

PRIVACY IMPACT ASSESSMENT

Oil & Gas Asset Auctioneer (OGAA)

August 2014

FDIC External Service

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System Overview

When a financial institution fails, one of the FDIC's primary tasks as Receiver is to dispose of the failed bank's loans or assets in a manner that maximizes their value. In this capacity, the FDIC may require different types of interest in real estate and personal property through the continental United States, Alaska, Hawaii, Puerto Rico, Guam and the Virgin Islands. The FDIC relies on contractors to assist it in marketing and selling these assets.

FDIC does not reserve mineral right in its owned real estate (ORE) deeds under any general program. Instead, FDIC obtains oils and gas interests in any of the following ways:

- First, FDIC inherits foreclosed oil and gas interests reflected as assets on the books of a financial institution at failure.
- Second, and more commonly, FDIC discovers such assets when third parties contact FDIC about an oil and gas revealed by a title search. For example, if the institution routinely reserved minerals rights in its ORE deeds and the institution subsequently failed, record title to the interests may be in FDIC as successor to failed institution, even though the interest were previously unknown since they were not reflected as assets on the books of the institution at failure.
- Third, but more rarely, FDIC may discover an oil and gas interest when the FDIC/DRR bank Account Unit (BACU) looks for unclaimed funds that were escheated to state or local government and bankruptcy courts.
- Fourth, but most rarely, when an ORE purchaser desires to purchase from FDIC only surface right but not associated minerals interests, FDIC itself, in order to maximize the net present value of an asset as a whole, may sever the surface and mineral interest by reserve mineral right in its ORE deed to the purchaser. The newly created oil and gas interest becomes a part of FDIC's inventory.

Once an oil and gas interest is identified as part of FDIC's inventory, no matter how obtained, FDIC then values the interest, verifies the title, resolves title issues, and manages the asset (which may include entering into a lease), in order to maximize the net present value of the asset. The primary marketing strategy FDIC had developed for the oil and gas interests in its inventory is to offer such interest in its inventory is to offer such interests for sale at auction through an oil and gas contractor, currently EnergyNet.com (referred to herein as the "Contractor" or "Auctioneer"). The Contractor provides a web-based oil auction service allows that facilitates the sale of working interests, overrides, royalties, minerals interest, and non-producing leaseholds. Using a secured internet platform (EnergyNet.com), the Contractor's service allows accredited investors the flexibility and convenience of conducting their acquisition and divestment activities online in a confidential environment.

As part of a 5-stage auction process, the Contractor performs or facilitates the following tasks on behalf of the FDIC:

- **Stage 1: File transfer and Preparation** – The FDIC securely delivers the asset paper or format; the asset files contain the following general items, if available:
 - Asset Operation

- Copies of checks stubs
- Property data sheet describing the asset and lease, and
- Other documents pertinent to the asset that are within the FDIC's possession.

The Contractor then ensures the files are sufficient to market and scan/upload all paper and electronic data onto the Contractor's secured web-based internet auction site (EnergyNet.com) for review by qualified bidders.

- **Stage 2: Due Diligence** – After prospective bidders have registered and been qualified to bid on FDIC assets, they have a window of time to the online information and conduct research/due diligence.
- **Stage 3: Auction and Re-auction** – The Contractor auctions the asset to the highest bidder, or if no bidder meets the FDIC reserve, the Contractor negotiates the sale with prior approval from the FDIC Oversight Manager (OM) and according to FDIC policies.
 - The Contractor notifies the winning bidder via electronic mail and by Certified mail, and provides an invoice for payment.
 - The Contractor notifies the FDIC OM of any unsold assets and proposes an alternative sales strategy.
 - The Contractor records the receipt of funds for each asset into the Contractor's escrow account. Ultimately, funds are transferred into FDIC's account.
- **Stage 4: Ownership Transfer** – The Contractor confirms that the winning bidder has submitted their required part 340 certification – Restrictions on Sale of asset by the Federal Deposit Insurance Corporation. The Contractor then records all necessary documents in the official city, country, state, or Federal records, as appropriate. However, the buyer is responsible for submitting necessary documentation to the production companies/operators for income producing properties in order to start receiving income. Once recorded, the Contractor then gathers all transactional documents and makes a copy of them and sends them via email to the FDIC and the winning bidder.
- **Stage 5: Close-out Activities** – No later than 30 days the completion of transfer of ownership of each asset, the Contractor sends the asset file documentation to the winning bidder via secure electronic means and securely ships the hard copy conveyance documents, which do not contain sensitive PII, to the FDIC Oversight Manager (OM).

As part of the above 5-stage auction process, the Contractor collects sensitive personally information (PII) from prospective and actual bidders/investors via its secure internet platform (EnergyNet.com). This PII is retained in the Contractor's secure systems and is required in order to qualify bidders to participate in FDIC sales. Additionally, the Contractor receives oil and gas asset files from the FDIC, which it uploads to its secure auction site for review by qualified bidders. The asset

files main contain minimal, non-sensitive PII, such as the names and addresses of previous mineral, asset, royalty owners along with deed/title information obtained from public records. In extremely rare cases, certain documentation, such as transfer orders, source leases, or other source documentation obtained from public records may contain sensitive PII, such as Social Security Numbers (SSNs)/ Taxpayer Identification Numbers (TINs) of the previous minerals/asset owners. The Auctioneer redacts¹ SSNs/TINs prior to uploading the document to its secured website.

Personally Identifiable Information (PII) in OGAA

OGAA collects personally identifiable Information (PII) and non PII information such as: full name, date of birth, social security number (SSN), home address, phone number, email address, employment status/history, financial information and legal documents.

Purpose & Use of Information in OGAA

The Auctioneer collects the PII from prospective bidders/investors in order to complete the registration process and screen/qualify them to participate in FDIC auction sales. After a winning bidder has been selected, the Auctioneer uses the bidder registration data to send him/her an invoice and complete the conveyance documents.

The Auctioneer also collects non-sensitive PII from the oil and gas asset files for the purpose of marketing and selling the assets to qualified bidders. To this end, the Auctioneer uploads the asset files (with sensitive PII redacted) to its secured web-based system and makes them available for viewing to qualified bidders for due diligence purposes. After the sale and transfer of ownership of each asset, the Auctioneer sends the assets files via secured electronic means to the winning bidder.

Sources of Information in OGAA

Qualified Bidders/Purchasers - The Auctioneer operates a secure website (EnergyNet.com) that facilitates the sale of oil and gas assets, including working interests (operated and non-operated), overrides, royalties, minerals interests, and leaseholds. In order to bid on an FDIC asset, prospective purchasers/bidders must self-register on the Contractor's auction website and undergo a stringent screening process. As part of the registration and screening, bidders provide PII to Auctioneer via its secured website: full name, address, telephone number, email address, employer/company name and address, date of birth, financial information, and SSN/TIN.

¹ FDIC/DRR has retained the services of Oil and gas Evaluation Contractors to assist in researching and valuing oil and gas asset, which may entail (among other things) searching public records and gathering documentation and data, for inclusion in asset files. In rare cases where the Evaluation Contractors discover sensitive PII in the public information, it is practice to redact or obscure the sensitive information prior to adding it to the asset file.

Oil and Gas Asset Files² - The Auctioneer receives oil and gas asset file from authorized FDIC/DRR Owned Real Estate (ORE) personnel via secure means, which may include shipping via an FDIC-approved carrier; electronic transmission via the Auctioneer's Secured Electronic File Transfer System; secure email when small files need to be transmitted; or via fax. The electronic asset file may contain the following information: asset names or identifying numbers, reserve value, copies of check stubs and statement of oil and gas royalty payments, correspondence³, information about special marketing considerations, mineral and royalty conveyance documents, deeds, leases, any application agreements and estate documentation, division orders, transfer order, and additional notes. The following types of PII elements may be contained within the asset file documentation: previous mineral/asset/royalty owner names, addresses, emails addresses and telephone numbers; royalty payments/interest amounts; dates of death (if applicable and included in estate documentation obtained from public records); and title information. In extremely rare cases, certain asset file documentation, such as source leases or other source documentation may contain SSNs/TINs of previous mineral/asset/royalty interest owners. However, as a best practice, the Auctioneer redacts this sensitive PII data prior to uploading the documentation to its secure website for viewing by qualified bidders for due diligence purposes.

Notice & Consent

Previous mineral/asset owners do not have the opportunity to "opt out" of providing their data for the asset sale process, as the FDIC is required to sell all assets acquired from failed financial institutions as soon as possible after the closing after closing of a the financial institution and at the highest value. To meet this requirement, the FDIC has retained the services of the Auctioneer to assist with marketing and selling the oil and gas to the approved bidders and investors. These activities require the availability of all information on each asset, including any PII, so that the bidders may conduct due diligence.

Bidders and prospective purchasers voluntarily provide their PII, which the FDIC and the Auctioneer use to identify qualified buyers and to solicit bids for assets. Although providing this PII is voluntary, failure to submit all of the requested PII could result in the inability to bid on or purchase assets held by the FDIC.

Access to Data in OGAA

Authorized FDIC/DRR Owned Real Estate (ORE) employees have access to the Contractor's web-based auction site for the purposes of document retention; tracking

² FDIC/DRR ORE staff derives data in the auction files from public records, industry land people, and failed institution record (if application). FDIC/DRR has retained the service of FDIC Oil and Gas Evaluation Contractors assist in researching public records and gathering documentation and data for inclusion in certain oil gas asset files which FDIC/DRR ORE staff provides to the Auctioneer. For additional information about the origination of these asset files, please refer to the FDIC Privacy Threshold Analysis/Privacy Impact Assessment for Oil and Gas Evaluation Contractors.

³ In limited cases, the asset file may include correspondence that receives from members of public, such as heirs of the prior owner of a mineral interest who have a claim against the asset. This correspondence may contain individuals' name, personal contact information, and any information they choose to provide in their correspondence to FDIC.

data and sorting and reporting on the oil and gas assets that are being auctioned. Data element available for review include: auction sale data, asset number/lot number, asset purchased, gross sale amount, and buyer premium paid, and the purchaser name or company name or company name and address. In addition, authorized FDIC/DRR ORE employees are able to view the electronic asset file which may contain some PII.

After the sale, authorized FDIC/DRR ORE employees receive a final report from the Contractor via secure email and via Certified mail. This report contains the winning bidder's name asset purchase information. The Auctioneer also sends the hardcopy conveyance documents, which contain minimal PII, to the FDIC/DRR OM.

Authorized FDIC/DRR personnel also have access to monthly reports submitted by the Contractor FDIC/DRR ORE employees via secure email. The monthly reports contain the following information: date asset was added to auction site, withdrawn date, date asset was sold along with the bidder's name, asset purchased date, gross sales amount, FIN, and asset number.

Additionally, the Auctioneer securely emails the name and SSN/TIN of the prospective purchaser to FDIC/DRR staff to initiate a screening against the U.S. Department of Treasury's Office of Foreign Assets Control (OFAC) Watch List. The purpose of the screening is to verify whether the bidder is eligible to purchase FDIC assets. Once the verification is complete, DRR staff notify the Auctioneer regarding whether or not the purchase can proceed.

Authorized Auctioneer personnel have access to the oil and gas asset files, which may contain some or all of the PII specified above for purposes of marketing and selling the assets to qualified bidders and investors on behalf of the FDIC. Authorized Auctioneer personnel also have access to sensitive PII about bidders/investors in order to screen and qualify them to participate in FDIC auction sales. The Auctioneer uploads the electronic oil and gas asset files, which typically contain minimal, non-sensitive PII, to its secure web site (EnergyNet.com). As a best practice, any sensitive PII is redacted prior to uploading the files.

Qualified bidders and investors are granted access to the Auctioneer's web-based auction site to view oil and gas asset files, which may contain some or all of the PII specified above, in order to conduct due diligence and bid on FDIC assets. Upon the sale of the asset, the winning bidder receives the Assignment of Bill of Sale from the Auctioneer via email. The Bill of Sale contains minimal, non-sensitive PII (i.e., name of the purchaser). After the completion of the transfer of ownership of each asset, the Auctioneer sends the oil and gas files, which may contain some or all of the PII specified above (with sensitive PII redacted), to the winning bidder via secure electronic means.

After the sale, the Auctioneer sends the conveyance documents to the appropriate city, county, state or Federal record holder for recording, and subsequently sends recorded copies to the winning bidder and the FDIC. The conveyance documents include minimal, publicly available PII, such as the mineral owner name and address.

Data Sharing

Other Systems that Share or Have Access to Data in the System:

No other systems have access to OGAA.

System Name	System Description	Type of Information Processed
N/A	N/A	N/A

Data Accuracy in OGAA

Data is collected directly from individual bidders/purchasers, and oil and gas asset data is collected from the failed institutions, industry land people or public records. As such, the FDIC and its vendors rely on the individual, the financial institutions, and public record to provide accurate data. The Auctioneer, all key personnel and at the discretion of FDIC, any non-key personnel working on the contract each must sign a confidentiality Agreement. Additionally, FDIC conducts background investigations on applicable Auctioneer personnel prior to their beginning work on the contract.

Data Security for OGAA

The Auctioneer takes full responsibility for the conduct of its staff to ensure the confidentiality, integrity and availability of all sensitive information collected and maintain by the Auctioneer on behalf of the FDIC. Auctioneer employees are granted access to sensitive information based on their individual position/job function and "need to know".

The Auctioneer's website consists of a public-facing auction component and a restricted administrative component. All registered users receive the same level of permission to the auction component, with exception of their own profile information which is restricted to only themselves. Bidding history cannot be viewed by users of the public-facing system. The administrative component is accessible to authorized personnel only. Both firewall authentication restrictions are in place to prevent the administrative component from being accessed from authorized individuals.

The virtual private network (VPN) to the Auctioneer's website system is monitored and restricted to only authorized Auctioneer personnel who require remote access to perform their duties. Request for remote access must be reviewed and authorized by the Auctioneer's Information Technology director and information Security officer. Network restrictions are in place to prevent authorized individuals from gaining access to administrative component of the application.

System of Records Notice (SORN)

OGAA operates under the FDIC Privacy Act SORN, 30-64-0013 *Insured Financial Institution Liquidation Records* and 30-64-0019, *Potential Bidders List*.

Contact Us

To learn more about the FDIC's Privacy Program, please visit:

<http://www.fdic.gov/about/privacy/>.

If you have a privacy-related question or request, email Privacy@fdic.gov or one of the [FDIC Privacy Program Contacts](#). You may also mail your privacy question or request to the FDIC Privacy Program at the following address: 3501 Fairfax Drive, Arlington, VA 22226.

