

12. Contract Price Adjustment

- (a) The unit price for crude oil under the contract shall be the Delivery Reference Price (DRP) adjusted by the Price Adjustment Factor (PAF) as provided in this provision, subject to any additional adjustments provided for elsewhere in the contract.
- (b) The terms used in this provision are defined as follows:

Base Reference Price (BRP)

- (1) The BRP for all SPR sweet crude oil streams offered for sale is the average (to the \$0.0001) of the Daily Index Prices for the sweet crude oil streams as computed by the Government from prices published for the most recent four days on which trading activity occurred, ending two days before the date of the Notice of Sale.
- (2) The BRP for all SPR sour crude oil streams offered for sale is the average (to the \$0.0001) of the Daily Index Prices for the sour crude oil streams as computed by the Government from prices published for the most recent four days on which trading activity occurred, ending two days before the date of the Notice of Sale.
- (3) For this Notice of Sale, the BRP is \$68.7638 for SPR sweet crude oil streams and \$62.0438 for SPR sour crude oil streams.

Daily Index Price (DIP)

- (1) The DIP applicable to all SPR sweet crude oil streams offered for sale is the average (to the \$0.0001) of the daily bid and ask spot quotes for the date as published by Platts Oilgram Price Report for West Texas Intermediate crude oil at Cushing, OK.
- (2) The DIP applicable to all SPR sour crude oil streams offered for sale is the average (to the \$0.0001) of the daily bid and ask spot quotes for the date as published by Platts Oilgram Price Report for Mars crude oil at Clovelly, LA.

Delivery Reference Price (DRP) - The DRP is the average (to the \$0.0001) of the Daily Index Prices for the five days surrounding the delivery "price date" as stated in Block 7, "PRICE DATE", on the Strategic Petroleum Reserve Crude Oil Delivery Report SPRPMO-F-6110.2-14 b (Exhibit E to SSPs).

- (i) For pipeline deliveries, the "price date" shall be the midpoint of the five-day delivery window established in accordance with SSPs C.5 and

C.12. For vessel deliveries, where the vessel arrives within the contractual three-day loading window, the "price date" shall be the "firm agreed upon date of arrival" (see SSP C.8(f)). If the vessel arrives outside of the contractual three-day loading window, but the Government loads the vessel, the mid point of the contractual three-day loading window will be the "price date."

- (ii) In the event that either the Government, or any of its contracted terminals, or any circumstances beyond the Government's control delays a pipeline delivery or vessel loading, the "price date" as determined above for each type of delivery shall remain effective for the oil price computation.
- (iii) The "five days surrounding the price date" means the following five days: The midday, day three, is the price date as determined above (unless such day is a day on which trading activity did not occur, in which case the midday shall be the succeeding day on which trading activity did occur), the two days preceding the midday of the five day period on which trading activity occurred and the two days succeeding the midday on which trading activity occurred.

Price Adjustment Factor (PAF) - The PAF is the purchaser's offered price minus the Base Reference Price (BRP). The PAF may be either positive or negative.

- (c) For purposes of this provision, "spot quote" means the price quote for the most prompt month of delivery, regardless of date of delivery.

GENERIC EXAMPLES

Delivery Reference Price + Price Adjustment Factor = Unit Price Per Barrel
(subject to any additional adjustments provided for elsewhere in the contract):

Example 1:

Assume: Offered Price = \$61.2534
BRP = \$61.0012 (4-day average specified in Notice of Sale)
PAF = + \$0.2522
DRP = \$61.5056 (5-day average surrounding price date)
Unit Price/bbl = \$61.5056 + \$0.2522, or \$61.7578

Example 2:

Assume: Offered Price = \$60.7564
BRP = \$61.0012 (4-day average specified in Notice of Sale)
PAF = - \$0.2448
DRP = \$61.5056 (5-day average surrounding price date)
Unit Price/bbl = \$61.5056 + (-\$0.2448), or \$61.2608