

Strategic Petroleum Reserve Hurricane Response

Presentation to Crude Oil Quality Group
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<u>Storage Facility</u>	<u>Capacity</u>	<u>DD Rate</u>
• Bryan Mound	254 MMB	1.5 MMB/d
• Big Hill	170 MMB	1.1 MMB/d
• West Hackberry	227 MMB	1.3 MMB/b
• Bayou Choctaw	<u>76 MMB</u>	<u>0.5 MMB/d</u>
• Total	727 MMB	4.4 MMB/d

How the Reserve Has Been Used

- **2 Emergency Drawdowns**
 - 1991 – 17.3 MMB
 - 2005 – 11.0 MMB
- **2 Test Sales**
 - 1985 Test Sale – 1.0 MMB
 - 1990 Test Sale – 3.9 MMB
- **Crude Oil Exchanges**
 - Local Emergencies (1996 & 2000)
 - Crude Mix Change (1998)
 - Time Exchange 2000 – 30 MMB
 - Hurricane Ivan Loans – 5.4 MMB
 - Hurricane Katrina Loans – 9.8 MMB



SPR Oil Loans and Sales

- Problems
 - GOM oil production is disrupted
 - Terminals for Imports unavailable
 - Undamaged Refineries running short of oil
 - Available products can't get to market, especially the East Coast
- One Tool: 700 million barrels of crude oil

Objectives

- Keep undamaged refineries operating at maximum capacity
 - Get crude oil to refineries
- Assure gasoline at the pump
 - Fuel to support recovery efforts
 - Meet demand in the Mid-West and East Coast
- Assure that heating fuels would be sufficient

Who's Involved

- Refiners must inform the SPR
- Internal DOE: SPR/Fossil Energy, Office of Energy Assurance, Energy Information Administration, Policy and International Affairs
- Executive Office of the President
- Member countries of the International Energy Agency
- Power companies and terminal operators
- States and FEMA

Implementation

- First: Committed to loan up to 13.2 million barrels of oil to six refiners
 - Ultimately loaned 9.8 million barrels
- Second: Conducted emergency sale
 - Offered 30 million barrels for sale
 - Sold 11 million barrels
 - Other IEA countries offered 33.6 million for sale, mostly refined products

Katrina Exchange Timeline

- 08/29/05 - Hurricane Katrina hits Louisiana/Mississippi
- 08/29-30/05 - Received initial refiner requests for SPR oil
- 09/01-02/05 - Awarded exchange contracts to six companies
- 09/02/05 - First SPR exchange oil delivery
- 10/25/05 - Final SPR exchange oil delivery
- During Fall 2005, 4.2 million barrels of oil were repaid.
- 6.1 million barrels will be repaid during Spring 2006.

Katrina Exchanges (MMB)

	SPR CRUDE TYPE			TOTAL
	BAYOU CHOCTAW SWEET	BAYOU CHOCTAW SOUR	BIG HILL SOUR	
EXCHANGE CONTRACT				
ExxonMobil	5.0			5.0
Valero	1.5			1.5
Marathon Ashland Petroleum LLC	1.0	0.5		1.5
Placid Refining	1.0			1.0
Total Petrochemicals			0.6	0.6
BP Supply	0.2			0.2
TOTAL LOANED				9.8
RETURN INCL PREMIUM				10.3

Katrina Drawdown Timeline

- 08/29/05 - Hurricane Katrina hits Louisiana/Mississippi
- 09/02/05 - Presidential directive to drawdown SPR
- 09/06/05 - Issue Notice of Sale for 30 million barrels
- 09/14/05 - Award contract for 11 million barrels to five companies for delivery 10/01/05 – 10/31/05
- 09/24/05 - Hurricane Rita hits Louisiana/Texas
- 09/26/05 - First drawdown delivery from Bryan Mound, Texas
- 10/12/05 - Delivery period extended through 11/30/05
- Final deliveries completed in December 2005 - renegotiated delivery schedule.

Nominal Sales Cycle

Sales Event	Day
Issue Notice of Sale	1
Receive Offers and Offer Guarantees	5
Notify Successful Offerors and Public	7
Receive Performance Guarantees	8-13
Award Contracts	11-15
Commence Early Deliveries	13

Katrina Drawdown (MB)

	SPR CRUDE TYPE						TOTAL
	BRYAN MOUND SWEET	BRYAN MOUND SOUR	WEST HACKBERRY SWEET	WEST HACKBERRY SOUR	BIG HILL SWEET	BIG HILL SOUR	
QUANTITY OFFERED FOR SALE (000 BBLs)	4,200	6,000	9,300	3,000	1,500	6,000	30,000
CONTRACT AWARDS							
Astra Oil Company, Inc.			1,000				1,000
BP Oil Supply Company (Inc.)	700		2,000				2,700
Marathon Ashland Petroleum LLC	800		1,500				2,300
Shell Trading (US) Company			1,800			200	2,000
Vitol SA, Inc.			3,000				3,000
TOTAL	1,500		9,300			200	11,000

Successes

- Market confidence restored: refineries produced at full capacity, inventories were released, imports surged
- Minimal shortages
- Panic and hoarding were short lived
- Prices peaked quickly
- Heating oil has been ample this winter