

**INVITATION FOR OFFER
WYOMING ROYALTY IN KIND GAS
IFO No. MMS-RIK-2007-WYO-002
April 2007 to October 2007/March 2008**

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 11:00 a.m. MST on March 5, 2007**. We will award the offers by 2:00 p.m. MST on **March 6, 2007**. Please call Mike DeBerard at 303-231-3884 if you have 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 Gas 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

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 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

¹ Offerors must be pre-qualified to submit offers. 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.

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 April 1, 2007. The royalty gas delivery period will be for a term of seven months ending October 31, 2007 or twelve months ending March 31, 2008, depending on the value of offers received.

The reasons for which MMS may declare an early cancellation 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. 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 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 delivery points for the Madden Gathered gas (Attachment 2) is at pipeline interconnects at the terminus of the gathering system (identified in the attachment by pipeline name and meter name/number). The 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.

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 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 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.

No later than 5 business 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.** Actual volumes should be confirmed 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 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.
- (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 buyer a Transaction Confirmation (TC) detailing the awarded packages. **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, however, it is the preference of MMS that the TC be returned signed.**

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 successful offeror and MMS and identified in the transaction confirmation.

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. In situations where the company entering into the transaction with MMS is a different entity than the pre-qualified company, MMS requires a parent guaranty on behalf of the transacting party for the full term of the contract and payment requirements there under.

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 will 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. 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.

2 Attachments

IFO No. MMS-RIK-2007-WYO-002
April 2007 to October 2007/March 2008

Wyoming Gas Sales – Madden Lost Cabin Gas Plant

Delivery Point*	Volume MMBtu/ Day	Obligation (see note)	Apr-07 to Oct-07 (7-mo. term) Offer	Apr-07 to Mar-08 (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		

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-2007-WYO-002
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Wyoming Gas Sales – Madden Gathered Gas

Delivery Point	Volume MMBtu/ Day	Obligation (see note)	Apr-07 to Oct-07 (7-mo. term) Offer	Apr-07 to Mar-08 (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	4,000	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:

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.

 Your Name

 Phone No.

 Company Name

 Fax No.

Contact:

MMS: Mike DeBerard 303-231-3884

MMS Fax No. 303-231-3846