

**INVITATION FOR OFFER – BLUEWATER PIPELINE SYSTEM
NOVEMBER 2000 – MARCH 2001
IFO NO: MMS-RIK-2000-GOMR-008**

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 the eastern leg of the Bluewater Pipeline System (Bluewater). This sale is for the 5-month 2000-2001 winter season. The successful purchaser will take custody of the royalty gas at up to 24 offshore receipt points into Bluewater, and will schedule and nominate the gas at and downstream of these receipt points.

The gas is presented in two packages, each with a baseload and swing component. The first package consists of approximately 27,000 mmbtu/day from 18 receipt points into Tennessee Gas Pipeline Company's 500 leg pool. The second package consists of approximately 13,000 mmbtu/day from five receipt points into Columbia Gulf Transmission Company's capacity in Bluewater.

Offers are due October 24, 2000, at 1:00 p.m. Central Time. The successful Offeror(s) will be notified by no later than the 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(s) 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 Mike DeBerard at MMS to clarify issues regarding this competitive bid. Mike can be reached at (303) 275 – 7235.

Offers

The successful Offeror must bid on both the baseload and swing component and will take the entirety of each respective package.

For our Tennessee package, you must bid using Inside F.E.R.C.'s Tennessee Gas Pipeline's Zone 1 first-of-month price for the baseload and Gas Daily's Tennessee Gas Pipeline's 500 Leg price for the swing. For our Columbia package, you must bid using Inside F.E.R.C.'s Columbia Gulf Transmission Company's Louisiana first-of-month price for the baseload and Gas Daily's Louisiana-Onshore South Columbia price for the swing.

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

Delivery points for royalty gas are the points at which production from the properties listed in Exhibit A enters Bluewater. For properties directly connected to Bluewater, the delivery point is the royalty meter at the platform. For properties connected to Bluewater via lateral lines, the delivery point is the downstream terminus of the lateral line where it connects to Bluewater.

Transportation and Scheduling 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 delivery point. The successful Offeror is not responsible for costs of transportation upstream of the delivery point.

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.

Retrograde Condensate Handling

Retrograde or drip condensates are recovered at the Cocodrie Plant at the eastern onshore location of Bluewater. **The rights to recover drip condensate allocable to our properties are granted to the successful Offerors.** Offerors are advised that they can recover these condensates only if they sign handling and transportation agreements with Tennessee and Columbia Gulf. These agreements may require MMBtu adjustments in the residual gas after the drip condensate plant. Offerors are further advised that Chevron Corporation is the producers' representative on the Bluewater system for the allocation of drip condensates. For more information on retrograde condensates, please contact the following representatives:

Tennessee Gas Pipeline:	Andy Levine	713-420-2094
Columbia-Gulf Pipeline:	Steve Adamcik	713-267-4239
Chevron:	Andre Desforges	337-989-3284

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.

**Bluewater Pipeline System RIK Gas Sale
November 2000 – March 2001
IFO No: MMS-RIK-2000-GOMR-008**

Exhibit A

Area/ Block	Operator	Lease/Agree	Daily Production (MMBtu)	Meter Number	Receipt Point	Lateral Line?
Package 1: Tennessee Gas Pipeline Properties						
				(TGP)		
EI 224	Amoco Production Co.	054-005504-0	8,090	011970	EI 224 A	Yes - Amoco
EI 255	CXY Energy	054-001958-0	2,000	011067	EI 258 B	No
EI 258	CXY Energy	054-001959-0	870	011068	EI 257 C	No
EI 257	CXY Energy	054-002103-0	115	011069	EI 257 D	No
EI 322 EI 301	Amoco Production Co.	054-002113-0 054-002606-0	455	011353	EI 322 A	No
EI 325 EI 320	Forest Oil Corp.	054-005517-0 054-008695-0	415	012049	EI 325 A	Yes - Forest
EI 330 EI 330 EI 330 EI 330 EI 331	Shell Offshore Inc.	891-016932-0 891-016933-0 891-016937-0 891-016941-0 054-002116-0	2,300	018022	EI 331 A	No
EI 335	Murphy E&P Co.	054-017996-0	1,640	012517	EI 335 A	Yes - Murphy
EI 348 EI 365	Devon Energy	054-002321-0 054-013628-0	580	011220	EI 365 A	No
SS 111	Newfield Expl. Co.	054-006739-0	915	012102	SS 111 A	Yes - Newfield
SS 159	Newfield Expl. Co.	054-011984-0	1,215	012304	SS 145 B	No
SS 170 SS 170 SS 171	Newfield Expl. Co.	754-397002-A 054-003584-0 054-010772-0	970	012190	SS 157 A	Yes - Newfield
SS 167 SS 166	Murphy E&P Co.	055-000818-0 054-005549-0	3,030	011208	SS 167 A	No
(Package 1 continued on next page)						

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Exhibit A

Area/ Block	Operator	Lease/Agree	Daily Production (MMBtu)	Meter Number	Receipt Point	Lateral Line?
Package 1: TGP Properties (cont.)						
				(TGP)		
SS 168	Chevron U.S.A. Inc.	055-000819-0	790	011624	SS 168 D	No
SS 181	Chevron U.S.A. Inc.	054-004231-0	1,000	011691	SS 181 B	No
SS 183 SS 182	Chevron U.S.A. Inc.	054-000821-0 054-001019-0	1,590	011182	SS 182 C	No
SS 198 SS 199	Devon Energy	054-012358-0 054-012355-0	1,250	011180	SS 198 H	No
SS 199	Devon Energy	054-012355-0	40	011802	SS 198 J	No
Package 1 Total:			27,265			

**Package 2:
Columbia Gulf Properties**

				(Columbia)		
EI 251	Newfield Expl. Co.	054-003331-0	660	647	EI 251 A	No
EI 262	Newfield Expl. Co.	054-007736-0	8,165	4114	EI 262A	No
EI 273	Forest Oil Corp.	891-012338-0	410	609	EI 273 A	No
EI 330 EI 330 EI 330 EI 314	Exxon Corp.	891-016927-0 891-016928-0 891-016929-0 054-002111-0	3,180	623	EI 314 A	No
EI 330 EI 330 EI 330 EI 314	Exxon Corp.	891-016927-0 891-016928-0 891-016929-0 054-002111-0	365	632	EI 314 B	No
Package 2 Total:			12,780			

Note: Daily Production numbers are MMS' share of production from the property

MMS Contact: Mike DeBerard
 Phone: 303 275-7235
 Fax: 303 275-7124

Bluewater Pipeline System RIK Gas Sales
November 2000 - March 2001

Delivery Point (see Exhibit A)	Volume MMBtu/D	Service Level	BID
PACKAGE 1 Tennessee Gas Pipeline receipt points on 500 Leg	20,000	Base	
			Inside FERC Tenn. Zone 1
Tennessee Gas Pipeline receipt points on 500 Leg	7,265	Swing	
			Gas Daily Tenn. 500 Leg
PACKAGE 2 Columbia Gulf Trans. Co. receipt points	7,000	Base	
			Inside FERC Columbia Gulf
Columbia Gulf Trans. Co. receipt points	5,780	Swing	
			Gas Daily Columbia

- I am interested in only one package (1 or 2)
- I am interested in both packages as one purchase

Name

Your Phone Number

Company

Your Fax Number