

**INVITATION FOR OFFER  
WYOMING ROYALTY IN KIND GAS  
IFO No. MMS-RIK-2008-WYO-002  
April 2008 to October 2008/March 2009**

**Introduction**

The Minerals Management Service (MMS) of the U.S. Department of the Interior is requesting written offers from pre-qualified companies (see Pre-Qualification and Credit Requirements) to purchase royalty gas produced from Federal leases in the State of Wyoming. Production is available for sale in the Opal area at the tailgate of the Opal Gas Processing Plant and the Madden area located in the Wind River Basin of central Wyoming. The details of each sale package are presented in the exhibits to this Invitation for Offer (IFO).

Please submit a written offer via facsimile (303-462-9943) **by 1:00 p.m. MT on March 3, 2008**. We will verbally notify the award winners by 3:00 p.m. MT on **March 4, 2008**, subject to a written follow-up via a transaction confirmation. Please call Mike DeBerard at 303-231-3884 if you have any questions.

| <u>Exhibit Number</u> | <u>Page Number</u> | <u>Package</u>    | <u>Est. Volume MMBtu/Day</u> |
|-----------------------|--------------------|-------------------|------------------------------|
| 1                     | 5                  | Opal (2 packages) | 60,000                       |
| 2                     | 6                  | Madden Lost Cabin | 20,000                       |
| 3                     | 7                  | Madden Gathered   | 9,000                        |

**Offers**

Each exhibit is the respective offer sheet for that package of gas and contains the estimated daily production, preferred index prices, interconnect meter names/numbers, and contact information. MMS is selling the Madden gas using both a baseload and swing component and the Opal gas using only a baseload component. 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. 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
- Include both the baseload and swing components for the Madden packages; the buyer will take the entire package
- Detail refresh clauses clearly for NYMEX bids
- Reflect total consideration

MMS will give preference to a "greater of" offer that combines two or more index prices.

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

- The index price does not post or is removed
- Gas flow is disrupted due to Force Majeure, including acts of God

## 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 the offeror can submit. However, MMS may contact offerors in the event we receive offers of similar or unanticipated value or offers that are time-sensitive. The MMS may ask for a refreshed offer in these cases and ask the offeror to submit the refreshed offer via facsimile or email to RikGasBids@mms.gov.

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. General bid evaluation criteria is found in the RIK Business Plan and the RIK Risk Policies. MMS will confirm award to the buyer by means of its Natural Gas Transaction Confirmation and Agreement (TC). 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, MMS prefers that a fully executed TC be returned. MMS will be the confirming party for both the TC and any subsequent revisions to the TC.

## Term

Delivery of royalty gas to the buyer begins on April 1, 2008. The royalty gas delivery period will be for a term of seven months ending October 31, 2008 for the Opal gas or a term of seven months ending October 31, 2008 or twelve months ending March 31, 2009 for the Madden gas, depending on the value of offers received.

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

- 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 provides documentation described under Payment Terms.
- The failure to provide adequate financial assurances to MMS specified under Pre-Qualification and Credit Requirements.
- 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 Points

In general, the delivery points are at the downstream pipeline interconnects provided on each applicable exhibit. Although the buyer will have the ability to ship gas into any of these interconnects, MMS does not guarantee the surety of flows into any one of these downstream pipelines.

## 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 will communicate daily and directly with the lease operators and make daily arrangements for the delivery and transfer of royalty gas from the delivery point(s). This is customary industry practice set forth by North American Energy Standards Board (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. **Therefore the buyer, when taking gas downstream of the delivery point on buyer's contract will be responsible for associated penalties, imbalance cashouts and penalties, as well as pipeline imbalances scheduled by buyer.** The buyer is not responsible for costs of transportation upstream of the delivery point.

Where applicable, the lease operators will notify the buyer of the daily royalty gas volumes and qualities anticipated for that month of production no later than 5 business days before the first day of each month. **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.** The buyer should confirm actual volumes daily with the lease operator. This will continue for each month of the royalty gas delivery period. The buyer schedules; nominates and receives pipeline confirmations of flowing gas; MMS is a read-only entity.

Natural field decline 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 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 and memorialized by a new MMS Transaction Confirmation.

### **Financial Keep Whole**

Notwithstanding an offeror's signed Gas Industry Standards Board Base Contract (GISB) and/or NAESB, 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 location 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.
- (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 location<sup>3</sup> 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 exhibits to this IFO or such quantity of gas designated as the baseload volume at the first of the month nomination. MMS and the buyer may jointly agree to adjust the baseload volume from time to time to accurately reflect natural field decline/additional drilling in the field.

### **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.**

### **Pre-Qualification, and Credit Requirements**

To pre-qualify, new offerors are required to sign the NAESB "Base Contract for Sale and Purchase of Natural Gas" including MMS Special Provisions, and provide detailed financial information. If the offeror has previously signed the GISB or the NAESB, a new contract will not be required. Participants new to the program must have the NAESB signed and sent back to MMS prior to bidding. Upon pre-qualifying, MMS will issue an amount of unsecured credit based on the creditworthiness of the offeror. In cases where pre-qualified offerors have submitted their most current financial documentation, no additional information will be required. Please be advised that MMS will require a parent guaranty in situations where the company submitting the offer is a different entity than the company that has pre-qualified.

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. 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 assurance may be required as a condition to further performance under the agreement.

For awards exceeding the amount of unsecured credit issued by MMS, buyers will be required to provide secured financial assurance in the form of an Irrevocable Letter of Credit (ILOC), Bond, or other MMS-acceptable surety instrument 5 business days prior to first receipt of natural gas under the contract. 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 unsecured credit issued by the MMS as previously notified. For new surety instruments, the MMS will contact you regarding the calculation of an estimated amount of surety to be provided prior to initial deliveries. For continuing surety instruments, we will contact you regarding renewal requirements. Significant and sustained increases in the value of natural gas during the term of the contract may result in requiring an increase in the amount of financial assurance. Failure to provide requested surety within 5 business days after the request has been made, may result in cancellation of the award or termination of the contract.

### **Payment Terms**

Buyers must pay MMS invoiced amounts in accordance with instructions for the US Treasury FEDWIRE Deposit System for electronic payments provided at [http://www.mrm.mms.gov/ReportingServices/PDFDocs/Fedwire\\_RIK.pdf](http://www.mrm.mms.gov/ReportingServices/PDFDocs/Fedwire_RIK.pdf). Payment information must include the RIK invoice number and RIK-specified payor code assigned to you as buyer, particularly if single payments are made for multiple gas packages. RIK payments must not include other, non-RIK, payments made to MMS.

If the buyer disputes an invoiced amount, you must provide supporting documentation clearly demonstrating the basis for the dispute within 5 business days of payment. Supporting documentation should include electronic bulletin board (EBB) data, pipeline statements, actual pipeline transportation invoices, additional charge details, or other payment support that validates your claim.

Please be advised that unpaid portions of due invoices may be referred to the U.S. Department of Treasury for collection under the Debt Collection Improvement Act of 1996 if greater than 180 days.

### **Liquidated Damages**

If the buyer requests an early contract cancellation in writing and MMS agrees to the cancellation, MMS will remarket the gas using commercially reasonable efforts in an arm's-length transaction. MMS will collect from the terminated party, on a monthly basis, an amount equal to the positive difference, if any, between the original contract price and the price at which MMS is able to remarket the gas. MMS will also notify the buyer of the new contract price before MMS resells the gas. MMS may also elect to enforce any liquidated damages specified in the signed GISB and/or NAESB contract.

**Paperwork Reduction Act.** The Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*) requires us to inform you that we collect this information to document fulfillment of royalty obligations on minerals removed from leases on Federal lands. This information collection is approved by the Office of Management and Budget and is titled "30 CFR Part 208—Sale of Federal Royalty Oil; Sale of Federal Royalty Gas; and Commercial Contracts (OMB Control Number 1010-0119, expiration date February 28, 2009)." We use this information to maintain and audit lease accounts. Responses are mandatory to obtain a benefit. Proprietary information 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 Department regulations (43 CFR 2). 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 Control Number. Public reporting burden is estimated to average 1 hour per response, including the time for reviewing instructions, gathering and maintaining data, and completing and reviewing the data. Direct comments regarding the burden estimate or any other aspect of this information collection to the Information Collection Clearance Officer, Minerals Management Service, Mail Stop 4230, 1849 C Street NW, Washington, DC 20240.

Minerals Management Service  
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**MMS Contact**  
 Mike DeBerard  
 Ph: 303-231-3884  
 Fax: 303-462-9943

**Wyoming RIK Gas Sales – Opal Gas Plant**

| Delivery Point                           | Volume<br>MMBtu/D | Obligation<br>(see note) | Apr 08 – Oct 08<br>7-mo. Offer |
|--|-------------------|--------------------------|--------------------------------|
| Opal Gas Plant<br>tailgate interconnects | 30,000            | Baseload                 |                                |
| Opal Gas Plant<br>tailgate interconnects | 30,000            | Baseload                 |                                |

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

Note: Baseload gas is offered at Inside FERC: Northwest (Rocky Mountains), Kern River (Wyoming), Henry Hub, NYMEX, or Southern California Gas Co.

Interconnects available to buyer at the tailgate of Opal include:

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

\_\_\_\_\_  
 Your Name

\_\_\_\_\_  
 Phone No.

\_\_\_\_\_  
 Company Name

\_\_\_\_\_  
 Fax No.

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**Wyoming RIK Gas Sales – Madden Lost Cabin Gas Plant**

| <b>Delivery Point*</b>                                 | <b>Volume<br/>MMBtu/<br/>Day</b> | <b>Obligation<br/>(see note)</b> | <b>Apr-08 to Oct-08<br/>(7-mo. term)<br/>Offer</b> | <b>Apr-08 to Mar-09<br/>(12-mo. term)<br/>Offer</b> |
|--|----------------------------------|----------------------------------|--|---|
| Interconnect(s) at tailgate of<br>Lost Cabin Gas Plant | 15,000                           | Baseload                         |  |   |
| Interconnect(s) at tailgate of<br>Lost Cabin Gas Plant | 5,000                            | Swing                            |  |   |

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

Notes: 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.

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**Wyoming Gas Sales – Madden Gathered Gas**

| <b>Delivery Point*</b>   | <b>Volume<br/>MMBtu/<br/>Day</b> | <b>Obligation<br/>(see note)</b> | <b>Apr-08 to Oct-08<br/>(7-mo. term)<br/>Offer</b> | <b>Apr-08 to Mar-09<br/>(12-mo. term)<br/>Offer</b> |
|--|----------------------------------|----------------------------------|--|---|
| Interconnect(s) at terminus<br>of Lost Creek Gathering<br>Pipeline | 5,000                            | Baseload                         |  |   |
| Interconnect(s) at terminus<br>of Lost Creek Gathering<br>Pipeline | 4,000                            | Swing                            |  |   |

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

Notes: 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:

Kinder Morgan (Hendry Pin # 7738), Lost Creek Gathering Pipeline (Madden West # 804001), and CIG (LOS) via an Anadarko Gas Gathering System (MBE). Buyer will need a contract with Anadarko to access CIG.

\*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.