

INVITATION FOR OFFER – MMS ROYALTY-IN-KIND GAS
IFO No. MMS-RIK-2007-WYO-001
January 2007 to October 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 Jonah-Pinedale area of Wyoming. Production is available for sale in the Opal area at the tailgate of the Opal and the Blacks Fork Gas Processing Plants. The details of each gas plant-specific sale package are presented in the attachments to this Invitation for Offer (IFO).

Written offers via facsimile (fax no. 303-231-3846) are due **by 10:00 a.m. Mountain Time on December 7, 2006**. We will award the offers by 12:00 p.m. Mountain Time on **December 8, 2006**. You may call Mike DeBerard at 303-231-3884 with any questions.

<u>Attachment Number</u>	<u>Gas Plant</u>	<u>Gathering System</u>	<u>Est. Volume (MMBtu/day)</u>
1	Opal	Jonah	100,000
2	Blacks Fork	Questar	20,000

Offers¹

Each attachment is the respective offer sheet for that package of gas. MMS sells this gas using both a baseload and swing component². Place your offer(s) in the appropriate column for each 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

Package 1 (Opal): MMS is selling the two baseload and one swing components separately. You may submit an offer for either of the baseload packages and/or the swing component, or all. **The successful purchaser of the swing component will be responsible for the gas control for all of MMS's gas on the Jonah Gas Gathering System (JGG) and through the Opal gas plant.** Consideration of offers on the operational swing component will be given to an offeror who has experience scheduling gas through the Opal plant in close coordination with JGG. The volume of operational swing gas may be determined by upstream operational balancing issues, rather than actual gas flows, due to the need to keep pressures low on JGG.

Package 2 (Blacks Fork): The successful purchaser will take both the baseload and swing component. You must submit an offer for both components.

¹ Offerors must be pre-qualified to submit offers, see the Pre-Qualification and Credit Requirements section. 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.

You may submit a multi-package offer where the award is contingent on winning all identified packages. You must meet our financial qualifications for the full volume you wish to purchase. Indicate your priority of acceptance for a multi-package deal in a cover sheet with your offers.

MMS and the buyer will mutually agree to pricing remedies when:

- **Gas cannot flow to the specified gas plant and/or gathering system due to operational issues**
- **Gas flow disruptions occur due to acts of God or other force majeure activities**
- **An appropriate index price does not post or is removed**

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' sole judgment, is the most advantageous to the Federal Government. MMS will award to the buyer by means of its Natural Gas Sale Transaction Confirmation and Agreement.

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) 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.

Term

Delivery of royalty gas to the buyer begins on January 1, 2007. The royalty gas delivery period will be for a term of ten months ending October 31, 2007.

MMS may terminate the contract prior to the end of the term for the following (not exclusive) reasons:

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. The failure to provide adequate financial assurances to MMS specified under Pre-Qualification and Credit Requirements.

3. Any representation or warranty which is proven to have been false or misleading in any material respect when made or deemed to be repeated.

Delivery Point

The delivery point for royalty gas is the interconnect(s) at the tailgate of the applicable gas plant. **MMS has a transportation contract with both JGG and the Questar Gathering System to deliver gas at the tailgate pipeline interconnects.** The available pipeline interconnects at each gas plant are provided on each attachment. MMS also has a pre-determined allocation at each meter on the gathering system equal to our royalty share from the Federal wells/leases involved in that meter.

Transportation, Fuel, Scheduling of Royalty Gas, and Imbalances

The buyer agrees to take 100 percent of the royalty gas delivered at the delivery point for the entire contract period. The buyer will communicate daily and directly with the MMS scheduling representative and/or operators of the gathering systems and make daily arrangements for the delivery and transfer of royalty gas. This is customary industry practice set forth by NAESB and the Council of Petroleum Accountants Societies (COPAS) for nominating and scheduling transportation services. The buyer, at its expense, shall make all necessary arrangements to receive royalty gas at the delivery point and must make every reasonable effort to have the royalty gas confirmed timely. The buyer is not responsible for costs of transportation upstream of the delivery point. **The buyer will be responsible for pipeline imbalances, including cashouts and/or penalties, downstream of the delivery point.**

No later than 5 calendar days before the first day of each month, MMS and/or the gathering system operator 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.** Actual volumes should be confirmed daily with the gathering system operator. This will continue for each month of the royalty gas delivery period.

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 (force majeure does not apply). 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 or Henry Hub index, the applicable geographic location for keep whole purposes will be established between the buyer 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.

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 (TC) detailing the award packages. **The TC will be deemed binding for both parties if the successful offeror does not either sign and return or note discrepancies within 2 business days from date of receipt, however, it is the preference of MMS that the TC be returned signed.**

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. 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. Upon review of financial statements, MMS will issue an amount of unsecured credit based on the creditworthiness of the offeror.

MMS reserves the right to request additional financial information in any situation it deems necessary and may reissue or suspend approved lines of credit. Furthermore, buyers are required to provide MMS with any information regarding a significant, adverse change in their financial status that would affect the approved line of credit. Such adverse changes would include a credit downgrade, material changes to liquidity or capital resources, noncompliance with financial covenants in debt documents, or significant market events affecting operations, revenues, or assets.

In situations where the amount of unsecured credit is not sufficient to cover the 60-day value of production awarded, MMS may require acceptable financial assurance (such as a letter of credit or, if buyer desires, a prepayment) effective for the full term of the contract. More information regarding calculation of the financial assurance may be found in the credit approval notification. Failure to provide adequate financial assurance when requested by MMS may result in a loss of award unless MMS extends the date.

Payment Terms

The US Treasury FEDWIRE Deposit System allows electronic payments to the MMS for same day processing. You must provide specific information to your bank so that a FEDWIRE message can be transmitted to the MMS US Treasury account. Complete instructions are located on our website: <http://www.mrm.mms.gov/ReportingServices/PDFDocs/fedwire.pdf>.

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.

2 Attachments

Minerals Management Service
 IFO No. MMS-RIK-2007-WYO-001
 January 2007 to October 2007

MMS Contact
 Mike DeBerard
 Ph: 303-231-3884
 Fax: 303-231-3846

Opal Gas Plant – RIK Gas Sales

Delivery Point	Volume MMBtu/Day	Obligation (1/)	Offer
Interconnects at the tailgate of the Opal Gas Plant	40,000	Baseload	
Interconnects at the tailgate of the Opal Gas Plant	40,000	Baseload	
Interconnects at the tailgate of the Opal Gas Plant	20,000	Swing 2/	

----- Each component sold separately, you can bid on one or all -----

- 1/ Baseload gas is offered at Inside FERC: Northwest (Rocky Mountains), Kern River (Wyoming), Henry Hub, NYMEX, or Southern California Gas Co.
 Swing gas is offered at Gas Daily (Daily): Northwest (Wyo Pool), Kern River (Opal Plant), Henry Hub, NYMEX, or SoCal Gas.
- 2/ Purchaser of swing component will schedule all of MMS's gas at the Opal plant.

Interconnects available to buyer at the tailgate of Opal include:

Kern River Transmission, Northwest Pipeline, Colorado Interstate Gas Pipeline.

 Your Name

 Phone No.

 Company Name

 Fax No.

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MMS Contact
 Mike DeBerard
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Blacks Fork Gas Plant – RIK Gas Sales

Delivery Point	Volume MMBtu/Day	Obligation (see note)	Offer
Interconnects at the tailgate of the Blacks Fork Gas Plant	15,000	Baseload	
Interconnects at the tailgate of the Blacks Fork Gas Plant	5,000	Swing	

----- Baseload and swing sold together, you must bid on both -----

Note: Baseload gas is offered at Inside FERC: Northwest (Rocky Mountains), Kern River (Wyoming), Henry Hub, NYMEX, or Southern California Gas Co.
 Swing gas is offered at Gas Daily (Daily): Northwest (Wyo Pool), Kern River (Opal Plant), Henry Hub, NYMEX, or SoCal Gas.

Interconnects available to buyer at the tailgate of Blacks Fork include:

Rendezvous Pipeline (Rendezvous will also make delivery to Kern River Transmission at no cost), Northwest Pipeline, Overthrust Pipeline, Questar Pipeline, and Colorado Interstate Gas Pipeline.

 Your Name

 Phone No.

 Company Name

 Fax No.