	±0.10%	±0.05

Answer: The example contains an error. Please see Amendment 0001 for a corrected example.

4. **Question:** Is there any possibility of negotiating early scheduled return before August 1st, 2020 for Bryan Mound, Big Hill and West Hackberry or before October 1st 2020 for Bayou Choctaw?

Answer: In accordance with the Request for Proposal (RFP) section C.1, Scope of Work, “Delivery of Contractor Return Oil from SPR sites shall be completed no later than March 31, 2021. Contractors will provide preferred month of return, no earlier than August 2020 at Bryan Mound, Big Hill, and West Hackberry sites. Scheduled return period will not occur before October 1, 2020 at Bayou Choctaw.”

Question: Per Section H.1 Title to Crude Oil Section “a. Title to the Exchange Oil delivered to the SPR will be transferred to the DOE at the custody transfer measurement location listed in Section E. 1.” Will a payment be made to the Offeror for the Title transfer of barrels for the initial delivery month and subsequently will the Offeror be billed upon redelivery of Title Transfer of barrels?

Answer: The DOE will not be purchasing crude oil in this Exchange program.

5. **Question:** I’m confused by the examples in Section B, Page B-4. It appears that exchange barrels should be deducted in the fill month and in the return month. However, there’s no values shown for “Return Oil owed to Contractor” in the first Month of the contract – May in example 1 and June in example 2. Also, the Net effect numbers don’t equal the sum of the monthly “(Less Fixed Exchange Ratio barrels owed to DOE)”. In example 1, should the exchange ratio barrels total 105,000 leaving 395,000 to be returned?

Answer: The calculation is the sum from June through October in example 1. The fixed monthly exchange ratio is charged beginning the month after delivery (June) into the SPR. In example 1 the assumptions state that “Exchange Oil awarded to Contractor in April 2020 and delivered to SPR in May 2020” thus the calculation starts in June. The Exchange Ratio barrels total 87,500 as a result of the sum of June through October.

6. **Question:** The RFP requires a certification by the Offeror that it is “a regular seller / distributor of Crude Oil”. Is an entity (otherwise meeting the requirements of being an Offeror (e.g., organized in the US)) that is in the business of buying and selling commodities (including Crude Oil) as a market-maker, yet such entity is not a producer or end-user of Crude Oil, a “regular seller / distributor of Crude Oil” and able to make such certification?

Answer: Entities such as yourself are not barred from participating but must meet the requirements set out in the solicitation, including, but not limited to, those found at B.1.b.

7. **Question:** We would like to offer a crude stream that is similar to some of the crudes already stored in the SPR however would need a variance on some of the specifications. Would that be acceptable to the SPR?

Answer: The intent of this mandated initiative is to make oil storage capacity immediately available to U.S. oil producers/markets. As a result of that action, and the need to preserve the SPRs mission readiness capability, the SPR is accepting offers only for crude oil meeting the existing specifications listed in Section J Exhibit C.

8. **Question:** The table provided in section B.6.f. of the RFP lists several SPR crude oil stream and rates. Are all of the delivery modes listed the exact offerings for return oil or should we be using the specific custody transfer locations listed in section E. as a guide for delivery locations and transportation costs?

Answer: The table referenced in section B.6.f is published for general flow rate expectations associated with return of the SPR streams as observed in the most recent SPR crude oil sales and should not be construed as custody transfer locations. Customers are guided and are expected to use the relevant sections in E.1 and E.2. for identifying specific custody transfer locations. Also, as listed in Section B.6.b...”All costs associated with the transportation of the Exchange Oil and Return Oil to and from the DOE will be the responsibility of the Contractor, to include but not be limited to, tariffs, marine shipment, pipeline shipment, harbor, Oil Spill Liability Trust Fund taxes and environmental fees (including Texas Coastal protection fees), terminalling, pump-over fees, and tankage charges.” It is the customers responsibility to assess all transportation paths and determine those costs. Bidders are responsible for obtaining tankage at Nederland/Sun terminal.

Question: Can I use a Vessel at Sun Marine Terminal for deliveries and returns from the BH or WH facilities?

Answer: The SPR delivery locations and custody transfer points to/from Sun and the other SPR locations are listed in section E of the RFP. Any delivery location or mode outside of the custody transfer points listed are the sole responsibility of the contractor to include costs, scheduling, and other Terminal arrangements. Bidders are responsible for obtaining tankage at Nederland/Sun terminal. See section B.6.b for additional clarification.

9. **Question:** When does DOE anticipate notifying the successful bidders after the April 9th deadline?

Answer: In accordance with Section L, Page L-3 of the Request for Proposal item L.5(b)(3) stipulates “The offer shall remain valid for 48 hours unless indicated otherwise or the validity would terminate on Saturday, Sunday, or a U.S. federal holiday. If validity would terminate on Saturday, Sunday, or a U.S. federal holiday, the offer shall remain valid until the same time on the next succeeding day which is not a Saturday, Sunday, or U.S. federal holiday.”

Question: Can bidders withdraw a bid at anytime after the April 9th submission deadline?

Answer: In accordance with Section M.1(b) of the Request for Proposal, “A written notice of award or acceptance of an offer mailed or otherwise furnished to the successful Offeror within the time for acceptance specified in the offer, shall result in a binding contract without further action by either party. Before the offer’s specified expiration time, the Government may accept an offer (or part of an offer), whether or not there are negotiations after its receipt, unless a written notice of withdrawal is received before award.” Customer withdrawal is expected before contract is awarded.

10. **Question:** Will crude outside of the specifications on Exhibit C-1 in Section J be allowed for storage? For example a barrel that meets the gravity and sulfur spec, but does not meet the light ends?

Answer: In accordance with the Request for Proposal (RFP) section B.1(c), The Crude Oil offered for exchange to the DOE shall meet the specifications in Section J Exhibit C.

Question: Will an assay need to be submitted with the proposal?

Answer: Per section B.1(c), "Contractor is expected to supply an assay of Exchange Oil offered at time of bid."

11. **Question:** What is the premium mentioned in the cover letter, that must be paid to the SPR when the offered takes the oil back out between 1 August and 31 March? How is that premium calculated?

Answer: The premium mentioned in the cover letter would be the fixed monthly exchange ratio as seen in the examples at section B.5 of the Request for Proposal.

12. **Question:** I have a question on section H.2 (National and Operational Emergencies). If we have delivered bbls to the SPR and a National or operational emergency is declared, is the likely negotiated adjustment to the contract a cash settlement? Or is it possible the bbls are returned to us at a later date?

Answer: As described in H.2, any contract adjustment, if necessary; will be at the discretion of the Contracting Officer.

13. **Question:** I have a question regarding Page G-2 of the recent Exchange for Storage RFP that states "a proper invoice must include" the "Name(s) of U.S. producer(s) from which the crude was sourced." Given that this current RFP involves a barrel exchange to pay for monthly storage is it still required to list the individual name of the US producer from which the crude was sourced or can an Offeror self-certify that the crude was produced in the United States.

Answer: Pursuant to G.2, the reference to invoice would be in the case that the Government would need to make a payment to the Contractor.

14. **Question:** We were hoping you could please clarify something for us in this recent storage tender. The language reads a bit ambiguous about the Return Oil timing. Is it such that at the time we tender our offer/proposal that we select the month(s) which we expect to take our remaining oil back – or are we tendering the total volume and retention ratio for entry, and then nominating by the deadline of 14 days prior the desired 1 month which we intend to exit?

Answer: In accordance with the Request for Proposal (RFP) section B.6(c), “Within five business days after contract award, the Contractor shall submit a comprehensive ratable delivery schedule for the DOE Contracting Officer’s approval providing the volume of Exchange Oil to be delivered to each DOE delivery location, ratable Return Oil schedule for return to the Contractor.” Section F.1(b)(3) in the RFP states that “Return Oil deliveries shall be provided to the DOE not later than fourteen (14) days prior to the month in which deliveries will be made.” meaning that the DOE will need confirmation ahead of time of planned Return Oil delivery from the SPR site(s).

Question: Additionally, in the event we do have to tender our target return oil timing up front and market conditions have not improved by the original return oil dates would we be able to renegotiate for a longer stay within the storage facilities?

Answer: In accordance with the Request for proposal, Return Oil must be delivered out of the SPR by March 31, 2021.

15. **Question:** If a customer is under contract for 500,000 barrels but is unable to deliver the full volume due to an operational upset at a particular well or field, is the Contractor still obligated to deliver the full 500,000 barrels of Exchange Oil? What if the Contractor is a producer that simply does not have any more production to send to the SPR to make up the difference?

Answer: In accordance with the Request for Proposal section B.5, the fixed monthly exchange ratio will be applied against the awarded contract volume regardless of actual barrels delivered to the SPR.

Question: Do you anticipate there being additional requests for proposals after this round is complete and awards have been finalized?

Answer: The Request for Proposal (RFP) is for up to 30 million barrels of U.S. Produced Crude Oil to be stored within the Strategic Petroleum Reserve. Any offering beyond the current 30 million barrel RFP would be posted to the Strategic Petroleum Reserve website. (<https://www.spr.doe.gov/default.htm>)

16. **Question:** When we submit our offer for SPR space, are we allowed to offer common stream grades such as MEH grades or LLS?

Answer: Crude grade type, such as LLS or West Texas Sour, are a required component of the Offer Form as seen in section J, Exhibit A of the Request for Proposal (RFP). Note that Exchange Oil offered and delivered to the SPR must meet all specifications of Section J, Exhibit C-1.

Question: Also, if we were to deliver a common stream grade, shall we proceed to list the producers (which includes our owners) that we purchase from even if their crude does not directly flow to the points the SPR receives from?

Answer: In accordance with the RFP section L.5.(b)(4), bid proposal shall include a list of the U.S. producers from which the crude oil will be sourced and the quantities of crude oil that will be sourced from each.

17. **Question:** Please confirm that, consistent with RFP sections I.1(b) and K.1, an offeror need not be registered in the System for Award Management (SAM) at the time of proposal submission to be eligible for award.

Answer: That is incorrect. The RFP cover letter, along with L.6, System for Award Management, Para (b)(1), require that an offeror be registered in SAM when submitting an offer.

(The provision at I.1(b) allows for delayed registration if the solicitation contains 52.204-7 ALT I – this RFP does not contain 52.204-7 ALT I.

K.1 provides guidance regarding Representations and Certifications – the Contractor may rely on the Representations and Certifications that they completed online within their SAM registration.)

Please note that should an offeror create an account in SAM prior to submission of an offer but SAM does not complete its validation and activation of the account before the offer due date/time, the offeror should provide evidence that the information was submitted and is in process by SAM.

18. **Question:** Section J Exhibit A Offer Form provides certain information about the grade of crude oil Offeror wishes to store. One column is for API another for Sulfur. Section c on page B-8 contains “the allowable API and Sulfur variations from the contract quality for sweet and sour crude oil. If the actual API and/or Sulfur to be delivered is over or under the allowed variations, what is the result?

Answer: Section B.8 explains how quality differentials will be handled on Crude Oil delivered into the SPR within the SPR specifications as listed in Section J,

Exhibit C-1. Offeror's Crude Oil will need to conform to the specifications as seen at Section J, Exhibit C-1.

Question: Section d on page B-8 details the monetary adjustments used to settle crude oil delivered vs. returned. Please provide the mathematical calculations involved that lead to the \$ adjustment results of +28.5 cents and +4 cents. The GravCap table (Exhibit C.2) on its face gives a much different result.

Answer: Example is for informational purposes only. With correction for arithmetic in the example, the API adjustment for Sour would be +4 cents/barrel in lieu of the stated +28 cents/barrel. Section B.8 explains how quality differentials will be handled on Crude Oil delivered into the SPR within the SPR specifications as listed in Section J, Exhibit C-1. Offeror's Crude Oil will need to conform to the specifications as seen at Section J, Exhibit C-1.

19. **Question:** Page B-1 states crude oil must be "Crude Oil produced in the United States by United States producers." What is the definition of "a United States producer?"

Answer: Refer to Section B, Para B.1.b. A company can participate as long as the crude oil they sourced was produced within the United States.