

INVITATION FOR OFFER – MMS ROYALTY-IN-KIND GAS
IFO No. MMS-RIK-2008-WYO-001
November 2007 to March/October 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 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 exhibits to this Invitation for Offer (IFO).

Written offers via facsimile to Ms. Sandra Lawson (Bid Acceptance Official) at fax No. 303-231-3846 are due **by 1:00 p.m. Mountain Time on October 2, 2007**. We will award the offers by 3:00 p.m. Mountain Time on **October 3, 2007**. Please call Mike DeBerard at 303-231-3884 if you have any questions.

<u>Exhibit Number</u>	<u>Package</u>	<u>Gathering System</u>	<u>Est. Volume (MMBtu/day)</u>
1	Opal Gas Plant	Jonah	150,000
2	Blacks Fork Gas Plant	Questar	37,000
3	Rockies Express Pipeline (REX)	Jonah	50,000

Offers¹

Each exhibit 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 three baseload and one swing components separately. You may submit an offer for any or all of the baseload packages and/or the swing component, or both. WPX Gas Resources (WPX) will be responsible for the gas control for all of MMS' gas on the Jonah Gas Gathering System (JGG) and through the Opal gas plant. The buyer will communicate directly with WPX on all gas control issues. **We will, however, entertain offers for our swing gas that are conditioned by the offeror's desire to perform this gas control function.**

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.

Package 2 (Blacks Fork): The buyer will take both the baseload and swing component. You must submit an offer for both components. This gas flows on the Questar Gas Management Pipeline under a MMS contract. MMS will designate the buyer as our agent this contract. The agent will be responsible for gas control on approximately 40 meters.

Package 3 (REX): MMS is selling a single baseload firm package of 50,000 MMBtu/day. This gas is dedicated to REX upon completion of REX West (Phase II) in early 2008. Due to the construction schedule for REX, there are separate and distinct delivery points and pricing points prior to pipeline completion and post pipeline completion. From November 1, 2007 until the completion of REX Phase II (anticipated being January 1, 2008), the gas will be available only at the Opal Gas Plant tailgate interconnects. After REX Phase II completion, the gas will be available at REX downstream Phase II interconnects (detailed in exhibit 3). Should the REX Phase II start-up occur mid-month, MMS and the buyer will bilaterally determine alternate pricing, if necessary, for the remainder of that month.

In addition to purchasing the gas, the buyer will manage our REX contract under an agency agreement. Management of the REX Firm Transportation (FT) contract includes:

- All nominations, confirmations and gas scheduling into the REX receipt point at the tailgate of the Opal Gas Plant on Kinder Morgan's Electronic Bulletin Board (EBB).
- Monitoring of all notices posted on the EBB for both receipts and deliveries.
- Balancing the MMS position on REX at the specific delivery points contracted by MMS.
- Responsibility for pipeline imbalances, including cashouts and penalties associated with scheduled imbalances.
- Timely payment to Kinder Morgan for FT charges (demand & variable charges, ACA, fuel). MMS will provide reimbursement of this payment through a deduction from the gas commodity sales invoice.

The buyer may not release any MMS REX FT capacity, but as the MMS' designated agent, they may use all other available options described in the MMS FT contract and in the REX tariff to enhance the value of transport to purchaser.

For all packages of gas, 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 is disrupted 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 and noted as time sensitive (e.g. NYMEX related offers) if applicable. 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 November 1, 2007. The delivery period for the Opal and Blacks Fork gas is either a 5 month term ending March 31, 2008 or a one year term ending October 31, 2008. The delivery period for the REX gas is one year term ending October 31, 2008.

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 exhibit. 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.

As previously discussed on Package 3, MMS holds FT on REX and the purchaser will take receipt at the newly installed REX interconnect at the tailgate of the Opal Gas Plant on the first day of flow as notified on Kinder Morgan's EBB. Prior to REX first flow, the available delivery points are those currently available at the tailgate of Opal Gas Plant.

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 MMS' scheduling agent 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, our scheduling agent 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.
- (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 exhibits 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 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 the buyer 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.

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. MMS will contact you regarding financial assurance. Failure to provide adequate financial assurance when requested by MMS may result in a loss of award.

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. Successful offeror must provide specific information to your bank so that a FEDWIRE message can be transmitted to the MMS US Treasury account. Offeror payment information must include the RIK *invoice number* and RIK-specified *payor code* assigned to you as buyer. This is especially critical if buyers are sending one payment for multiple gas packages. RIK payments must not include other, non-RIK, payments made to MMS.

If successful offeror 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 an early contract cancellation is requested in writing from the buyer and is agreed to by MMS, 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 contract price and the price at which MMS is able to remarket the gas. The formula for this calculation will be provided prior to the remarketing of the gas.

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 Exhibits

**Minerals Management Service
 IFO No. MMS-RIK-2008-WYO-001
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MMS Contact
 Mike DeBerard
 Ph: 303-231-3884
 Fax: 303-231-3846

Opal Gas Plant – RIK Gas Sales

Delivery Point	Volume MMBtu/D	Obligation (see note)	Nov 07 – Mar 08 5-mo. Offer	Nov 07 – Oct 08 12-mo. Offer
Opal Gas Plant tailgate interconnects	50,000	Baseload		
Opal Gas Plant tailgate interconnects	50,000	Baseload		
Opal Gas Plant tailgate interconnects	30,000	Baseload		
Opal Gas Plant tailgate interconnects	20,000	Swing		

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

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 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
 Ph: 303-231-3884
 Fax: 303-231-3846

Blacks Fork Gas Plant – RIK Gas Sales

Delivery Point	Volume MMBtu/Day	Obligation (see note)	Nov 07 – Mar 08 5-mo. Offer	Nov 07 – Oct 08 12-mo. Offer
Blacks Fork Gas Plant tailgate interconnects	30,000	Baseload		
Blacks Fork Gas Plant tailgate interconnects	7,000	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.

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MMS Contact
 Mike DeBerard
 Ph: 303-231-3884
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Rockies Express Pipeline

Delivery Point	Volume MMBtu/Day	Obligation
REX interconnect with Opal Gas Plant	50,000	Baseload - FIRM

Delivery Period	Preferred Index(s) (see note)	12-mo. Offer
Nov 2007 through completion of REX West (Phase II) at Mexico, MO estimated January 2008	Inside FERC: Northwest (Rocky Mountains), Kern River (Wyoming), CIG	
REX West (Phase II) completion through October 31, 2008	Inside FERC: All of the above plus ANR (OK), Panhandle Eastern, Northern Natural (Demarcation), NGPL (Midcontinent), Chicago city gates	

Note: Henry Hub and NYMEX bids acceptable for both delivery periods. MMS will give preference to a "greater of" offer that combines 2 or more index prices.

Interconnects available to buyer under MMS's REX contract: Cheyenne Hub, Kinder Morgan, NGPL, NNG, ANR, and PEPL. MMS's primary delivery point under our REX contract is PEPL, although purchaser can use any other listed interconnect on a secondary basis.

 Your Name

 Phone No.

 Company Name

 Fax No.