

**MINERALS MANAGEMENT SERVICE  
MINERALS REVENUE MANAGEMENT  
ROYALTY IN KIND**

**INSTRUCTIONS FOR PRE-QUALIFICATION  
RIK NATURAL GAS SALES**

This document provides pre-qualification instructions to potential purchasers of Federal natural gas offered by MMS under its RIK programs in the Gulf of Mexico and offshore Texas OCSLA section 8(g) leases. The RIK office conducts its natural gas sales programs through a competitive offer process known as the Invitation for Offer (IFO). Sales are normally conducted twice a year – once for the winter heating season (November through March) and once for the summer cooling season (April through October). MMS also sells gas on spot terms in limited situations. Notice of these sales occurs through the IFO, which is published on MMS internet web site at <http://www.mrm.mms.gov/rikweb/Default.htm>. Prior to the sales events, MMS “pre-qualifies” potential purchasers by evaluating creditworthiness and obtaining a signed base contract. Only pre-qualified companies are allowed to submit offers under IFO’s for natural gas sales.

The pre-qualification process consists of three steps: (1) executing a signed copy of MMS’s Base Contract for Short Term Sale and Purchase of Natural Gas; (2) submitting financial statements or other documentation detailing your company’s financial status; and (3) if not detailed in your company’s annual report, submitting supporting information illustrating your company’s operations as an experienced and responsible purchaser and/or transporter of natural gas in the market area where you will be bidding.

Signed Contract

Companies interested in participating in MMS’s RIK natural gas program are required to sign a copy of MMS’s Base Contract for Short Term Sale and Purchase of Natural Gas (NAESB). A copy of this contract can be found under MMS’s RIK website at <http://www.mrm.mms.gov/rikweb/PDFDocs/NAESBCon.pdf>. A Word version of the MMS NAESB cover page can be found at <http://www.mrm.mms.gov/rikweb/WordDocs/gisb.doc>. The MMS NAESB contract governs the general terms and conditions of all Federal RIK natural gas sales deals with winning offerors. The MMS NAESB contains MMS’s Special Provisions, which specify certain conditions required of MMS as a Federal agency selling the government’s royalty share of production from Federal leases. Pricing, bidding points, delivery points, volumes, and other specific information relative to RIK natural gas sales are provided in the individual IFO’s, which become incorporated into the final contract for the sale of gas.

## Financial Documentation

Financial documentation must demonstrate your company's current creditworthiness. Company annual reports or financial statements should be accompanied by an independent auditor's report and should reflect the most recent fiscal year or quarter for your company, including any current financial assessments and credit ratings. Additional supporting information may include other Securities and Exchange Commission filings, Dun and Bradstreet reports, credit references, credit facilities or lines of credit, or other demonstrative financial information.

**Please Note:** Company financial and proprietary information will be kept confidential pursuant to 43 CFR § 2.13(c)(4).

If the corporate entity submitting the offer is different than the company for which financial documentation is provided and pre-qualification is approved, a parent guaranty also must be provided by the time the bid is submitted for the bidding entity to pre-qualify. A sample format of the parent guaranty can be found at <http://www.mrm.mms.gov/rikweb/PDFDocs/guaranty.pdf>. In situations involving joint ventures, subsidiaries, affiliates, or other corporate relationships, please be specific as to which company will be participating in the RIK program, which company will be held financially responsible, and the overall relationships of each company within the corporate structure. Any questions regarding acceptable financial documentation should be directed to the MMS RIK office specified below.

## Responsibility

If not detailed in the financial statements, you must provide a brief statement describing your company's operations in marketing, trading, brokering, aggregating, transporting, processing, hedging, or other activities related to the disposition of natural gas. Your statement should include details about the size and/or volume of your transactions and the length of time your company has engaged in these activities.

## General Instructions

After MMS has evaluated your company's creditworthiness, MMS will notify you of its findings. These findings will specify whether your company qualifies for bidding and what the amount of unsecured credit MMS is willing to extend to your company. Credit must be sufficient to cover 60 days worth of production. For bids exceeding the amount of unsecured credit, your company must agree to post a Letter of Credit, Bond, or other MMS-acceptable surety instrument to cover the excess amount to meet the 60-day requirement. MMS is willing to consider various forms of secured credit and encourages potential bidders to make offers to MMS regarding acceptable instruments. Please contact one of the MMS representatives specified below for more information regarding surety requirements. Use the address below to submit financial information.

RIK Points of Contact

Mailing address:

Minerals Management Service  
Royalty In Kind  
Attn: Mid Office Operations  
P. O. Box 25165, MS 330B2  
Denver, CO 80225-0165

Express Courier:

Minerals Management Service  
Royalty In Kind  
Attn: Mid Office Operations  
Denver Federal Center, Building 85  
6<sup>th</sup> and Kipling  
MS 330B2  
Denver, CO 80225

Fax: 303-231-3846 or 303-231-3849

Questions Regarding Surety:

Larry Cobb (303) 231-3307

Email: [lawrence.cobb@mms.gov](mailto:lawrence.cobb@mms.gov)

John Gansert (303) 231-3334

Email: [john.gansert@mms.gov](mailto:john.gansert@mms.gov)

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 per financial statement. Suggestions on reducing this burden should be directed to the Information Collection Clearance Officer; Minerals Management Service; 1849 C Street, N.W.; MS4230, 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 control number.