

**INVITATION FOR OFFER – MATAGORDA OFFSHORE PIPELINE SYSTEM
NOVEMBER 2000 – MARCH 2001
IFO NO: MMS-RIK-2000-GOMR-007**

Introduction

The Minerals Management Service (MMS) of the U.S. Department of the Interior is soliciting written offers (bids) to purchase royalty gas produced from Federal offshore leases in the Gulf of Mexico and delivered into Northern Natural Gas' (NNG) capacity in the Matagorda Offshore Pipeline System (MOPS). This sale is for the 5-month 2000-2001 winter season. The successful purchaser will take custody of the royalty gas at multiple offshore receipt points and must schedule and nominate the gas at and downstream of these points.

Our MOPS gas consists of approximately 22,000 mmbtu/day from sixteen receipt points. Offers are due by October 24, 2000, at 1:00 p.m. Central Time. The bid will be awarded by close of business on October 25, 2000.

This offer contains two exhibits. Exhibit A identifies the Gulf of Mexico Federal leases involved in this offer. The royalty gas available to the successful offeror will be the Government's share of production from those leases. Our most recent estimate of the Government's share of production is also provided in Exhibit A. Production history from these properties is available upon request.

Exhibit B is the bid sheet. The column in Exhibit B labeled "BID" is provided for offerors to indicate their offers. By submission of a bid, the offeror agrees to be bound to the terms and conditions of its Gas Industry Standards Board (GISB) contract with MMS and this solicitation.

Offerors may telephone Karen Bigelow at MMS to clarify issues regarding this competitive bid. Karen can be reached at (303) 275 – 7411.

Offers

The successful offeror must bid on both the baseload and swing component and will take the entirety of each component. We have no price index preference for these offers.

Offerors must be prequalified to submit bids. The prequalification process is described in the MMS Website: www.rmp.mms.gov/RIKweb/Notices and Documents. The successful offeror must have a signed GISB-based contract on file with MMS.

Term

Initial deliveries of royalty gas to the successful offeror will commence November 1, 2000. The royalty gas delivery period will be for a term of five months ending March 31, 2001.

Delivery Points

The delivery point for royalty gas is the inlet flange or weld of the applicable NNG metering facilities; either from any lateral line or a direct connection to a platform. The MOPS services the Tivoli Gas Plant area. Pipeline interconnections at Tivoli are Florida Gas Transmission, Houston Pipeline, Coral Pipeline, Midcon Pipeline, NGPL, and Koch.

Transportation of Royalty Gas

The operators of the selected leases will deliver royalty gas to the successful offeror at the same frequency as it is produced from the property. Unless otherwise notified, this is assumed to be daily. The successful offeror, at its expense, shall make all necessary arrangements to receive delivery of royalty gas at the NNG Point of Injection (POI). The successful offeror is not responsible for costs of transportation upstream of the NNG POI.

MMS has negotiated a transportation contract on the MOPS. The MMS will give the successful offeror an agency authority designating them to act as our agent to perform the obligations of shipper/operator with NNG. The successful offeror will assume all responsibilities under the MMS transportation contract with NNG as a shipper of royalty gas. NNG will invoice the successful offeror directly for the cost of transportation, and the successful offeror, as MMS' agent, is responsible for paying NNG for the actual cost of transportation. The successful offeror will provide the MMS Contracting Officer, or designee, copies of any associated documents (e.g., pipeline statements or invoices) within 5 days of receipt. MMS will reduce the monthly royalty gas invoice by the NNG invoiced transportation expense.

Scheduling of Royalty Gas

The successful offeror agrees to take 100 percent of the royalty gas delivered to it at the delivery point for the entire contract period. The successful offeror, through customary industry practice set forth by GISB and the Council of Petroleum Accountants Societies (COPAS) in nominating and scheduling transportation services, will communicate directly with the operator and make arrangements for the delivery and transfer of royalty gas from the properties in Exhibit A. The operator will use reasonable efforts, consistent with industry practice, to inform the successful offeror regarding significant changes in gas production levels. The operator will notify the successful offeror in the event of a production shut-in.

No later than 8 calendar days before the first day of each month, the operator will notify the successful offeror of the daily royalty gas volumes and qualities anticipated for the following month of production. This will continue for each month of the royalty gas delivery period. The successful offeror 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.

Imbalances in the delivery of royalty gas to the successful offeror will be monitored and jointly resolved by MMS and the operator by adjustments in the volume of royalty gas delivered to the successful offeror in subsequent months. These adjustments will be reflected in communications from the operator to the successful offeror regarding the first of month availability of royalty gas.

Consideration of Offers

The MMS shall award a contract resulting from this solicitation to the successful offeror whose bid would in MMS' judgement be most advantageous to the Federal Government.

MMS may award a contract on the basis of initial offer(s) received, without discussions. 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 bids of similar value are received.

The Government will award to the successful offeror by means of a Natural Gas Purchase Confirmation Notice.

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 offshore lands. We will use this information to evaluate bids on sales of royalty production. The estimated burden to report is approximately one hour each for a bid 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, DC 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.

Matagorda Offshore Pipeline System Gas RIK Sales
IFO No: MMS-RIK-2000-GOMR-007
November 2000 – March 2001

Exhibit A

Area\Block	Operator	Lease	(MMS share) September Production (MMBtu)	NNG Receipt Point		Lateral Line ?
				POI #	Location	
MI 681 MI 682	Apache Corporation	G4703 G5171	1,790	17925	MI 681	Yes - Apache
MI 687 MI 688	Apache Corporation Energy Resource Tech	G6052 G8548	420	9898	MI 687/699	Yes - ERT
MU 757 MU 762 MU 763	Vastar Resources Inc.	G3019 G3021 G3022	1,455	2410	MU 757/762	Yes - WFS
MI 703 MI 704 MI 683 MI 709	Vastar Resources Houston Expl. Co. Apache Corporation ATP Oil & Gas Corp.	G3733 G10203 G13290 G13295	4,060	17926	MI 703	Yes - Vastar
MU 786 MU 787 MU 788 MU 805 MU 806	Vastar Resources	G10149 G11221 G15704 G12417 G10152 7543940020	3,600	60550	MU 787/805	Yes - TGP
MU 784	EOG Resources Inc.	G5996	2,655	1226	MU 758	
MU 759	EOG Resources Inc.	G14103	1,450	62310	MU 759/738	
MU 785 MU 807	Houston Expl. Co.	G8975 G14105	495	58129	MU 782/785	Yes - Houston

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Exhibit A

Area\Block	Operator	Lease	(MMS share) September Production (MMBtu)	NNG Receipt Point		Lateral Line ?
				POI #	Location	
MI 685 MI 686	Apache Corporation	G4548 G3465	920	452	MI 686	Yes - Apache
MI 700	Apache Corporation	G3108	50	328	MI 700	
MU A 16	Apache Corporation	G3011	760	37388	MU 809	Yes - Apache
MI 664 MI 665	Taylor Energy Co.	G3463 G3464 8910169380	190	896	MI 665	Yes - FGT
MI 631	Prime Natural Res.	G14792	400	62309	MI 631/658	Yes - Southern
MI 632 MI 656 MI 657	Exxon Mobil Corp.	G3091 G3096 G4139 8910202300	3,080	25035	MI 632	Yes - Southern
MI 696	Exxon Mobil Corp.	G4704	690	25321	MI 696/665	Yes - Southern
MU 739 MU 740	Sonat Expl. Co. Sonat Expl. Co.	G40640 G5980	470	3364	MU 739/740	Yes - Southern
Totals:			22,485			

Minerals Management Service
IFO No: MMS-RIK-2000-GOMR-007

Exhibit B

MMS Contact: Karen Bigelow
Phone: 303 275-7411
Fax: 303 275-7124

MOPS RIK Gas Sales

November 2000 - March 2001

Delivery Point	Volume MMBtu/D	Service Level	Bid
Entry in NNG Line Offshore MOPS System (See Exhibit A)	15,000	Base	
Entry in NNG Line Offshore MOPS System (See Exhibit A)	7,485	Swing	

Note: Offerors must bid on both base and swing components.

Company Name

Your Name and Phone