

**INVITATION FOR OFFER – TEXAS ROYALTY-IN-KIND GAS**  
**IFO NO: MMS-RIK-2001-GOMR-001**  
**April 2001 - October 2001**

**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. Production is delivered into the two offshore pipeline systems identified below. The details of each pipeline sale are presented in the two attachments to this offer.

This sale is for the seven-month 2001 cooling season. The successful purchaser will take custody of the royalty gas at offshore receipt points into the mainline and will schedule and nominate the gas at and downstream of these receipt points.

You must submit a written offer via facsimile (fax number 303-275-7124) **by 9:00 a.m. Central Time on March 8, 2001**. MMS will not consider offers received after this deadline. The bids will be awarded by 2:00 p.m. Central Time on March 8, 2001. You may call Mike DeBerard at 303-275-7235 or Karen Bigelow at 303-275-7411 with questions about this solicitation.

<u>Attach. Number</u>	<u>Pipeline System</u>	<u>Approx. Daily Volume</u>	<u>Number of Receipt Points</u>	<u>Preferred Index(s)</u>
1	CTGS (Central Texas Gathering System)	36,000 *	19	None
2	MOPS (Matagorda Offshore Pipeline System)	18,300	16	FGT (Z1) or HSC

\* CTGS is split into two sub-packages – see Attachment 1

## Offers<sup>1</sup>

Each attachment offers a package (or packages) of gas consisting of a baseload and swing component<sup>2</sup>. For the baseload gas, you must bid using an appropriate Inside F.E.R.C. first-of-month price. For the swing gas, you must bid using an appropriate Gas Daily daily midpoint price. You must bid on both the baseload and swing components because the successful offeror will take the entirety of each package. By submission of a bid, the offeror agrees to be bound to the terms and conditions of its' GISB contract with MMS and this solicitation.

Each attachment also contains two exhibits. Exhibit A is the bid sheet. Your offer should include a bid in relation to an applicable index price. If your proposal has transportation cost, please quantify the transportation/fuel deductions.

Exhibit B 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 B.

You may also submit a multi-pipeline package where the award is contingent on winning all the packages included in your offer. You must meet our financial qualifications for the full volume you wish to purchase. Indicate your priority of acceptance for a multi-package deal in a cover sheet with your offers.

Offers modifying the sale from a seven-month term to one-year term are also acceptable. If your bid is for the one-year term, April 1, 2001 through March 31, 2002, please modify the dates on the bid sheet heading.

You can submit an early offer that indicates the packages/volumes (including the applicable index and term, if modified) you are interested in prior to the bid due date. You can then "refresh" this bid with a market sensitive price at the time the bid is due and up to 1:00 Central Time on March 8, 2001 if you desire.

## Consideration of Offers

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 could submit. However, MMS may negotiate with offerors in the event bids of similar value are received. All information about the origin and value of bids received will remain confidential.

The MMS shall award a contract resulting from this solicitation to the offeror whose bid, in MMS' judgement, is most advantageous to the Federal Government. MMS will award, to the successful offeror, by means of a Natural Gas Purchase Confirmation Notice.

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<sup>1</sup> **Offerors must be prequalified to submit bids.** The prequalification process is described in our website at <http://www.mrm.mms.gov/rikweb/prequal.htm>. The successful offeror must have a signed GISB-based contract on file with MMS.

<sup>2</sup> 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. It absorbs production variations.

## **Governing Contract**

This transaction is governed by the GISB contract signed between the purchaser and MMS.

The following provisions are a condition of your purchase and supplemental to the signed GISB contract:

### **Term**

Initial deliveries of royalty gas to the successful offeror will commence April 1, 2001. The royalty gas delivery period will be for a term of seven months ending October 31, 2001, unless MMS accepts an offer with a one-year term.

### **Delivery Points**

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

### **Transportation and Scheduling of Royalty Gas**

The successful offeror agrees to take 100 percent of the royalty gas delivered at the delivery point for the entire contract period. The operator will use reasonable efforts, consistent with industry practice, to inform the successful offeror regarding significant changes in gas production levels and production shut-ins. 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 B. 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.

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. 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. This will continue for each month of the royalty gas delivery period. Production decreases during the term of this agreement may reduce the volume of gas to a level that impinges on the baseload volume. It is the successful offerors' responsibility to contact MMS and renegotiate new baseload and swing volume ratios in this situation.

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.

MMS must be able to track the royalty volumes that are nominated and allocated (delivered) via electronic bulletin boards. Royalty gas, therefore, must be moved as a distinctive entity under a business party number unique to MMS. MMS will work with you and the pipeline to establish us as a read only producer or upstream entity.

## **Processing Rights**

MMS reserves the right to process, or causes to be processed by others, all royalty gas for recovery of liquefiable hydrocarbons (and inert gases) other than methane. This includes such methane as cannot be separated from the ethane and heavier hydrocarbons separated or extracted from the gas under normal operation of conventional type separation and processing facilities. In cases where MMS elects to process gas, the successful purchaser will receive keep-whole MMBtu's.

## **Financial Responsibility**

Should the creditworthiness, financial responsibility or ability to perform become unsatisfactory to the MMS at any time during the term of this agreement, satisfactory assurances may be required as a condition to further performance under the agreement. Such assurances include, but are not limited to, a prepayment or a letter of credit in a form and amount satisfactory to MMS.

The reasons for which MMS may declare an early termination 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 five (5) business days after written notice of such failure, provided that the payment is not the subject of a good faith dispute and the successful offeror pays MMS such amounts as it concedes to be correct;
- (2) any representation or warranty which is proven to have been false or misleading in any material respect when made or deemed to be repeated;
- (3) the occurrence of a material adverse change of the successful offeror or its guarantor, if the successful offeror will not post a Letter of Credit (naming MMS as the beneficiary) in a satisfactory amount and form.

## **Liquidated Damages**

MMS will remarket the gas in the event an early contract termination 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 arms-length transaction. This provision does not preclude MMS from enforcing any liquidated damages specified in the signed GISB 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 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, 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.

## **2 Attachments**

Karen Bigelow: 303 275 7411  
 Mike DeBerard: 303 275 7235  
 Fax No.: 303 275 7124

Central Texas Gathering System - RIK Gas Sales  
 April 2001 - October 2001

Delivery Point	Volume MMBtu/D	Obligation	Bid <u>1/</u>	Transportation <u>2/</u>
<b>PACKAGE 1</b>				
Offshore CTGS System	15,000	Base		
Offshore CTGS System	5,903	Swing		
<b>PACKAGE 2</b>				
Offshore CTGS System	10,000	Base		
Offshore CTGS System	5,081	Swing		

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

1/ No index preference

2/ Quantify your transportation and fuel costs

\_\_\_\_\_  
 Your Name

\_\_\_\_\_  
 Phone Number

\_\_\_\_\_  
 Company Name

\_\_\_\_\_  
 Fax Number

**CTGS (Central Texas Gathering System)**

**Attachment 1**

**IFO No: MMS-RIK-2001-GOMR-001**

**Exhibit B**

**Term: April 2001 - October 2001**

Receipt Point	TGP	Transco		Royalty 1/ Production (MMBtu)	Lease/Agre.	Area/Blk	Operator	Lateral Line?
	Meter Number	Transfer Points Receipt Source						
<b>Package 1</b>								
BA A 133 A	001231	89	89	4,856	054-002665-0	BA A 133	Apache Corp.	direct connect
BA A 133B	001206	9500	9500	13,891	054-002665-0	BA A 133	Apache Corp.	direct connect
BA A 70 A	001350	87	87	593	054-002663-0	BA A 70	Apache Corp.	direct connect
BA 494 A	001204	9996	9997	245	054-006071-0	BA 494	Apache Corp.	direct connect
BA 453 A	001519	7158	7158	664	754-389018-0	BA 453	Exxon Mobil/Barrett Res.	direct connect
BA 436 A/ BA 437 #7	001517	7207	7207	387	054-004258-0	BA 436	Barrett Resources	direct connect
BA 437 #2	001517	7208	7208	267	054-004258-0	BA 437	Barrett Resources	direct connect
<b>Package 1 Total:</b>				<b>20,903</b>				

<b>Package 2</b>								
BAA 21 B	001440	3611	8073	1,338	054-008120-0	BA A 21	Kerr-McGee	Oryx
GA 395 A	001497	2704	7700	500	054-002508-0	GA 395	IP Petroleum Co.	WFS
					054-013317-0	GA 394	IP Petroleum Co.	
BA 105 A	001419	7084	3387	8,196	054-001757-0	BA A 105	Unocal	direct connect
		7084	7084		054-001754-0	BA A 102	Unocal	
BAA 7 B	001505	466	466	1,006	054-004558-0	BA A 7	Newfield Expl. Co.	direct connect
BAA 7 A	001514	466	466	<b>currently shut-in</b>	054-004558-0	BA A 7	Pioneer Nat. Res.	direct connect
GA 393 C	000548	9537	6801	182	054-014146-0	GA 420	Seagull Energy	direct connect
BAA 52 A/C	000807	7874	626	679	754-392004-0	BA A 52	Samedan Oil	direct connect
		7874	2702		054-006088-0	BA A 66	Samedan Oil	
BA 439 A	001401	6741	667	464	054-011272-0	BA 439	Tri-Union Dev.	direct connect
BA 542 A	001408	6866	6865	376	054-012465-0	BA 542	Cockrell Oil	direct connect
GAA 50 A	001503	7338	4142	332	054-012520-0	GA A 50	El Paso Energy	direct connect
BAA 39 A	001506	476	476	125	054-004559-0	BA A 39	Pioneer Nat. Res.	direct connect
BA 451 A	001327	7108	7108	1,883	054-003935-0	BA 451	BP Amoco	direct connect
<b>Package 2 Total:</b>				<b>15,081</b>				

**Note 1/** Daily Production numbers are MMS' share of production from the property. Historical production and quality data available upon request.

Karen Bigelow: 303 275 7411  
 Mike DeBerard: 303 275 7235  
 Fax No.: 303 275 7124

Matagorda Offshore Pipeline System - RIK Gas Sales  
 April 2001 - October 2001

Delivery Point	Volume MMBtu/D	Obligation	Bid <u>1/</u>	Transportation <u>2/</u>
Entry in NNG Line Offshore MOPS System	13,000	Base		- not applicable -
Entry in NNG Line Offshore MOPS System	5,307	Swing		- not applicable -

1/ Baseload gas is bid at IF; FGT (Z1) or HSC  
 Swing load gas is bid at GDD; Louisiana - Onshore South; FGT Z1 or HSC

2/ MMS has contracted with NNG for transportation on MOPS and will assign the contract to the winning bidder

- Recognizing that MOPS has access to both interstate and intrastate markets, MMS will also give preference to bids with a "greater of" clause that includes an interstate and intrastate index

\_\_\_\_\_  
 Your Name

\_\_\_\_\_  
 Phone Number

\_\_\_\_\_  
 Company Name

\_\_\_\_\_  
 Fax Number

**MOPS (Matagorda Offshore Pipeline System)**

**IFO No: MMS-RIK-2001-GOMR-001**

**Term: April 2001 - October 2001**

**Attachment 2**

**Exhibit B**

NNG Receipt Point		Royalty 1/ Production (MMBtu)	Lease/Agre.	Area/Block	Operator	Lateral Line ?
Location	POI #					
MI 631/658	62309	379	054-014792-0	MI 631	Prime Natural Res.	Southern
MI 632	25035	2,361	054-003091-0 054-003096-0 054-004139-0 891-020230-0	MI 632 MI 656 MI 657 MI 632	Exxon Mobil Exxon Mobil Exxon Mobil Exxon Mobil	Southern
MI 665	896	130	891-016938-0	MI 665	Taylor Energy Co.	FGT
MI 681	17925	1,705	054-004703-0 054-005171-0	MI 681 MI 682	Apache Corp. Apache Corp.	Apache
MI 686	452	913	054-003465-0 054-004548-0	MI 686 MI 685	Apache Corp. Apache Corp.	Apache
MI 687/699	9898	467	054-006052-0 054-008548-0	MI 687 MI 688	Apache Corp. Energy Resource Tech.	ERT
MI 696/665	25321	168	054-004704-0	MI 696	Exxon Mobil	Southern
MI 700	328	<b>currently shut-in</b>	054-003108-0	MI 700	Apache Corp.	direct connect
MI 703	17926	4,052	054-003733-0 054-010203-0 054-013290-0 054-013295-0	MI 703 MI 704 MI 683 MI 709	BP Amoco Houston Expl. Co. Apache Corp. ATP Oil & Gas Corp.	BP Amoco
MU 739/740	3364	400	054-004064-0 054-005980-0	MU 739 MU 740	Sonat Expl. Co. Sonat Expl. Co.	Southern
MU 757/762	2410	1,229	054-003019-0 054-003021-0 054-003022-0	MU 757 MU 762 MU 763	BP Amoco BP Amoco BP Amoco	WFS
MU 758	1226	2,527	054-005996-0	MU 784	EOG Resources Inc.	direct connect
MU 759/738	62310	1,678	054-014103-0	MU 759	EOG Resources Inc.	direct connect
MU 782/785	58129	244	054-008975-0 054-014105-0	MU 785 MU 807	Houston Expl. Co. Houston Expl. Co.	Houston
MU 787/805	60550	1,230	754-394002-0 054-010152-0	MU 805 MU 806	BP Amoco BP Amoco	TGP
MU 809	37388	824	054-003011-0	MU A 16	Apache Corp.	Apache
<b>Package Total:</b>		<b>18,307</b>				

**Note 1/** Daily Production numbers are MMS' share of production from the property. Historical production and quality data available upon request.