



INVITATION FOR OFFER – SMALL REFINER RIK CRUDE OIL SALE
IFO No: 1435-02-06-RP-27829
Deliveries beginning October 1, 2006

Introduction

The Minerals Management Service (MMS) of the U.S. Department of the Interior is soliciting offers from pre-qualified small refiners to purchase royalty oil and condensate produced from certain Federal leases in the Gulf of Mexico.

This Invitation for Offer (IFO) is for either a 6-month or 12-month term beginning October 1, 2006. Successful offerors will take custody of the royalty oil at the applicable custody transfer point as shown in Exhibit A and are responsible for moving the royalty oil downstream of this point.

Offers must be made in writing and submitted to Crystel Edler via facsimile (303-231-3846) or email (crystel.edler@mms.gov) by 2:00 p.m. MST on July 25, 2006. MMS will confirm receipt of all offers. **Royalty oil packages will be awarded by 2:00 p.m. MST on July 28, 2006.** Call Crystel Edler for technical questions at 303-231-3126; Maggie Miller for contracting questions at 303-231-3932; and Larry Cobb for pre-qualification or credit questions at 303-231-3307.

Offers

Offerors must be pre-qualified to submit offers. Please see the “Pre-qualification and Credit Requirements” section for more information. MMS reserves the right to reject any offer received.

Exhibit A identifies 27 packages of royalty oil. Exhibit B provides further detail on Facility Measurement Point (FMP) operators, pipelines, and custody transfer points. Data in the exhibits is not warranted and offerors are expected to contact the appropriate parties for the most recent information. The royalty volume shown for each custody transfer point represents the most recent production data available for the properties behind the custody transfer point. Other pertinent information such as leases/agreements, operators, and royalty rates will be provided to the successful offeror upon award.

Exhibit A is the offer sheet to be completed and faxed or emailed. Offers must be to the nearest \$0.0001. MMS prefers no more than one award for each package. However, consideration may be given to offers on only part of a royalty oil package if favorable to the Government.

For hurricane surcharges, offerors should follow standard industry practice and include any surcharges in their offer.

Successful offerors for **HLS** packages will be responsible for the Empire exit fee (also known as outbound terminal or pump out fee) and reconsignment fee, when applicable. These fees should not be included in the offer.

HLS package 1 has two possible custody transfer points (onshore and offshore) and offers may be made for either or both in the appropriate columns of Exhibit A. **Note:** On Exhibit A, package 1 is the onshore market center volume total for the pipeline. Packages 1a–1k are the individual offshore custody transfer point totals.

Offers on **HLS** package 4 must be at Empire.

Poseidon package 23 has two possible custody transfer points (onshore and offshore) and offers may be made for either or both in the appropriate columns of Exhibit A. **Note:** Package 23 is the onshore market center volume total for the pipeline. Packages 23a–23i are the individual offshore custody transfer point totals.

Packages in this IFO for which all offers are rejected will be included in another MMS RIK crude oil IFO, Unrestricted Crude Oil Sale (No. 1435-02-06-RP-27830), open to both eligible, pre-qualified small refiners and other pre-qualified companies. Please see the RIK Home Page for details regarding this related IFO at <http://www.mrm.mms.gov/RIKweb/default.htm>.

Please see the “Quality” section for more information on how to account for gravity and sulfur in your offer. 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 successful offerors.

Pricing Mechanism: Offerors must submit offers as an increment or decrement from either or all of the below pricing formulas. **If you would like to submit an offer based on an alternative pricing formula, please caveat your offer with the alternative pricing formula used and/or call the technical contact listed.**

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

Where: 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

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 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. MMS will award to successful offerors by means of the "MMS Crude Oil Transaction Confirmation." MMS will attempt to award 100 percent of the volume from a custody transfer point.

Term

Delivery of royalty oil will begin October 1, 2006, and end on either March 31, 2007 or September 30, 2007.

Quality

For **HLS** package 1, quality bank debits/credits should not be included in your offer. If the offer is accepted at the offshore custody transfer point, successful offerors will pass back to MMS all quality bank(s) debits/credits received from the quality bank administrator(s). If the offer is accepted at the market center (Empire), the quality bank costs will not be incurred by the successful offeror and therefore should not be reflected in your offer.

For **HLS** packages 2-3 and 5-9, quality bank debits/credits should not be included in your offer. Successful offerors will pass back to MMS all quality bank(s) debits/credits received from the quality bank administrator(s).

For **HLS** package 4, quality bank costs will not be incurred by the successful offeror since delivery is at Empire and therefore should not be reflected in your offer.

For **LLS and Mars** packages, with the exception of the market center delivery bank, quality bank debits/credits should not be included in your offer. Successful offerors will pass back to MMS those quality bank(s) debits/credits received from the quality bank administrator(s). Market center delivered quality bank(s) debits/credits should be included in your offer.

For **Poseidon** and **Eugene Island** packages, quality bank debits/credits should not be included in your offer. Successful offerors will pass back to MMS all quality bank(s) debits/credits received from the quality bank administrator(s).

For **Bonito** package 27, quality bank debits/credits should not be included in your 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 your offer.

Note: For **HLS** package 1 (if awarded offshore) and **LLS** packages 10-19, where the STUSCO invoices do not reflect the quality bank adjustment, the successful offeror will adjust the payment each month for gravity. This adjustment will be based on the difference between the FMP run ticket and the common stream delivered gravity, using the standard Gravcap calculation.

Successful offerors must net any quality bank credits or debits against the monthly charges for purchased oil. 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.

The quality information in the Exhibits 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

Successful offerors are responsible for transporting all royalty oil volumes downstream of the custody transfer point specified in Exhibit A. Successful offerors 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, you are required to indicate that the nomination is for MMS sourced crude oil.

Exhibit C identifies transportation rates and terms for a Buy/Sell agreement that MMS has negotiated with Poseidon Oil Pipeline Co. Successful offerors, at their discretion, may be designated as MMS' agents under this Buy/Sell agreement for packages 18a-18i associated with this pipeline. Offerors must indicate on Exhibit A whether they elect to use the MMS negotiated Buy/Sell rates and terms.

For HLS package 1, if awarded at the market center, MMS receives volumes as a percent of production from the producers, and therefore, nominations may be adjusted by MMS throughout the month of production. Volumes received by the successful offeror may not necessarily reflect initial nominations. Successful offeror will pay only for volumes received.

Within 10 days of execution of the "MMS Crude Oil Transaction Confirmation" relative to this IFO, successful offerors must request in writing to all pipeline companies moving royalty oil, that MMS royalty volumes be broken out separately from non-MMS volumes. In cases where the pipeline companies are unable to break out the MMS volumes on the pipeline statement, you must provide MMS with acceptable third-party data breaking out 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 successful offeror.

Successful offerors will provide MMS with pipeline statements and any third-party documentation within 2 days after the documents are made available to the shipper. Documentation not received by the due date may be purchased by MMS and the successful offeror will be billed the associated costs. Successful offerors, through customary industry practice, will communicate directly with MMS and the FMP operators and will make arrangements to deliver and transfer the royalty oil from the awarded custody transfer points. Successful offerors, at their expense, will make all necessary arrangements to receive royalty oil at the custody transfer point. Successful offerors are not responsible for any transportation costs upstream of the custody transfer point.

No later than 5 calendar days before the first day of each month, the MMS will notify successful offerors of the daily royalty oil volumes anticipated for the following month of production. Successful offerors 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.

The operators of the properties behind the custody transfer points offered in this IFO are instructed to use reasonable efforts, consistent with industry practice, to inform MMS and/or successful offerors regarding significant changes in royalty oil production levels and production shut-ins.

The MMS will automatically adjust an awarded offer by any increase or decrease in tariff-based transportation costs related to awarded properties effective on the date of the tariff change. MMS will send the successful offeror written notification confirming such changes. Unless extraordinary circumstances exist, contract amendments will not be granted for rate changes in offeror's buy/sell arrangements.

Imbalances

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

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 successful offerors in the second month following the month of delivery unless otherwise approved by MMS. MMS will communicate these adjustments with the successful offeror 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. The contract price under this IFO may form the basis of resolving certain extraordinary imbalances between MMS and operators.

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

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/PDFDocs/20060515a.pdf>.

Confidentiality

Neither MMS or the successful offeror 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

Only eligible small refiners may pre-qualify for this offer. Small refiners must meet eligibility requirements established by the Small Business Administration as provided by 30 CFR Part 208. Furthermore, eligible small refiners must document such eligibility by submitting Form MMS-4070, "Application For the Purchase of Royalty Oil," see (<http://www.mrm.mms.gov/ReportingServices/PDFDocs/4070.pdf>).

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, successful offerors 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 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. For new surety instruments, the MMS will contact you regarding the calculation of an estimated amount of surety to be provided prior to initial deliveries. For continuing surety instruments, we will contact you regarding renewal requirements. Failure to provide requested surety may result in cancellation of the award or termination of the contract.

The ILOC, Bond, or other MMS-acceptable surety instrument must be effective for the period beginning on the date of first receipt under the contract and ending with the verification and payment of the final deliveries. A sample of the ILOC, MMS Form-4071, may be found on the MMS web site at <http://www.mrm.mms.gov/ReportingServices/PDFDocs/4071.pdf>. For Bonds, use MMS Form-4072, <http://www.mrm.mms.gov/ReportingServices/PDFDocs/4072.pdf>. The financial institution issuing the ILOC or Surety Company issuing the Bond must meet MMS requirements under 30 CFR Part 208.11.

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. Failure to provide satisfactory assurance when requested may result in early termination of the contract.

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.

MMS will send the successful offeror 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

Exhibit B – RIK Custody Transfer Point Detail

Exhibit C – Poseidon Pipeline Buy/Sell Rates

Offer Pkg	Royalty Oil Type	Gulf Coast Market Center	Custody Transfer Point	Volume Metered At	Custody Transfer Point Royalty Volume (bbls/day)	Custody Transfer Point API Gravity	Custody Transfer Point Sulfur %	NYMEX + Daily Roll basis (offshore delivery) 6 Months	NYMEX + Daily Roll basis (offshore delivery) 12 Months	NYMEX + Daily Roll basis (market center) 6 Months	NYMEX + Daily Roll basis (market center) 12 Months	Accept MMS' Buy/Sell (Yes or No)
1	HLS	Empire	Empire (from Delta P/L FMPs)	Empire	11,780	33.5	NA					
1a	HLS	Empire	VK 786 A	VK 786 A	6,400	31.0	N/A					
1b	HLS	Empire	MP 310 A	MP 310 A	500	33.6	N/A					
1c	HLS	Empire	MP 259 A	MP 259 A	100	39.3	N/A					
1d	HLS	Empire	MP 296 B	MP 296 B	180	22.0	N/A					
1e	HLS	Empire	MP 296 C	MP 296 C	120	22.5	N/A					
1f	HLS	Empire	MP 289 C	VK 956 A	1,500	41.9	N/A					
1g	HLS	Empire	MP 289 i	MP 288 A	450	28.5	N/A					
1h	HLS	Empire	MP 289 C	MP 289 C	210	27.2	N/A					
1i	HLS	Empire	SP 62	VK 989 A	2,000	34.8	N/A					
1j	HLS	Empire	MP 311 A	MP 311 A	120	30.6	N/A					
1k	HLS	Empire	MP 311 B	MP 311 B	200	23.9	N/A					
2a	HLS	Empire	MP 72	MP 61 A	1,000	27.7	N/A					
2b	HLS	Empire	MP 72	MP 61 B	800	29.7	N/A					
3	HLS	Empire	MC 474 A	MC 474 A	12,000	31.2	N/A					
4	HLS	Empire	Empire (from Chevron P/L FMPs)	Empire	1,410	33.5	N/A					
5	HLS	Empire	ST 52 C	ST 52 C	630	37.3	N/A					
6	HLS	Empire	ST 37 J	ST 37 J	1,770	33.9	N/A					
7	HLS	Empire	ST 177	ST 177	500	39.0	N/A					
8	HLS	Empire	MP 30 A	MP 30 A	300	33.8	N/A					
9a	HLS	Empire	MP 299 A	MP 299 A	850	34.0	N/A					
9b	HLS	Empire	MP 299 B	MP 299 B	430	34.0	N/A					
9c	HLS	Empire	MP 144	MP 144	370	34.0	N/A					
10	LLS	St. James	EI 176 ssti	EI 175 C	105	35.6	N/A					
11	LLS	St. James	EI 174 ssti	EI 182 A	105	32.0	N/A					
12	LLS	St. James	EI 252 I	EI 252 I	730	36.1	N/A					
13	LLS	St. James	EI 259 ssti	EI 258 B	300	34.8	0.52					
14	LLS	St. James	SM 130 A	SM 130 A	500	26.5	0.76					
15	LLS	St. James	SS 274 C	SS 274 C	150	37.1	0.43					
16	LLS	St. James	VR 214 A	VR 214 A	215	37.1	N/A					
17	LLS	St. James	VR 215 A	VR 215 A	150	38.3	N/A					
18	LLS	St. James	VR 376 A	VR 376 A	200	36.7	0.52					
19	LLS	St. James	WC 498 B	WC 498 B	250	34.7	N/A					

Offer Pkg	Royalty Oil Type	Gulf Coast Market Center	Custody Transfer Point	Volume Metered At	Custody Transfer Point Royalty Volume (bbls/day)	Custody Transfer Point API Gravity	Custody Transfer Point Sulfur %	NYMEX + Daily Roll basis (offshore delivery) 6 Months	NYMEX + Daily Roll basis (offshore delivery) 12 Months	NYMEX + Daily Roll basis (market center) 6 Months	NYMEX + Daily Roll basis (market center) 12 Months	Accept MMS' Buy/Sell (Yes or No)
20	Mars	Clovelly	GI 116 A	GI 116 A	300	34.7	0.83					
21	Mars	Clovelly	GI 115 ssti	EW 921 A	500	26.3	2.17					
22	Mars	Clovelly	GC 205 A	GC 205 A	1,500	30.9	1.37					
23	Poseidon	Houma	Houma	Houma	6,340	30.4	1.87					
23a	Poseidon	Houma	EW 827ssti	ST 308 A	1,350	20.4	2.52					
23b	Poseidon	Houma	EI 346 A	EI 346 A	280	28.7	1.32					
23c	Poseidon	Houma	SS 359 ssti	SS 358 A	400	43.0	0.47					
23d	Poseidon	Houma	GB 260 A	GB 260 A	1,170	32.5	1.13					
23e	Poseidon	Houma	SS 349 A	SS 349 A	330	25.8	2.19					
23f	Poseidon	Houma	EW 873 A	EW 873 A	2,400	23.1	2.98					
23g	Poseidon	Houma	EW 873 A	EW 873 A (EW 1006)	20	23.1	2.98					
23h	Poseidon	Houma	GB 72 A	GB 72 A	80	33.5	0.85					
23i	Poseidon	Houma	EW 1003 A	EW 1003 A	310	29.5	1.35					
24	EI	St. James	PL 13 ssti	PL 10 B	500	35.3	0.20					
25	EI	St. James	SS 181 B	SS 181 B	290	35.7	0.22					
26	EI	St. James	EW 989 ssti	GC 18 A	700	30.7	1.47					
27	Bonito	St. James	SS 28 A	EI 314 A	160	34.3	0.80					

 Your Name

 Phone No.

 Company Name

 Fax No.

MMS Contacts

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Offer Pkg	Royalty Oil Type	Gulf Coast Market Center	Custody Transfer Point	Royalty Volume Metered at	MMS FMP No.	FMP Operator	Custody Transfer Point Royalty Volume (bbls/day)	API Gravity (Note 1)	Sulfur % (Note 1)	Pipelines	Common Carrier(s)	Buy/Sell
1a	HLS	Empire	VK 786 A or Empire	VK 786 A	20608165116	Chevron Corp.	6,400	31.0	N/A	Petronius P/L into Odyssey P/L into Delta P/L	no yes	STUSCO
1b	HLS	Empire	MP 310 A or Empire	MP 310 A	20177245115	Apache Corp.	500	33.6	N/A	Shell P/L into Odyssey P/L into Delta P/L	no yes	STUSCO
1c	HLS	Empire	MP 259 A or Empire	MP 259 A	2017724511B	Devon Energy	100	39.3	N/A	(Devon private line into) Bud P/L into Odyssey P/L into Delta P/L	no no yes	STUSCO STUSCO
1d	HLS	Empire	MP 296 B or Empire	MP 296 B	20177245113	GOM Shelf LLC	180	22.0	N/A	Odyssey P/L into Delta P/L	no yes	STUSCO
1e	HLS	Empire	MP 296 C or Empire	MP 296 C	20177245114	GOM Shelf LLC	120	22.5	N/A	Odyssey P/L into Delta P/L	no yes	STUSCO
1f	HLS	Empire	MP 289 C or Empire	VK 956 A	20608165112	Shell Offshore Inc.	1,500	41.9	N/A	Odyssey P/L into Delta P/L	no yes	STUSCO
1g	HLS	Empire	MP 289i or Empire	MP 288 A	20177245110	Stone Energy	450	28.5	N/A	Odyssey P/L into Delta P/L	no yes	STUSCO
1h	HLS	Empire	MP 289 C or Empire	MP 289 C	20177245118	Apache Corp.	210	27.2	N/A	Odyssey P/L into Delta P/L	no yes	STUSCO
1i	HLS	Empire	SP 62 or Empire	VK 989 A	20608165102	BP Expl. and Prod.	2,000	34.8	N/A	Pompano P/L into Delta P/L	no yes	STUSCO
1j	HLS	Empire	MP 311 A or Empire	MP 311 A	20177245100	GOM Shelf LLC	120 (Note 2)	30.6	N/A	Pompano P/L into Delta P/L	no yes	STUSCO
1k	HLS	Empire	MP 311 B or Empire	MP 311 B	20177245101	GOM Shelf LLC	200 (Note 2)	23.9	N/A	Pompano P/L into Delta P/L	no yes	STUSCO
Pipeline Total							11,780	33.5 (Note 3)				
2a	HLS	Empire	MP 72	MP 61 A	20177255112	Pogo Producing Co.	1,000	27.7	N/A	Delta P/L	yes	
2b	HLS	Empire	MP 72	MP 61 B	20177255113	Pogo Producing Co.	800	29.7	N/A	Delta P/L	yes	
Pipeline Total							1,800					
3	HLS	Empire	MC 474 A	MC 474 A	20608175111	BP Expl. and Prod.	12,000 (Note 4)	31.2	N/A	Na Kika P/L into Delta P/L	yes yes	

Offer Pkg	Royalty Oil Type	Gulf Coast Market Center	Custody Transfer Point	Royalty Volume Metered at	MMS FMP No.	FMP Operator	Custody Transfer Point Royalty Volume (bbls/day)	API Gravity (Note 1)	Sulfur % (Note 1)	Pipelines	Common Carrier(s)	Buy/Sell
						Pipeline Total	12,000					
4	HLS	Empire	Empire	MP 42 L	20177255304	Chevron Corp.	1,170	30.6	N/A	Chevron P/L	yes	
			Empire	BM-Fed	20170573604	Chevron Corp.	170	27.5	N/A	Chevron P/L	yes	
			Empire	BM-State	20170573601	Chevron Corp.	70	30.1	N/A	Chevron P/L	yes	
						Pipeline Total	1,410	33.5 (Note 3)				
5	HLS	Empire	ST 52 C	ST 52 C	2017715360A	Chevron Corp.	630	37.3	N/A	Chevron P/L	yes	
6	HLS	Empire	ST 37 J	ST 37 J	2017715360E	Chevron Corp.	1,770	33.9	N/A	Chevron P/L	yes	
7	HLS	Empire	ST 177	ST 177	20177153605	Chevron Corp.	500	39.0	N/A	Chevron P/L	yes	
8	HLS	Empire	MP 30 A	MP 30 A	20177255307	Chevron Corp.	300	33.8	N/A	Chevron P/L	yes	
9a	HLS	Empire	MP 299 A	MP 299 A	20177245400	Chevron Corp.	850	34.0	N/A	Chevron P/L	yes	
9b	HLS	Empire	MP 299 B	MP 299 B	20177245400	Chevron Corp.	430	34.0	N/A	Chevron P/L	yes	
9c	HLS	Empire	MP 144	MP 144	20177245400	Chevron Corp.	370	34.0	N/A	Chevron P/L	yes	
						Pipeline Total	4,850	33.5 (Note 3)				
10	LLS	St. James	EI 176 ssti	EI 175 C	20177092601	Apache Corp.	105	35.6	N/A	Apache private line (no charge) into Central Gulf Gathering System into Tarpon P/L into Ship Shoal P/L	no no yes	STUSCO
11	LLS	St. James	EI 174 ssti	EI 182 A	2017709260C	Newfield Exploration	105	32.0	N/A	Newfield private line (no charge) into Central Gulf Gathering System into Tarpon P/L into Ship Shoal P/L	no no yes	STUSCO
12	LLS	St. James	EI 252 I	EI 252 I	2017709260K	Chevron Corp.	730	36.1	N/A	Central Gulf Gathering System into Tarpon P/L into Ship Shoal P/L	no yes	STUSCO
13	LLS	St. James	EI 259 ssti	EI 258 B	20177092609	Nexen Petroleum	300	34.8	0.52	Nexen private line (no charge) into Central Gulf Gathering System into Tarpon P/L into Ship Shoal P/L	no no yes	STUSCO
14	LLS	St. James	SM 130 A	SM 130 A	20177082604	Energy Res. Technology	500 (Note 5)	26.5	0.76	Central Gulf Gathering System into Tarpon P/L into Ship Shoal P/L	no yes	STUSCO
15	LLS	St. James	SS 274 C	SS 274 C	2017712260E	Apache Corp.	150	37.1	0.43	Central Gulf Gathering System into Tarpon P/L into Ship Shoal P/L	no yes	STUSCO

Offer Pkg	Royalty Oil Type	Gulf Coast Market Center	Custody Transfer Point	Royalty Volume Metered at	MMS FMP No.	FMP Operator	Custody Transfer Point Royalty Volume (bbls/day)	API Gravity (Note 1)	Sulfur % (Note 1)	Pipelines	Common Carrier(s)	Buy/Sell
16	LLS	St. James	VR 214 A	VR 214 A	20177052600	Chevron Corp.	215	37.1	N/A	Chevron private line into Central Gulf Gathering System into Tarpon P/L into Ship Shoal P/L	no no yes	Chevron STUSCO
17	LLS	St. James	VR 215 A	VR 215 A	20177052601	Newfield Exploration	150	38.3	N/A	Central Gulf Gathering System into Tarpon P/L into Ship Shoal P/L	no yes	STUSCO
18	LLS	St. James	VR 376 A	VR 376 A	2017706260C	PetroQuest Energy	200	36.7	0.52	Central Gulf Gathering System into Tarpon P/L into Ship Shoal P/L	no yes	STUSCO
19	LLS	St. James	WC 498 B	WC 498 B	20177022600	El Paso Production	250 (Note 6)	34.7	N/A	El Paso Merchant Energy P/L into Central Gulf Gathering System into Tarpon P/L into Ship Shoal P/L	no no yes	El Paso STUSCO
Pipeline Total							2,705					
20	Mars	Clovelly	GI 116 A	GI 116 A	20177183651	Apache Corp.	300	34.7	0.83	Amberjack P/L into Mars Oil P/L	yes	
21	Mars	Clovelly	GI 115 ssti	EW 921 A	20608103651	ENI Petroleum	500 (Note 4)	26.3	2.17	Amberjack P/L into Mars Oil P/L	yes	
22	Mars	Clovelly	GC 205 A	GC 205 A	20608113651	Chevron Corp.	1,500	30.9	1.37	Amberjack P/L into Mars Oil P/L	yes	
Pipeline Total							2,300					
23a	Poseidon	Houma	EW 827ssti or Houma	ST 308 A	20177162951	Apache Corp.	1,350	20.4	2.52	Tarantula P/L to EW 827ssti into Poseidon P/L	no no	N/A see Ex. C
23b	Poseidon	Houma	EI 346 A or Houma	EI 346 A	2017710295M	Apache Corp.	280	28.7	1.32	Poseidon P/L	no	see Ex. C
23c	Poseidon	Houma	SS 359 ssti or Houma	SS 358 A	2017712295K	ATP	400	43.0	0.47	Poseidon P/L	no	see Ex. C
23d	Poseidon	Houma	GB 260 A or Houma	GB 260 A	20608072952	Amerada Hess	1,170	32.5	1.13	Poseidon P/L	no	see Ex. C
23e	Poseidon	Houma	SS 349 A or Houma	SS 349 A	20177122952	W & T Offshore Inc.	330	25.8	2.19	Poseidon P/L	no	see Ex. C
23f	Poseidon	Houma	EW 873 A or Houma	EW 873 A	20608102951	Marathon	2,400 (Note 4)	23.1	2.98	Poseidon P/L	no	see Ex. C
23g	Poseidon	Houma	EW 873 A or Houma	EW 873 A (EW 1006)	20608102951	Marathon	20	23.1	2.98	Poseidon P/L	no	see Ex. C

Offer Pkg	Royalty Oil Type	Gulf Coast Market Center	Custody Transfer Point	Royalty Volume Metered at	MMS FMP No.	FMP Operator	Custody Transfer Point Royalty Volume (bbls/day)	API Gravity (Note 1)	Sulfur % (Note 1)	Pipelines	Common Carrier(s)	Buy/Sell
23h	Poseidon	Houma	GB 72 A or Houma	GB 72 A	20608072950	Flextrend Development Co.	80 (Note 4)	33.5	0.85	Poseidon P/L	no	see Ex. C
23i	Poseidon	Houma	EW 1003 A or Houma	EW 1003 A	20608102952	El Paso Production	310	29.5	1.35	Poseidon P/L	no	see Ex. C
Pipeline Total							6,340	30.44	1.87	(Note 3)		
24	El	St. James	PL 13 ssti	PL 10 B	20177132950	Apache Corp.	500	35.3	0.20	Eugene Island P/L System into Shell's South Louisiana System	yes yes	
25	El	St. James	SS 181 B	SS 181 B	20177112951	Chevron Corp.	290	35.7	0.22	Shell P/L into Eugene Island P/L into Shell's South Louisiana System	yes yes	
26	El	St. James	EW 989 ssti	GC 18 A	20608112950	ExxonMobil	700	30.7	1.47	Boxer P/L into Eugene Island P/L into Shell's South Louisiana System	yes yes	
Pipeline Total							1,490					
27	Bonito	St. James	SS 28 A	El 314 A	20177102605	ExxonMobil	160 (Note 2)	34.3	0.80	Bonito P/L into Ship Shoal P/L	yes	
Pipeline Total							160					
Grand Total							44,835					

Pipeline and Buy/Sell Contacts:

- Chevron: Malcolm Taylor (832-854-2936)
- El Paso: Jerry Ross (713-420-6360)
- Poseidon: James Hostetler (303) 339-0381
- STUSCO for HLS properties, all deliveries at Empire: Brett Jones (713-230-1944)
- STUSCO for LLS properties: Chuck Morelli (713-230-1949)

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

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

Note 2: Due to the hurricanes, property is currently not producing, however, expected to produce prior to or during the contract period.
(SS 28 A is due back Aug-06 and MP 311 A&B in Nov-06)

Note 3: Gravity and Sulfur represents average delivered common stream at the Market Center.

Note 4: FMP contains a lease in Royalty Relief status whose volume will not be included in deliveries to purchaser.

Note 5: Volumes do not include area/block SM 122 operated by Seneca.

Note 6: Currently unable to flow down CGGS pipeline, therefore barging a royalty volume of 130 bpd. However, when flowing CGGS which is anticipated for Oct-06, production will flow at full rate of 250 royalty bpd.

**Poseidon Oil Pipeline Co.
Buy/Sell Rates**

Exhibit C

Poseidon contact: James Hostetler (303) 339-0381

Offer Pkg	Custody Transfer Point	Buy/Sell Rate to Houma (see Notes 1 & 2)	Maximum Daily Quantity (bbls/day)
23a	EW 827 ssti	\$1.05	1,750
23b	EI 346 A	\$0.95	400
23c	SS 359 ssti	\$0.99	400
23d	GB 260 A	\$1.00	1,250
23e	SS 349 A	\$0.87	250
23f	EW 873 A	\$0.95	3,075
23g	EW 1006	\$1.35	
23h	GB 72 A	\$2.09	300
23i	EW 1003 A	\$1.35	400

Note 1: Contact MMS for additional costs per barrel for crude viscosities over 401 SUS at 60 deg. F.

Note 2: Pipeline loss costs of 0.1% of volume delivered to Poseidon when deliveries are at Houma, LA