



REVISED April 25, 2007

**INVITATION FOR OFFER – STRATEGIC PETROLEUM RESERVE FILL
TRANSPORTATION OF ROYALTY IN KIND CRUDE OIL TO MARKET CENTERS
IFO No. M07PX14954
Deliveries beginning July 1, 2007**

Introduction

The Minerals Management Service (MMS) of the U.S. Department of the Interior is soliciting offers from pre-qualified companies to transport, **through a buy/sell arrangement**, royalty oil and condensate produced from Federal offshore leases in the Gulf of Mexico to four Gulf Coast market centers. This 6-month term begins July 1, 2007.

Successful shippers will take custody and title of the royalty oil at offshore custody transfer points and are responsible for moving the royalty oil downstream of these points. **Crude oil will be delivered to MMS at the Gulf Coast market centers.** The payment owed to the shipper for transportation charges will be a credit applied against monthly payments owed MMS in other RIK oil programs, if applicable, or paid through an invoice submitted to MMS.

The publication of this Invitation for Offer (IFO) is in coordination with a separate DOE solicitation in a joint initiative to fill the remaining capacity of the Strategic Petroleum Reserve (SPR). Through a separate solicitation, DOE will contract for the exchange of oil resulting from this MMS IFO for crude oil delivered to the SPR. Please see the DOE website at <http://www.spr.doe.gov>.

This transportation award is contingent upon the DOE awarding a contract for the exchange or direct movement of oil resulting from this MMS IFO. In the event the DOE does not award such a contract, the MMS award may be terminated or it may become an outright sale. If the SPR capacity is reached during the term of the contract or volumes required by DOE are reduced, awards of all or partial volumes under this IFO may revert to an outright sale (see Exhibit B).

Offers must be made in writing and submitted to Maggie Miller via email (maggie.miller@mms.gov) or facsimile (303-231-3846) by 10:00 am MDT on May 1, 2007. The MMS will confirm receipt of all offers. **Royalty oil transportation packages will be awarded by 2:00 pm MDT on May 3, 2007.**

Please call the contacts below for additional information:

- Jim Steward for technical questions at 303-231-3715
- Maggie Miller for contracting questions at 303-231-3932
- Larry Cobb for pre-qualification or credit questions at 303-231-3307

Offers

Offerors must be pre-qualified for eligibility. Please see the "Pre-qualification and Credit Requirements" section for more information. The MMS reserves the right to reject any offer.

Exhibit A is the offer sheet to be completed and emailed or faxed. Offers must be to the nearest \$0.0001. Exhibit A identifies 34 packages of royalty oil including details on Facility Measurement Point (FMP) operators, pipelines, and custody transfer points. Data in the exhibit is not warranted and shippers are expected to contact the appropriate parties for the most recent information. The royalty volumes shown for each custody transfer point represent the most recent production data available for properties behind the custody transfer point. Other pertinent information such as leases/agreements, operators, and royalty rates will be provided to the shipper upon award.

MMS will sell royalty volumes to the successful offeror at the custody transfer points listed in Exhibit A. The sales value will be determined using the following pricing formula as defined in Exhibit B:

$(\text{Calendar NYMEX} + \text{Daily Roll}) + (\text{Argus Weighted Average Crude Type Differential})$

In exchange, the MMS will buy equivalent volumes from the successful offeror at the market center using the same sales value, adjusted for location and quality differences. The difference between the sell and buy will be netted and forms the basis for the transportation offer. The successful offeror will invoice the MMS for the net difference, multiplied by the number of royalty barrels received at the custody transfer point.

Please see the "Quality" section for more information on how to account for gravity and sulfur in the offer. For hurricane surcharges, shippers should follow standard industry practice and include the surcharge(s) in the offer.

For HLS deliveries occurring at the Empire terminal, shippers should not include the outbound terminal fee or the reconsignment fee in the offer. The payment owed to the shipper will be used as a credit applied against monthly payments owed MMS in other RIK oil programs, if applicable, or paid through an invoice submitted to MMS with appropriate third-party documentation.

For LLS and Bonito packages 12-23, the Ship Shoal Inventory Management Fees will not be reimbursed by MMS.

Shippers must deliver common stream quality crude oil to these Gulf Coast market centers according to royalty oil type:

<u>Royalty Oil Type</u>	<u>Gulf Coast Market Center</u>
Heavy Louisiana Sweet (HLS)	Empire
Light Louisiana Sweet (LLS)	St. James
Bonito	St. James
Eugene Island (EI)	St. James
Mars	Clovelly
Poseidon (POS)	Houma

Royalty oil from new wells on currently producing properties behind the custody transfer points that commence production during the term of this IFO will be automatically added to the volumes awarded under this IFO. Royalty oil from new properties behind the custody transfer points that commence production during the term of this IFO will be added to the volumes awarded under this IFO on a case-by-case basis pursuant to mutual consent of MMS and shippers.

The 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 offers of similar or unanticipated values are received. All information about the origin and value of offers received will remain confidential, except as noted below under "Imbalances" with respect to resolving certain extraordinary imbalances.

The MMS shall award a contract resulting from this IFO to the party whose offer, in MMS' judgment, is most advantageous to the Federal Government. The MMS prefers no more than one award for each package and will attempt to award 100 percent of the volume from a custody transfer point. However, MMS may consider offers on only part of a royalty oil package if favorable to the Government. The MMS will award to shippers by means of the "MMS Crude Oil Transaction Confirmation."

Term

Delivery of royalty oil for transport will begin on July 1, 2007 and end December 31, 2007.

This Contract shall be effective and shall continue in full force and effect for a term of 6 months beginning July 1, 2007 (Initial Term) and may be renewed for an additional term of 6 months (Renewal Term) upon mutual agreement by both parties at least 60 days prior to the expiration of the Initial Term. In the event the Renewal Term is executed, the shipper and MMS may negotiate for changes in pipeline loss allowance.

Quality

For **HLS** packages 1 and 2, because the STUSCO buy/sell does not reflect the quality bank adjustment, the shipper will adjust their invoice to MMS each month for gravity. This adjustment will be based on the difference between the custody transfer point delivered gravity and the common stream delivered gravity, using the standard Gravcap calculation.

For **HLS** package 5 (Venice - Plains) there is no quality bank to include or pass back as the quality bank is dealt with in the buy/sell agreement with Plains Marketing.

For **HLS** packages 8-10, charges resulting from sulfur treatment at the Plains Terminal in Venice for the South Pass-West Delta barrels will be reimbursed to the shipper by MMS when applicable. These charges should not be included in the offer.

For all **HLS** packages, with the exception of packages 1, 2 and 5, quality bank costs should not be included in the offer. Shippers will pass back to MMS any quality bank debits/credits received from the quality bank administrator(s).

For **Bonito** packages 21-23, quality bank debits/credits should not be included in the offer for any leg flowing down the Bonito Pipeline System as they will be passed back to MMS by the operator. All other quality banks downstream of the Bonito Pipeline System should be included in the offer.

For all **LLS, Eugene Island, Poseidon** and **Mars** packages, with the exception of the market center delivery banks, quality bank debits/credits should not be included in the offer. Shippers will pass back to MMS all quality bank(s) debits/credits received from the quality bank administrator(s). Market center delivered quality bank(s) debits/credits should be included in the offer.

Shippers must net any quality bank credits or debits against the monthly transportation charges that are invoiced. If the netting results in a payment due the MMS, then the net payment is due to MMS by the 20th of the month after receipt. All quality bank data must be accompanied by supporting documentation supplied to MMS on or before the 19th of the month after receipt.

The quality information in Exhibit A represents MMS' most recent data for the custody transfer points in the packages offered. Actual quality during the term of this sale may vary. Data provided by MMS is based on the best information available at the time of IFO publishing and is not warranted.

Transporting and Scheduling Royalty Oil

Shippers will take custody and title of the royalty oil at the custody transfer point specified in Exhibit A and are responsible for transporting all royalty oil volumes to the market center. Shippers must nominate and schedule all volumes awarded through this IFO separately from all other volumes owned or controlled at the custody transfer point where royalty oil is received. When nominating to the pipeline, shippers are required to indicate that the nomination is for MMS sourced crude oil.

Within 10 business days of execution of the "MMS Crude Oil Transaction Confirmation" relative to this IFO, shippers must request in writing to all pipeline companies moving royalty oil, that MMS royalty volumes be itemized separately from non-MMS volumes. In cases where the pipeline companies are unable to break out the MMS volumes on the pipeline statement, shippers must provide MMS with acceptable third-party data itemizing the MMS volumes delivered or use a pipeline assigned measurement facilitator. Any charges associated with obtaining this third-party data are the responsibility of the shipper.

Shippers will provide MMS with pipeline statements and any third-party documentation within 2 business days after the documents are available to the shipper, no later than the 19th day of the month following the month of production. Documentation not received by the due date may be purchased by MMS with the shipper being billed any associated costs.

Shippers, through customary industry practice, will communicate directly with MMS and the FMP operator and will make arrangements to deliver and transfer the royalty oil from the awarded custody transfer point. Shippers, at their expense, will make all necessary arrangements to receive royalty oil at the custody transfer point. Shippers are not responsible for any transportation costs upstream of the custody transfer point.

For packages 11 and 30-34 only, no later than 10 business days before the first day of each month, the MMS will notify shippers of the daily royalty oil volumes anticipated for the following month of production. Shippers understand that any such estimates are not warranties of actual deliveries to be made but are provided to facilitate planning the delivery of royalty oil. This process will continue for each month of the term of this IFO.

For all other packages, the shipper, as our designated agent, will communicate directly with the FMP operator, obtain estimated volumes, and make arrangements for the delivery and transfer of royalty oil from each custody transfer point identified in Exhibit A. The estimated volumes are the daily royalty volumes for the following month of production that will be delivered by the shipper to the designated market center. The estimated volumes must be obtained from the responsible FMP operator no later than 10 business days before the first day of each month.

The shipper will provide the estimated delivery volumes for each custody transfer point identified in Exhibit A to MMS, DOE, and DOE's designated agents as provided by memo from MMS, by noon MDT the 21st of each month. When the 21st falls on a weekend or Federal holiday, the following business day applies. This process will continue for each month of the term of this IFO.

The operators of the properties offered in this IFO are instructed to use reasonable efforts, consistent with industry practice, to inform MMS and MMS' designated shippers regarding significant changes in royalty oil production levels and production shut-ins.

The shipper or MMS can request a contract amendment to adjust an awarded offer by any increase or decrease in tariff-based transportation costs effective on the date of the tariff change.

Exhibit C identifies transportation rates MMS has arranged with Marathon Offshore Pipeline. For royalty oil volumes associated with packages 8a, 8b, 9, 24, and 25a, the shippers, at their discretion, may be designated as MMS' agents for the rates and terms specified in Exhibit C. Shippers must indicate on Exhibit A whether they intend to use these rates.

For package 11, Main Pass Oil Gathering (MPOG) system, offers should be given for shipping on both the Cypress and Delta Pipelines. The selected shippers' payment will be based on maximum flow allowable on Cypress Pipeline and the remaining volume on Delta Pipeline. At the time of issuance of this IFO, flow from MPOG at Main Pass 69 is 54% on Cypress Pipeline and 46% on Delta Pipeline.

Imbalances

Operator Imbalances

Shippers are granted rights to royalty oil delivered by operators at the custody transfer points indicated in Exhibit A, not actual entitlements due the Federal Government.

The MMS and the operator will jointly monitor imbalances between deliveries and entitlements. Routine imbalances will be resolved by adjusting the volume of royalty oil delivered to shippers in the second month following the month of delivery unless otherwise approved by MMS. The MMS will communicate these adjustments to the shipper regarding the first of month availability of royalty oil.

Property imbalances not remedied within 90 days of the production month will be resolved by mutual agreement between MMS and the operator.

An example of the rights and responsibilities of operators under RIK oil situations is outlined in MMS' "Dear Operator" letter at <http://www.mrm.mms.gov/RIKweb/RIKOperLts.htm> (see the most current Dear Operator Letter).

Pipeline Imbalances

The MMS is not responsible for royalty crude oil pipeline imbalances downstream of the custody transfer point.

Market Center Imbalances

The definition of a market center imbalance is the difference between volumes delivered at the Gulf Coast market center during the month of delivery and actual volumes received by the shipper at the custody transfer points. The shipper will resolve market center imbalances by adjusting the nominated volumes to be

delivered to MMS at the Gulf Coast market centers by noon MDT the 21st day of the month following the month of delivery, unless otherwise approved by MMS. When the 21st falls on a weekend or Federal holiday, then nominated volumes will be adjusted the following business day.

Market center imbalances that occur each month will be valued using the buy/sell pricing formula and tracked throughout the contract term. Market center imbalances that exist at the conclusion of this contract will be settled by aggregating the monthly values and netting the amount owed to either party for final payment.

Confidentiality

Neither MMS or the shipper/buyer shall disclose directly or indirectly, without the prior written consent of the other party, the terms of any transaction under this IFO 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) to comply with any applicable law, order, regulation, or exchange rule, (ii) to the extent necessary to enforce this Contract, (iii) to the extent necessary to implement any transaction, including any transaction as described above in the section "Transporting and Scheduling Royalty Oil", or (iv) 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 disclosing the terms of any transaction (other than as permitted above) 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 1 year from the expiration of the transaction.

Pre-qualification and Credit Requirements

To pre-qualify, offerors are required to sign the MMS base contract "RIK Crude Oil General Terms and Conditions" and provide detailed financial information. Upon pre-qualifying, MMS will issue an amount of unsecured credit based on the creditworthiness of the offeror. 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. However, MMS reserves the right to request updated financial information in any situation it deems reasonable and may reissue approved lines of credit. Please be advised that MMS will require a parent guaranty in situations where the company submitting the offer is a different entity than the company that has pre-qualified.

For awards exceeding the amount of unsecured credit issued by MMS, shippers will be required to provide secured financial assurance in the form of an Irrevocable Letter of Credit (ILOC), Bond, or other MMS-acceptable surety instrument 5 business days prior to first receipt of oil under the contract. The financial assurance amount shall be sufficient to cover the value of 30 days of deliveries of the estimated production of all royalty oil awarded, less the amount of unsecured credit issued by the MMS as previously notified. For new surety instruments, the MMS will contact shippers regarding the calculation of an estimated amount of surety to be provided prior to initial deliveries. For continuing surety instruments, we will contact shippers regarding renewal requirements. Failure to provide requested surety may result in cancellation of the award or termination of the contract.

Significant and sustained increases in the value of crude oil during the term of the contract may result in requiring an increase in the amount of financial assurance. Further, should the creditworthiness, financial responsibility, or ability to perform become unsatisfactory to the MMS at any time during the term of this agreement, satisfactory assurance may be required as a condition to further performance under the agreement.

Limitation of Liability

Neither Party shall be liable for indirect, special, or consequential damages.

Governing Contract

This transaction is governed by the MMS base contract "RIK Crude Oil General Terms and Conditions" signed by the offeror and MMS. **By submitting an offer, the offeror agrees to be bound by the terms of**

its signed MMS base contract and this IFO. Conflicts between the MMS base contract and the terms of this IFO will be resolved in favor of this IFO. Only companies who have pre-qualified and signed the MMS base contract may receive an RIK transportation contract.

The MMS will send the shipper a Transaction Confirmation detailing the award packages. Transaction Confirmations not signed and returned within 2 business days of receipt will be deemed binding on behalf of both parties.

Paperwork Reduction Act of 1995 (PRA) Statement:

The OMB Control Number for this IFO is 1010-0119 with an expiration date of February 28, 2009. The PRA (44 U.S.C. 3501 et seq.) requires us to inform you that we collect this information to document fulfillment of royalty obligations on minerals removed from Federal lands. The MMS uses the information to maintain and audit lease accounts. Responses are voluntary (43 U.S.C. 1334). Proprietary information 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(1), (4)), and the Department regulations (43 CFR 2). 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. Public reporting burden for this form is estimated to average 1 hour per response, including the time for reviewing instructions, gathering and maintaining data, and completing and reviewing the form. Direct comments regarding the burden estimate or any other aspect of this form to the Information Collection Clearance Officer, Minerals Management Service, Mail Stop 4230, 1849 C Street, NW, Washington, DC 20240.

3 Exhibits:

- Exhibit A – Offer Sheet and RIK Custody Transfer Point Detail
- Exhibit B – Contingency for Outright Sale
- Exhibit C – Marathon Transportation Rates

Offer Pkg	Royalty Oil Type	Custody Transfer Point (Volume Metered At)	MMS FMP No.	FMP Operator	Custody Transfer Point Royalty Volume (bbls/day)	API Gravity (Note 1)	Sulfur % (Note 1)	Pipelines and Gulf Coast Market Center	Common Carrier Unless Buy/Sell is Noted	Transport Offer
1	HLS	MP 69 PS (SP 60)	20177255111	SPN Resources	1,670	32.5	N/A	Delta P/L into Empire	STUSCO	
				Pipeline Total	1,670					
2	HLS	S.W. Pass 24 (MC 194 A)	20608174850	Shell Offshore	530	30.4	N/A	Coganc /PL into Delta P/L into Empire	STUSCO	
				Pipeline Total	530					
3	HLS	Grand Bay Rec. Str.	20170755600	Apache Corp.	430	28.7	N/A	Chevron P/L into Empire		
4	HLS	Venice, LA (WD 117 G) (into Chevron Terminal)	20177204300	Anglo-Suisse	500	36.5	N/A	Chevron P/L into Empire		
5	HLS	Venice, LA (into Plains Terminal)	20170755200	Noble Energy	160	37.5	N/A	Chevron P/L into Empire	Plains	
				Pipeline Total	1,090					
6	HLS	MC 109	20608174952	Stone Energy	1,360 (Note 2)	29.2	N/A	SP 49 P/L into Delta P/L into Empire		
7	HLS	SP 49 A	20177214950	Pogo Producing	300	34.5	N/A	SP 49 P/L into Delta P/L into Empire		
				Pipeline Total	1,660					
8a	HLS	SP 89 B	20177224600	Marathon Oil Co.	120	41.0	(Note 3)	• South Pass-West Delta System (Marathon P/L) into Chevron P/L into Empire or; • South Pass-West Delta System (Marathon P/L) into Chevron P/L into Empire	(Note 4) Multiple Co.	
8b	HLS	SP 89 B (Zia)	20177224600	Marathon Oil Co. (Devon Energy is the lease operator for Zia)	300	36.2	(Note 3)	• South Pass-West Delta System (Marathon P/L) into Chevron P/L into Empire or; • South Pass-West Delta System (Marathon P/L) into Chevron P/L into Empire	(Note 4) Multiple Co.	
9	HLS	WD 79 A	20177194600	SPN Resources	180	39.5	(Note 3)	• South Pass-West Delta System (Marathon P/L) into Chevron P/L into Empire or; • South Pass-West Delta System (Marathon P/L) into Chevron P/L into Empire	(Note 4) Multiple Co.	
10	HLS	WD 109 A	20177194602	Chevron Corp.	500	38.2	(Note 3)	Chevron P/L into Empire		
				Pipeline Total	1,100					
11	HLS	MP 69 MPOG (VK 826 A)	20608165111	Kerr-McGee	3,430	36.6	N/A	Delta P/L into Empire and		
		MP 69 MPOG (VK 915 A)	20608165114	BP Expl. and Prod.	3,570	36.7	N/A	Cypress P/L into Empire		
		MP 69 MPOG (MP 281 A)	2017724511G	Dominion E & P		(Note 5)				
		MP 69 MPOG (VK 823 A)	20608165115	Total E & P		(Note 2)				
		MP 69 MPOG (MP 225 A)	2017724511C	Maritech Resources						
				Pipeline Total	7,000					
12	LLS	SS 146 ssti (SS 154 E)	20177112606	Century Exploration	400	28.7	0.34	Whitecap P/L into Ship Shoal P/L into St. James (Note 6)		
13	LLS	SS 169 ssti (SS 182 C-B)	2017711260B	Chevron Corp.	300	29.2	0.30	Whitecap P/L into Ship Shoal P/L into St. James		

Offer Pkg	Royalty Oil Type	Custody Transfer Point (Volume Metered At)	MMS FMP No.	FMP Operator	Custody Transfer Point Royalty Volume (bbls/day)	API Gravity (Note 1)	Sulfur % (Note 1)	Pipelines and Gulf Coast Market Center	Common Carrier Unless Buy/Sell is Noted	Transport Offer
14	LLS	SS 169 ssti (SS 182 A-X)	2017711260X	Apache Corp.	140	32.7	0.33	(Note 6) Whitecap P/L into Ship Shoal P/L into St. James		
15	LLS	SS 208 F (SS 209 A)	2017711260G	Chevron Corp.	370	33.3	0.44	(Note 6) Whitecap P/L into Ship Shoal P/L into St. James		
16	LLS	SS 208 F (SS 207 A)	2017711260E	Apache Corp.	200	33.8	0.36	(Note 6) Whitecap P/L into Ship Shoal P/L into St. James		
17	LLS	SS 208 F (SS 266 A)	20177122608	Chevron Corp.	175	38.1	0.43	(Note 6) Whitecap P/L into Ship Shoal P/L into St. James		
18	LLS	ST 300 ssti (EW 826 A)	20608102601	Apache Corp.	115	38.5	0.54	Cougar P/L into Whitecap P/L into Ship Shoal P/L into St. James (Note 6)		
19	LLS	ST 300 A	20177162600	Shell Offshore Inc.	680	40.9	0.34	Cougar P/L into Whitecap P/L into Ship Shoal P/L into St. James (Note 6)		
20	LLS	SS 28 Ent. to Whitecap (SM 268 A)	20177072602	Apache Corp.	270	37.5	0.09	Whitecap P/L into Ship Shoal P/L into St. James (Note 6)		
Pipeline Total					2,650					
21	Bonito	SS 28 (EI 339 B)	20177102609	Chevron Corp.	625	34.1	1.15	Bonito P/L into Ship Shoal P/L into St. James (Note 6)		
22	Bonito	EI 316 ssti (EI 361 A)	2017710260J	Chevron Corp.	160	35.7	0.71	Bonito P/L into Ship Shoal P/L into St. James (Note 6)		
23	Bonito	EI 316 ssti (EI 360 E)	2017710260K	Chevron Corp.	370	34.2	0.86	Bonito P/L into Ship Shoal P/L into St. James (Note 6)		
Pipeline Total					1,155					
24	EI	VR 386 B	20177062954	Marathon Oil Co.	345	31.6	0.90	Marathon P/L into Eugene Island P/L (Marathon capacity) into Shell's South Louisiana System into St. James	(Note 4)	
25a	EI	EC 346 A	20177042950	Energy Resource Tech.	560	33.0	1.11	Marathon P/L into Eugene Island P/L (Marathon capacity) into Shell's South Louisiana System into St. James	(Note 4)	
25b	EI	EC 346 A (Non-Incentive Rate) (production from EC 345/360)	20177042950	Energy Resource Tech.	25	33.0	1.11	Marathon P/L into Eugene Island P/L (Marathon capacity) into Shell's South Louisiana System into St. James		
26	EI	EI 327 ssti (EI 325 A)	20177102952	Mariner Energy	380	37.3	0.90	Marathon P/L into Eugene Island P/L into Shell's South Louisiana System into St. James		
27	EI	SM 128 A	20177082951	Devon Energy Prod. Corp.	1,000	37.4	0.90	Marathon P/L into Eugene Island P/L into Shell's South Louisiana System into St. James		
Pipeline Total					2,310					
28	Mars	MC 809 A	20608173651	Shell Offshore	11,300	30.1	2.15	Ursa P/L into Mars Oil P/L into Clovelly		
29	Mars	MC 711 A	20608173653	ATP Oil & Gas Corp.	2,200	34.0	1.46	Amberjack P/L into Mars Oil P/L into Clovelly		

Offer Pkg	Royalty Oil Type	Custody Transfer Point (Volume Metered At)	MMS FMP No.	FMP Operator	Custody Transfer Point Royalty Volume (bbls/day)	API Gravity (Note 1)	Sulfur % (Note 1)	Pipelines and Gulf Coast Market Center	Common Carrier Unless Buy/Sell is Noted	Transport Offer
					(Note 7)					
				Pipeline Total	13,500					
30	Poseidon	SS 332 A (GC 254 A)	20608112955	ENI Petroleum	910	31.3	1.17	Manta Ray Gathering into Poseidon P/L into Houma	Poseidon	
					(Note 2)					
31	Poseidon	SS 332 A (ST 316 A)	20177162950	W & T Offshore	265	35.1	0.49	Manta Ray Gathering into Poseidon P/L into Houma	Poseidon	
32	Poseidon	SS 332 A (GC 608 A)	20608112957	Anadarko Petroleum Corp.	3,360	29.3	1.20	Manta Ray Gathering into Poseidon P/L into Houma	Poseidon	
					(Notes 2 & 8)					
				Pipeline Total	4,535					
33	Mars	SS 332 B (GC 645 A)	20608110250	BP Expl. and Prod.	3,600	32.1	1.87	Caesar P/L into Seajack P/L into Mars Oil P/L into Clovelly	Mars	
34	Mars	SS 332 B (GC 782 A)	20608110251	BP Expl. and Prod.	6,300	28.5	3.11	Caesar P/L into Seajack P/L into Mars Oil P/L into Clovelly	Mars	
				Pipeline Total	9,900					
				Total Barrels Offered	47,100					

Pipeline and Buy/Sell Contacts:

- STUSCO: Brett Jones (713-230-1944)
- Plains: Tim Gill (713-646-4667)
- Poseidon: James Hostettler (303-339-0381)
- Mars: David Carrere (713-241-1639)

- FMP: Facility Measurement Point
- N/A: Not Applicable

MMS Contacts:

Donna Hogan (303-231-3148) donna.hogan@mms.gov
 Allen Vigil (303-231-3098) allen.vigil@mms.gov
 Fax No. (303-231-3846)

Note 1: Gravity and Sulfur contents are not warranted and are measured at the FMP unless otherwise noted.

Note 2: FMP contains a lease(s) in Royalty Relief status whose volume will not be included in deliveries to the shipper.

Note 3: The crude may require treatment/blending to lower the sulfur content. If so, offeror would be charged a buy/sell rate from the Plains Terminal. This charge should not be included in the offer as it will be reimbursed to the shipper by MMS.

Note 4: Reserve Commitment Program for Marathon's tariff, see Exhibit C.

Note 5: The first gravity listed is the average commingled MPOG gravity entering Delta P/L for fourth quarter 2006. The second is the average commingled gravity entering Cypress P/L for fourth quarter 2006. Both are measured at MP 69.

Note 6: For packages 12-23, MMS will not reimburse the Ship Shoal Inventory Management Fee.

Note 7: Platform is currently shut-in until the fourth quarter to bring on additional wells.

Note 8: A large producing well is currently shut-in and not expected to produce until the fourth quarter. MMS share of 1,250 b/ds included in the Royalty Volume.

Your Name

Phone No.

Company Name

Fax No.



**CONTINGENCY FOR OUTRIGHT SALE
IFO No. M07PX14954**

Introduction

In the event the Department of Energy does not award a contract for delivery of exchange oil into the Strategic Petroleum Reserve (SPR) related to a successfully awarded royalty oil package from this MMS Invitation for Offer (IFO), the MMS award may become an outright sale at the offshore custody transfer point specified in Exhibit A.

MMS will notify successful offerors by May 15, 2007, of any royalty oil packages converted to an outright sale. Any outright sales of royalty oil packages will be for a 6-month term beginning July 1, 2007, and ending December 31, 2007. Payment terms are governed by the MMS base contract "RIK Crude Oil General Terms and Conditions," previously signed by the offeror and MMS.

If the SPR capacity is reached during the term of the contract, royalty oil deliveries to the SPR may be reduced and therefore may revert to an outright sale. MMS will provide shippers 45 days notice of the packages reverting in part or in total to an outright sale at the offshore custody transfer point specified in Exhibit A.

Pricing Mechanism

For any royalty oil package converted to an outright sale rather than being shipped, the accepted IFO offer ("X") will be used to price the royalty crude oil and will represent an increment or decrement from either of the following pricing formulas which must be specified in the original bid:

1. (Calendar NYMEX + Daily Roll) – (Platts WTI – Platts Crude Type)
2. (Calendar NYMEX + Daily Roll) + (Argus Weighted Average Crude Type Differential)

Pricing Definitions:

Platts WTI: The arithmetic average of the daily high and low price quotes for WTI Cushing for the Platts Month of Delivery

Platts Crude Type: The arithmetic average of the daily high and low price quotes for crude type for Platts Month of Delivery

Argus Weighted Average Crude Type Differential: The weighted average differential for each crude type published by Argus

Calendar NYMEX: Arithmetic average of the daily settlement price for the "Light Sweet Crude Oil" front month futures contract reported by the New York Mercantile Exchange (NYMEX) during the Physical Month of Delivery (excluding weekends and holidays)

Platts or Argus Month of Delivery: Refers to quotes in Platts Oilgram Price Report or Petroleum Argus Americas Crude Price Report for the period of time from the twenty-sixth day of the month two months prior to the physical month of delivery through the twenty-fifth day of the month one month prior to the Physical Month of Delivery (excluding weekends and holidays)

Physical Month of Delivery: The calendar month when the crude oil is delivered

Daily Roll: $(X - Y).6667 + (X - Z).3333$, where:

X = Average of the daily NYMEX settlement price for the prompt month, trading days only, when the Physical Month of Delivery is the prompt month trading on NYMEX

Y = Average of the daily NYMEX settlement price for the second month during the same period, trading days only

Z = Average of the daily NYMEX settlement price for the third month during the same period, trading days only

Pre-qualification and Credit Requirements

For royalty oil packages awarded as outright sales rather than as transportation agreements, all pre-qualification and credit requirements outlined under this IFO will continue to apply, with the following modifications. If required, the financial assurance amount shall be sufficient to cover the value of 60 days of deliveries of the estimated production of all royalty oil awarded, less the amount of unsecured credit issued by the MMS, as previously notified. The financial assurance must be effective for a period beginning on the date of first delivery under the contract and ending when final payment under the contract is verified.

Any questions regarding calculation of the financial assurance amount should be directed to Larry Cobb at 303-231-3307. Failure to provide adequate financial assurance when requested may result in a loss of award unless the date is extended by the MMS Contracting Officer.

Marathon Offshore Pipeline LLC
Incentive Rates

Exhibit C

Marathon Contacts:
Ted Skinner (713-296-3719)

Offer Pkg	Custody Transfer Point	Pipeline System	Incentive Program Rate	FERC Number
8a	SP 89 B	South Pass-West Delta	\$0.85	3
8b	SP 89 B (Zia)	South Pass-West Delta	\$0.45	3
9	WD 79 A	South Pass-West Delta	\$0.45	5
24	VR 386 B (VR 369)	Eugene Island	\$1.27	10
25a	EC 346 A	Eugene Island	* \$1.27	10

Note: Line loss based on actuals.

* Rate is only from EC 346 production. Production from EC 345/360 will be at non-incentive rate.