

**INVITATION FOR OFFER  
FEDERAL GAS FROM CLIFFSIDE HELIUM ENRICHMENT UNIT  
IFO No. MMS-2008-CHEU-001  
April 2008 – October 2008/March 2009**

**Introduction**

The Minerals Management Service (MMS) of the U.S. Department of the Interior (DOI) is requesting written offers from pre-qualified companies (see Pre-Qualification and Credit Requirements) to purchase Federal gas produced from the Bureau of Land Management's (BLM) Cliffside Helium Enrichment Unit (CHEU). BLM's CHEU is located in Potter County, Texas near the city of Amarillo.

Production from the CHEU is delivered into El Paso Natural Gas' (El Paso) natural gas transmission system via El Paso's Cliffside lateral line. BLM has contracted with El Paso for firm transportation over this lateral. This firm contract includes access to interconnects with Natural Gas Pipeline Company of America (NGPL) and El Paso Natural Gas (El Paso), also located in Potter County, Texas.

This sale is for a seven or twelve month term beginning on April 1, 2008. The buyer will take delivery of the Federal gas at the interconnect of the CHEU and the Cliffside lateral (delivery point) and will schedule and nominate the gas at and downstream of this point.

Written offers via facsimile (fax no. 303-462-9943) are due **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 Jeff Olson at 303-231-3225 with questions about this Invitation for Offer (IFO).

**Offers**

The Attachment is the offer sheet containing the meter numbers, estimated daily production, preferred index prices, interconnect meter numbers, and contact information. Your offer, expressed as an increment or decrement in relation to the index price, should be placed in the appropriate offer sheet column (seven or twelve month term or both). Please note that we are selling all of this gas under a swing obligation on the daily market rather than using a baseload and swing component. The CHEU volume may increase or decrease through the term of this sale although BLM anticipates relatively stable production rates.

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

- The index price does not post or is removed
- Gas cannot flow on the pipeline specified due to pipeline operational issues.
- 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 that the offeror can submit. However, MMS may negotiate with offerors in the event offers of similar or unanticipated value are

received. 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](mailto: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). MMS will be the confirming party for both the TC and any subsequent revisions to the TC.

### **Term**

Deliveries of the Federal CHEU gas to the buyer will commence on April 1, 2008. The delivery period will be for a term ending October 31, 2008, or March 31, 2009, 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.

### **Transportation and Scheduling of Federal Gas**

The buyer agrees to take 100% of the Federal gas delivered at the delivery point for the entire contract period. BLM will use reasonable efforts, consistent with industry practice, to inform the buyer regarding significant changes in gas production levels, gas quality, 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 BLM.

The buyer, at its expense, shall make all necessary arrangements to receive delivery of Federal gas at the delivery point. **Therefore the buyer, taking gas downstream of the delivery point on purchaser'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 nor is it responsible for the Cliffside lateral transportation cost.

No later than 8 calendar days before the first day of each month, BLM will notify the buyer of the daily gas volume and quality anticipated for the following 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 BLM. 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.

## **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 awarded package. **The TC will be deemed binding for both parties if the buyer does not either sign and return or note discrepancies within 2 business days from date of receipt. MMS prefers that a fully executed TC be returned.**

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

To pre-qualify, new offerors are required to sign the North American Energy Standards Board (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 Gas Industry Standards Board Base Contract (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.

## **Payment Terms**

BLM will invoice the purchaser for payments and transportation adjustments.

## **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. The 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.

Attachment

Minerals Management Service  
 IFO No. MMS-2009-CHEU-001  
 April 2008 to October 2008/March 2009

Federal Gas Sales - CHEU

Delivery Point	Volume MMBtu/ Day	Obligation (see note)	Apr-08 to Oct-08 (7-mo. term) Offer	Apr-08 to Mar-09 (12-mo. term) Offer
El Paso's Cliffside Lateral (ICLIFSID DRN 350305)	9,000	Swing		

Note: Swing Gas is offered at Gas Daily (Daily) index (preferences, but not limited to):  
 El Paso Natural Gas Co. (Permian Basin), Panhandle Eastern Pipeline (Texas-  
 Oklahoma), NGPL (Mid-continent)

Meter numbers for Cliffside Lateral interconnects:

NGPL Cliffside (350165), El Paso Anadarko (DRN 216749).

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

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

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

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

Contacts:

MMS: Jeff Olson           303-231-3225  
 BLM: John Hamak       806-356-1025  
 MMS Fax No.           303-462-9943