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Blog Post

Department of Energy Announces New Initiative to Purchase Crude Oil for the Strategic Petroleum Reserve as a Test of Current Conditions

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As outlined in prior posts on [April 3, 2020](#), and [March 19, 2020](#), the Department of Energy (“DOE”) was directed by President Trump to purchase American-made crude oil to fill the Strategic Petroleum Reserve (“SPR”) to its maximum capacity as relief for the American energy industry. The DOE announced an initial solicitation to purchase 30 million barrels but was forced to withdraw it after Congress [failed to provide funding](#) under the Coronavirus Aid, Relief, and Economic Security Act due to criticism from some lawmakers about assisting oil companies during the pandemic. After the DOE cancelled its initial solicitation, it implemented a program to allow companies to rent space to store oil in the SPR. According to the DOE, nine companies agreed to rent space to store approximately 23 million barrels of crude.

On May 13, 2020, the DOE [announced further support](#) for the domestic oil and gas industry through [a new solicitation](#) for the DOE to purchase up to 1 million barrels of sweet crude from small to mid-sized U.S. oil producers “as a test of the current conditions of physical crude oil available to the SPR.” Depending on the bidder’s preference and scheduling logistics, delivery of sweet crude will be to the Big Hill, Bryan Mound and/or Bayou Choctaw sites.

Under the new solicitation, the DOE must receive bids by 1:00 p.m. CT on May 27, 2020, and bids will be accepted only via email. The DOE anticipates that it will award contracts by May 29, 2020, with deliveries to take place between July 1, 2020, and July 31, 2020, and potentially some early deliveries accepted in June. Offerors, which include regular sellers or distributors of crude oil, must certify that all crude oil shipments received by the SPR will be sourced from U.S. entities that employ less than

5,000 employees and identified as: (i) individuals, corporations, partnerships or governmental entities, (ii) which are either U.S. citizens, incorporated or organized in the U.S. or one of its states. Senator Kevin Cramer (R-ND) [stated that](#) “[w]hile this is a positive step for struggling oil producers, we still have much work to do.”

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Authors

[Chris Heasley](#)

Partner / [Houston](#)

[Alia Y. Heintz](#)

Associate / [Houston](#)

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