



January 31, 2008

Ms. Colleen Yates
Chief Financial Officer
Strategic Petroleum Reserve
DynMcDermott Petroleum Operations, Inc.
850 South Clearview Parkway
New Orleans, LA 70123

Dear Ms. Yates:

**FY 2007 SUPPORT COST BY FUNCTIONAL ACTIVITY REPORT (SCFAR) –
STRATEGIC PETROLEUM RESERVE (SPR)**

The SCFAR Peer Review Team has reviewed the FY 2007 Support Cost by Functional Activity Report of the Strategic Petroleum Reserve (SPR). The purpose of the review was to confirm that the data reported by SPR complied with the guidelines and definitions issued by the United States Department of Energy (DOE) and to fulfill a DOE-HQ requirement to have all of the reporting sites independently reviewed on a periodic basis.

Strategic Petroleum Reserve FY 2007 Support Cost by Functional Activity Report Process
SPR primarily utilized budget center codes for overhead and work breakdown structure (WBS) for direct cost to identify cost in its FY 2007 SCFAR. The Site reviews the associated cost and then assigns the appropriate functional cost category.

Recommendations during the last SCFAR Peer Review (03/17/2005) for FY 2004 have been verified as implemented.

Items identified during the FY 2007 Peer Review

1. WBS Element 01091525 NO ISO9000 Quality Mgmt. System Upgrade (\$11K) was reported under Information/Outreach Activities.
Team Recommendation: Move to Quality Assurance.

Site Response: We concur.

2. WBS Element 01181527 NO Flow Analysis of all Main Fire System (\$7K) was reported under Information Services.
Team Recommendation: Move to Safety and Health.

Site Response: We concur.

3. WBS Elements 01101513 NO Cyber Security (\$432K) and 01101535 NO Cybersecurity Management Tools (\$41K) were reported under Information Services.
Team Recommendation: Move to Safeguards and Security.

Site Response: We concur.

4. WBS Element 01101569 NO Radio Maintenance (\$157K) was reported under Information Services.
Team Recommendation: Move to Maintenance.

Site Response: We concur.
5. Cost Element 50250 Site Capital Equip. (\$1,078K) was reported in the following Functional Cost Categories:
 - a. Safety and Health
 - b. Maintenance
 - c. Mission DirectTeam Recommendation: Move to Capital/construction.

Site Response: We concur.
6. Cost Element 50345 Maintnce/Repair Svcs. (\$107K) was reported in Safety and Health and Mission Direct. Team Recommendation: Move to Maintenance.

Site Response: We concur.
7. WBS Element 01141524 NO PMO Mobile Command Vehicle Electrical (\$50K) was reported under Facilities Management.
Team Recommendation: Move to Maintenance.

Site Response: We concur.
8. Cost Element 50140 Postage (\$18K) was reported in Facilities Management.
Team Recommendation: Move to Information Services.

Site Response: We concur.
9. Cost Element 50265 Building Maintenance (\$69K) was reported in Facilities Management.
Team Recommendation: Move to Maintenance.

Site Response: We concur.
10. Cost Element 50280 Courier Services (\$15K) was reported in Maintenance.
Team Recommendation: Move to Information Services.

Site Response: We concur.
11. WBS Element 01031541 NO VPM Turnaround Repairs (\$1,334K) was reported under Mission Direct.
Team Recommendation: Move to Maintenance.

Site Response: We concur.

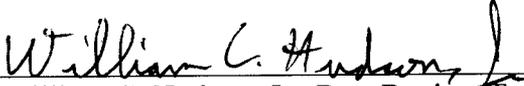
12. Cost Element 50305 Grass Cutting (\$364K) was reported in Mission Direct.
Team Recommendation: Move to Maintenance.

Site Response: We Concur.

Accuracy Assessment

The Peer Review Team has concluded that Strategic Petroleum Reserve has met the intent of the SCFAR guidelines and definitions and has achieved a level of accuracy at or above 90%.

We would like to thank Ms. Cindy Kuehne for her help and support.



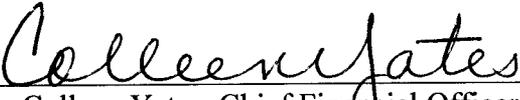
William C. Hudson, Jr., Peer Review Team Lead
Y-12 National Security Complex, B&W Y-12

1/30/08
Date



Ann Nestander, Peer Review Team Member
Fermilab, FNL

1/30/08
Date



Ms. Colleen Yates, Chief Financial Officer
Strategic Petroleum Reserve, SPR

1/30/08
Date

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