

**INVITATION FOR OFFER
WYOMING ROYALTY IN KIND GAS
IFO No. MMS-RIK-2006-WYO-001
April 2006 to October 2006/March 2007**

Introduction

The Minerals Management Service (MMS) of the U.S. Department of the Interior is requesting written offers to purchase royalty gas produced from Federal leases in the State of Wyoming. This offer is for two packages of gas in the Madden area located in the Wind River Basin of central Wyoming. The details of each sale package are presented in the attachments to this Invitation for Offer (IFO).

Please submit a written offer via facsimile (303-231-3846) **by 1:00 p.m. MST on February 14, 2006**. We will award the offers by 2:00 p.m. MST on **February 15, 2006**. You may call Mike DeBerard at 303-231-3884 with any questions.

Offers¹

Attachment 1 is the offer sheet for the Madden Lost Cabin Gas Plant package. Attachment 2 is the offer sheet for the Madden Gathered package. Each attachment contains the estimated daily production, preferred index prices, interconnect meter names/numbers, and contact information. MMS is selling this gas using both a baseload and swing component². Place your offer(s) in the appropriate column for each pipeline gas sales package. Your offer should:

- Use an appropriate Inside FERC first-of-month price for baseload gas
- Use an appropriate Gas Daily daily midpoint price for swing gas
- Reflect an increment or decrement in relation to the applicable index price
- Include both the baseload and swing components; the buyer will take the entire package

Consideration of Offers

MMS may award a contract on the basis of initial offer(s) received without discussion. Accordingly, each initial offer should be submitted on the most favorable terms that the offeror can submit. However, MMS may negotiate with offerors in the event offers of similar or unanticipated value are received.

The MMS shall award a contract resulting from this IFO to the offeror whose offer, in MMS' judgment, is most advantageous to the Federal Government. MMS will award to the buyer by means of its Natural Gas Purchase Confirmation Notice.

Neither party shall disclose directly or indirectly, without the prior written consent of the other party, the terms of any transaction to a third party (other than the employees, lenders, royalty owners, counsel, accountants and other agents of the party, or prospective purchasers of all or substantially all of a party's assets or of any rights under this Contract, provided such persons shall have agreed to keep such terms confidential) except; (i) in order to comply with any applicable law, order, regulation, or exchange rule, (ii)

¹ Offerors must be pre-qualified to submit offers, see Attachment 3 for the Pre-Qualification and Credit Requirements. By submission of an offer, the offeror agrees to be bound to the terms and conditions of its Gas Industry Standards Board (GISB) and/or its North American Energy Standards Board (NAESB) contract with MMS and this IFO.

² Baseload is an amount of natural gas delivered over a given period of time at a steady rate unless an adverse operational or force majeure action occurs. Swing volume is the supply of natural gas that is last to be taken and first to be curtailed and absorbs production variations.

to the extent necessary for the enforcement of this Contract, (iii) to the extent necessary to implement any transaction, (iv) to the extent necessary to implement any transaction as described below in the Transportation and Scheduling of Royalty Gas section, or (v) to the extent such information is delivered to such third party for the sole purpose of calculating a published index.

Each party shall notify the other party of any proceeding of which it is aware which may result in disclosure of the terms of any transaction (other than as permitted hereunder) and use reasonable efforts to prevent or limit the disclosure. The existence of this Contract is not subject to this confidentiality obligation. The terms of any transaction hereunder shall be kept confidential by the parties hereto for one year from the expiration of the transaction.

Governing Contract

This transaction is governed by the GISB and/or NAESB contract signed between the buyer and MMS. The provisions in this IFO are a condition of your purchase and are supplemental to the GISB and/or NAESB contract. Conflicts between the GISB and/or NAESB contract and this IFO shall be resolved in favor of the IFO.

MMS will send the successful offeror a transaction confirmation detailing the award packages. The transaction confirmation will be deemed binding for both parties if the successful offeror does not either sign and return or note discrepancies within 2 business days.

Term

Delivery of royalty gas to the buyer begins on April 1, 2006. The royalty gas delivery period will be for a term of seven months ending October 31, 2006, or twelve months ending March 31, 2007, depending on the value of offers received.

The reasons for which MMS may declare an early cancellation to this contract may be, but are not limited to:

- (1) The failure to pay, when due, any payment required under this agreement, if such failure is not remedied within 5 business days after written notice of such failure, provided that the payment is not the subject of a good faith dispute and the buyer pays MMS such amounts as it concedes to be correct.
- (2) Any representation or warranty which is proven to have been false or misleading in any material respect when made or deemed to be repeated.
- (3) The failure to provide adequate financial assurances to MMS specified under Pre-Qualification and Credit Requirements.

Delivery Points

The delivery points for the Madden Lost Cabin gas (Attachment 1) is at pipeline interconnects at the tailgate of the Lost Cabin Gas Plant (identified in the attachment by pipeline name and meter name/number). The successful buyer will have the ability to ship gas into any of these interconnects. However, MMS does not guarantee the surety of flows into any one of these pipelines because of periodic constraints at these interconnects.

The delivery points for the Madden Gathered gas is at pipeline interconnects at the terminus of the Lost Creek Gathering Pipeline (identified in the attachment by pipeline name and meter

name/number). This gas must be transported on MMS's contract with the Lost Creek Gathering Pipeline and the buyer of this gas will act as MMS's agent under this contract.

Transportation and Scheduling of Royalty Gas

The buyer agrees to take 100 percent of the royalty gas delivered at the delivery point for the entire contract period. The lease operators will use reasonable efforts, consistent with industry practice, to inform the buyer regarding significant changes in gas production levels and production shut-ins. The buyer, through customary industry practice set forth by NAESB and the Council of Petroleum Accountants Societies (COPAS) in nominating and scheduling transportation services, will communicate directly with the lease operators and make arrangements for the delivery and transfer of royalty gas from the delivery point(s). The buyer, at its expense, shall make all necessary arrangements to receive royalty gas at the delivery point. The buyer is not responsible for costs of transportation upstream of the delivery point.

No later than 8 calendar days before the first day of each month, the lease operators will notify the buyer of the daily royalty gas volumes and qualities anticipated for that month of production. The buyer understands that any such estimate is not a warranty of actual deliveries to be made but is provided to facilitate planning of delivery of royalty gas. This will continue for each month of the royalty gas delivery period. Production decreases during the term of this agreement may reduce the volume of gas to a level that impinges on the baseload volume. All applicable remedies, including any liquidated damages and the Financial Keep Whole provisions set forth below, shall continue to apply to the agreed baseload volume until changes in the baseload volume have been agreed upon between MMS and the buyer.

MMS and operators will jointly monitor imbalances between delivered and entitled volumes of royalty gas. Operator imbalances may be resolved by adjusting the royalty gas delivered to the buyer. These adjustments, (the make-up amount) will be communicated from the lease operator to the buyer in the first of month availability of royalty gas. Extraordinary operator imbalances will be cashed out.

The buyer must move the royalty gas under the applicable MMS contract when MMS has purchased transport or the MMS business number if the gas is pooled. The buyer schedules and nominates flowing gas; MMS is a read-only entity.

Financial Keep Whole

Notwithstanding your signed GISB and/or NAESB contract, if on any day the quantity of gas delivered hereunder is less than, at a minimum, a quantity of gas equal to the baseload volume, the "Baseload Deficiency Quantity" shall be the numerical difference between the baseload volume and the amount of gas actually delivered, and the parties shall resolve the differences in the following manner:

- (1) If the "Daily Midpoint" price set forth in Gas Daily, or successor publication, in the column "Daily Price Survey" under the listing applicable to the geographic location³ agreed pursuant to the Transaction for the relevant day is greater than the Contract Price for the baseload volume, then MMS shall adjust the amount due from the offeror by an amount equal to (i) the Baseload Deficiency Quantity, multiplied by (ii) the difference between (a) the "Daily Midpoint" price set forth in Gas Daily, or successor publication, in the column "Daily Price Survey" and (b) the Contract Price for the baseload volume.

³ If the Gas Daily component is priced with a NYMEX, Henry Hub, or HSC index, the applicable geographic location for keep whole purposes will be established between successful offeror and MMS and identified in the transaction confirmation.

- (2) If the "Daily Midpoint" price set forth in Gas Daily, or successor publication, in the column "Daily Price Survey" under the listing applicable to the geographic location³ agreed pursuant to the Transaction for the relevant day is less than the Contract Price for the baseload volume, offeror shall pay MMS an amount equal to (i) the Baseload Deficiency Quantity, multiplied by (ii) the difference between (a) the Contract Price for the baseload volume and (b) the "Daily Midpoint" price set forth in Gas Daily or successor publication, in the column "Daily Price Survey."

"Baseload volume" shall mean a quantity of gas equal to the MMBtu/d designated in the attachments to this IFO or such quantity of gas designated as the baseload volume at the first of the month nomination.

Liquidated Damages

MMS will remarket the gas in the event an early contract cancellation occurs. MMS will collect from the terminated party an amount equal to the positive difference, if any, between the contract price less the price at which MMS is able to remarket the gas not purchased, using commercially reasonable efforts in an arm's-length transaction. Alternatively, MMS may elect to enforce any liquidated damages specified in the signed GISB and/or NAESB contract.

PAPERWORK REDUCTION ACT STATEMENT: The Paperwork Reduction Act of 1995 requires us to inform you that the information being collected under this solicitation is necessary to document fulfillment of royalty obligations and sales of minerals from leases on Federal lands. We will use this information to evaluate offers on sales of royalty production. The estimated burden to report is approximately one hour each for an offer document, letter of credit or bond, or financial statement or pre-qualification document. Suggestions on reducing this burden should be directed to the Information Collection Clearance Officer, MS 4230, MMS, 1849 C Street, N.W., Washington, D.C. 20240. Proprietary information submitted to the U.S. Department of the Interior is protected in accordance with standards established by the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1733), the Freedom of Information Act (5 U.S.C. 552(b)(4)), and the Departmental Regulations (43 CFR 2). Storage of such information and access to it are controlled by strict security measures. An agency may not conduct or sponsor and a person is not required to respond to, a collection of information unless it displays a currently valid OMB number.

3 Attachments

IFO No. MMS-RIK-2006-WYO-001
April 2006 to October 2006/March 2007

Wyoming Gas Sales – Madden Lost Cabin Gas Plant

Delivery Point*	Volume MMBtu/ Day	Obligation (see note)	Apr-06 to Oct-06 (7-mo. term) Offer	Apr-06 to Mar-07 (12-mo. term) Offer
Interconnect(s) at tailgate of Lost Cabin Gas Plant	15,000	Baseload		
Interconnect(s) at tailgate of Lost Cabin Gas Plant	5,000	Swing		

Lost Cabin Gas Plant summer maintenance will reduce MMS volumes to appx. 11,000 MMBtu/Day for 17 days in late April/early May and to 25,000 MMBtu/Day for 20 days in August.

Note: Baseload gas is offered at Inside FERC: CIG (Rocky Mt), Cheyenne Hub, Henry Hub, or NYMEX.
Swing Gas is offered at Gas Daily (Daily): CIG (Rocky Mt), Cheyenne Hub, Henry Hub, or NYMEX.

MMS will also entertain offers that use a mid-continent index.

Meter names/numbers for Lost Cabin interconnects available to buyer:

Kinder Morgan (LCGP, PIN 8963), CIG (MSN), Lost Creek Gathering Pipeline (KB).

*Offers are also acceptable for delivery at the terminus of the Lost Creek Gathering Pipeline at the WIC (LCW) and CIG (LCK) meters. Buyer will be responsible for the Lost Creek gathering charge.

Your Name

Phone No.

Company Name

Fax No.

Contact:

MMS: Mike DeBerard 303-231-3884
MMS Fax No. 303-231-3846

IFO No. MMS-RIK-2006-WYO-001
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Wyoming Gas Sales – Madden Gathered Gas

Delivery Point	Volume MMBtu/ Day	Obligation (see note)	Apr-06 to Oct-06 (7-mo. term) Offer	Apr-06 to Mar-07 (12-mo. term) Offer
Interconnect(s) at terminus of Lost Creek Gathering Pipeline	5,000	Baseload		
Interconnect(s) at terminus of Lost Creek Gathering Pipeline	5,000	Swing		

Note: Baseload gas is offered at Inside FERC: CIG (Rocky Mt), Cheyenne Hub, Henry Hub, or NYMEX.
Swing Gas is offered at Gas Daily (Daily): CIG (Rocky Mt), Cheyenne Hub, Henry Hub, or NYMEX.

MMS will also entertain offers that use a mid-continent index.

Meter names/numbers for Madden Gathered interconnects available to buyer:

Gas must be transported under MMS's contract on the Lost Creek Gathering Pipeline. Interconnects at the terminus of Lost Creek include WIC (LCW) and CIG (LCK) meters. The buyer of this gas will act as MMS's agent under this contract and be reimbursed for the Lost Creek gathering charge.

Your Name

Phone No.

Company Name

Fax No.

Contact:

MMS: Mike DeBerard 303-231-3884
MMS Fax No. 303-231-3846

Pre-Qualification and Credit Requirements

New offerors are required to pre-qualify by signing the base NAESB contract and providing audited financial statements, if not publicly available. Upon review of financial statements, MMS will issue an amount of unsecured credit based on the creditworthiness of the offeror. In most cases where offerors have submitted their most current financial documentation or such information is available on Edgar Online, no additional information will be required. However, MMS reserves the right to request additional financial information in any situation it deems necessary and may reissue or suspend approved lines of credit. Please be advised that MMS requires a parent guaranty in situations where the offeror company is a different entity than the company that has pre-qualified.

For awards exceeding the amount of credit issued by MMS or MMS has not issued a line of credit, buyers will be required to provide secured financial assurance in the form of an Irrevocable Letter of Credit (ILOC), bond, pre-payment, or other MMS-acceptable surety instrument. The financial assurance amount shall be sufficient to cover the value of 60 days of deliveries of the estimated production of all royalty gas awarded, less the amount of credit issued by the MMS. If required, the financial assurance instrument must be provided at least 5 business days prior to the first delivery of the natural gas under the contract. In such situation, buyers will be notified, and such notice will be included in the Natural Gas Purchase Confirmation Notice. MMS will also contact you regarding calculation of new sureties or continuation of existing sureties. The ILOC, Bond, pre-payment, or other MMS-acceptable surety instrument must be effective for a period beginning on the date of first delivery under the contract and ending when payment for final month of delivery is verified. Failure to provide adequate financial assurance when requested may result in a loss of award unless the Contracting Officer for the MMS extends the date.

Significant and sustained increases in the value of royalty gas during the term of the contract may result in the requirement to increase the amount of financial assurance. Further, should the creditworthiness, financial responsibility, or ability to perform become unsatisfactory to the MMS at any time during the term of this agreement, satisfactory financial assurances may be required as a condition to further deliveries under the agreement. An investment-grade rating by Standard and Poor's or Moody's is generally required by MMS to maintain creditworthiness.

In addition, the buyer is required to provide MMS with any information regarding a significant, adverse change in their financial status. Such changes can include a material change in liquidity or capital resources, noncompliance with financial covenants in debt documents, and market events affecting operations, revenues, or assets.

The financial institution issuing the ILOC or surety company issuing the Bond must be acceptable to MMS. See <http://www.mrm.mms.gov/ReportingServices/Forms/RIK.htm> for a sample of the ILOC or Bond. Contact Larry Cobb at 303-231-3307 if you have any questions regarding pre-qualification or credit