



INVITATION FOR OFFER – SMALL REFINER RIK CRUDE OIL SALE
IFO No: 1435-02-05-RP-25926
Deliveries beginning October 1, 2005

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 and the Pacific Outer Continental Shelf.

This Invitation for Offer (IFO) solicits offers for a 6-month term beginning October 1, 2005. Successful offerors will take custody of the royalty oil at the applicable custody transfer point as shown in Exhibit A and will be 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 19, 2005. MMS will confirm receipt of all offers. Royalty oil packages will be awarded by 2:00 p.m. MST on **July 22, 2005**. Address technical questions to Crystel Edler 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 21 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 to transact 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.

HLS packages 1 and 2 have 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:** Packages 1 and 2 are the onshore market center totals for the pipeline. Packages 1a - 1l and 2a – 2g are the individual offshore custody transfer point totals.

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

Poseidon package 20 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 20 is the onshore market center total for the pipeline. Packages 20a – 20i are the individual offshore custody transfer point totals.

Santa Ynez package 21 consists of seven sub-packages and offers on any or all volumes are acceptable. However, all volumes must be awarded or the entire package will revert to royalty in value.

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. 1435-02-05-RP-25925), 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.

Gulf of Mexico Pricing Mechanism (Packages 1-20): Offerors must submit offers as an increment or decrement from one or both of the below pricing formulas. However, 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. (Koch WTI Posting + Platts or Argus P⁺) – (Platts or Argus WTI – Platts or Argus Crude Type)
2. (Calendar NYMEX + Daily Roll) – (Platts or Argus WTI – Platts or Argus Crude Type)

Pacific Pricing Mechanism (Package 21): Offerors must submit offers as an increment or decrement from one or both of the following pricing formulas:

1. The arithmetic average of two sets of California posted prices, $(a+b)/2$, where:
 - a) The calendar month's average of the following Midway Sunset posted prices at 13° API: Chevron Corp., ExxonMobil, Shell Trading, and Union 76
 - b) The calendar month's average of the following Buena Vista posted prices at 26° API: Chevron Corp., ExxonMobil, Shell Trading, and Union 76
2. The calendar month average New York Mercantile Exchange (NYMEX) price at 40° API (see below for definition of calendar NYMEX)

Where: Koch WTI Posting: Koch Supply and Trading's posting for West Texas/New Mexico Intermediate (WTI), deemed 40° API, for the Physical Month of Delivery

Platts or Argus P⁺: Arithmetic average of the daily high and low price quotes for "P-Plus WTI" for the Platts or Argus Month of Delivery

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

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

Platts or Argus Trade Month Average: The arithmetic average of the weighted average of the daily high and low price quotes for the Platts or Argus Month of Delivery

Calendar NYMEX: Arithmetic average of the daily settlement price for the "Light Sweet Crude Oil" front month futures contract reported by the 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, 2005, and end on March 31, 2006. This Contract shall be effective and shall continue in full force and effect for a term of six (6) months beginning October 1, 2005 ("Initial Term") and shall automatically be renewed for an additional renewal term of six (6) months ("Renewal Term") unless either Party provides the other Party with notice of non-renewal at least ninety (90) days prior to the expiration of the Initial Term. This Contract shall terminate at the expiration of the Initial Term or upon either Party providing written notice of non-renewal to the other Party as provided herein.

Quality

Gulf of Mexico Packages:

For **HLS** packages 1 and 2, 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** package 3, 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**, **Mars**, and **Poseidon** 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).

Note: For **HLS** packages 1 and 2 (if awarded offshore) and **LLS** packages 5-16, 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.

Pacific Packages:

Adjustments for sulfur content are to be included in your offer(s). Buyers will make appropriate quality adjustments to their payment each month to match the actual gravity of the delivered royalty oil by using Shell Trading's California posted price gravity adjustment table applicable to the month of production. If this table changes mid-month, the monthly average of the table will be used. This adjustment table applies to all of the allowed offer methods, specifically:

Buyers using pricing formula 1 will adjust their payment by accounting for the difference between the delivered royalty oil and 19.5° API (the average of Midway Sunset's 13° posted gravity and Buena Vista's 26° posted gravity).

Buyers using pricing formula 2 will adjust their payment by accounting for the difference between the delivered royalty oil and 40° API (NYMEX WTI barrel gravity).

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 20a-20i associated with this pipeline. Offerors must indicate on Exhibit A whether they elect to use the MMS negotiated Buy/Sell rates and terms.

Successful offerors 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.

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 successful offeror's contract may be amended upon mutual consent between MMS and its successful offeror when there is an increase or decrease in tariff-based transportation costs related to the awarded properties. Contract amendments will not be granted for rate changes in the offeror's buy/sell arrangements, unless extraordinary circumstances exist.

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. These adjustments will be communicated by MMS to 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. The rights and responsibilities of operators under RIK oil situations are outlined in MMS' Sample "Dear Operator" letter included as Exhibit D.

MMS is not responsible for pipeline imbalances associated with royalty crude oil.

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 one year from the expiration of the transaction.

Pre-qualification and Credit Requirements

Offerors are required to pre-qualify by signing the MMS base contract "RIK Crude Oil General Terms and Conditions" and providing detailed financial information. Pre-qualification information can be found on our web site at <http://www.mrm.mms.gov/RIKweb/Oilprequal.htm>. By submitting an offer, the offeror agrees to be bound by the terms of its signed MMS base contract and this IFO.

Upon pre-qualification, 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 as 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 within five business days prior to first delivering oil under the contract. If additional security is required, successful offerors will be notified, and such notice will be included in the sales transaction confirmation.

The ILOC, Bond, or other MMS-acceptable surety instrument must be effective for a period beginning on the date of first delivery under the contract and ending when receipt of final delivery or payment under the contract is verified. Failure to provide adequate financial assurance when requested may result in a loss of award, unless the MMS Contracting Officer extends the date.

See our website at <http://www.mrm.mms.gov/ReportingServices/PDFDocs/4071.pdf> for a sample of the ILOC, MMS Form-4071. For Bonds, go to <http://www.mrm.mms.gov/ReportingServices/PDFDocs/4072.pdf> for MMS Form-4072. The financial institution issuing the ILOC or surety company issuing the Bond must meet MMS requirements under 30 CFR Part 208.11.

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. This value must be multiplied by the daily royalty production (estimated in Exhibit A), multiplied by 60 days, and then reduced by the amount of unsecured credit issued by MMS. For continuing surety instruments, we will contact you regarding renewal requirements. The amount of unsecured credit available for this sale is contingent upon the successful offeror's current participation in other RIK sales or exchange programs.

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 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 surety instrument in a form and amount satisfactory to MMS. Failure to provide additional performance assurances when requested may result in early termination of the contract. Where applicable, an investment-grade rating by Standard and Poor's is required by MMS to maintain creditworthiness.

Governing Contract

This transaction is governed by the MMS base contract "RIK Crude Oil General Terms and Conditions," signed by the offeror and MMS. 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 a contract.

MMS will send the successful offeror a Transaction Confirmation detailing the award packages. Transaction Confirmations not signed and returned and/or errors noted within 2 business days of receipt of the Transaction Confirmations will be deemed binding on behalf of both parties.

Paperwork Reduction Act of 1995 (PRA) Statement:

The OMB Control Number for this IFO is 1010-0126 with an expiration date of June 30, 2006. 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.

4 Exhibits:

- Exhibit A – Offer Sheet
- Exhibit B – RIK Custody Transfer Point Detail
- Exhibit C – Poseidon Pipeline Buy/Sell Rates
- Exhibit D – Sample Dear Operator Letter

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 %	Koch WTI + Platts P* basis (offshore delivery point)	NYMEX + Daily Roll basis (offshore delivery point)	Koch WTI + Platts P* basis (delivery at Market Center)	NYMEX + Daily Roll basis (delivery at Market Center)	Accept MMS* Buy/Sell (Yes or No)
1	HLS	Empire	Empire (from Odyssey P/L FMPs)	Empire	12,510	33.3	NA					
1a	HLS	Empire	VK 786 A	VK 786 A	6,000	31.0	N/A					
1b	HLS	Empire	MP 310 A	MP 310 A	560	33.6	N/A					
1c	HLS	Empire	MP 259 A	MP 259 A	220	39.3	N/A					
1d	HLS	Empire	MP 296 B	MP 296 B	170	22.0	N/A					
1e	HLS	Empire	MP 296 C	MP 296 C	110	22.5	N/A					
1f	HLS	Empire	MP 283 A	MP 283 A	320	44.9	N/A					
1g	HLS	Empire	MP 289 C	VK 956 A	1,750	41.9	N/A					
1h	HLS	Empire	MP 289 C	MP 252 B	100	57.3	N/A					
1i	HLS	Empire	MP 289 I	MP 288 A	370	28.5	N/A					
1j	HLS	Empire	MP 289 C	MP 289 C	230	27.3	N/A					
1k	HLS	Empire	MP 72	MP 61 A	1,310	27.7	N/A					
1l	HLS	Empire	MP 72	MP 61 B	1,370	29.7	N/A					
2	HLS	Empire	Empire (from Pompano P/L FMPs)	Empire	3,350	33.3	NA					
2a	HLS	Empire	SP 65 A	SP 65 A	220	30.0	N/A					
2b	HLS	Empire	SP 62	VK 989 A	2,000	34.8	N/A					
2c	HLS	Empire	SP 62 Ai	VK 900 A	160	35.9	N/A					
2d	HLS	Empire	MP 311 A	MP 311 A	130	31.9	N/A					
2e	HLS	Empire	MP 311 B	MP 311 B	220	23.8	N/A					
2f	HLS	Empire	SP 62 A	SP 62 A	480	35.7	N/A					
2g	HLS	Empire	MP 70	MP 77 A	140	29.7	N/A					
3	HLS	Empire	MC 474 A	MC 474 A	13,800	31.2	N/A					
4	HLS	Empire	Empire (from Chevron P/L FMPs)	Empire	6,910	33.3	N/A					
5	LLS	St. James	EI 176 ssti	EI 175 C	150	35.5	N/A					
6	LLS	St. James	EI 174 ssti	EI 182 A	150	33.4	N/A					
7	LLS	St. James	EI 252 I	EI 252 I	610	37.6	N/A					
8a	LLS	St. James	EI 259 ssti	EI 258 B	325	34.8	0.52					
8b	LLS	St. James	EI 259 ssti	EI 276 B	210	35.7	0.50					
9	LLS	St. James	SM 130 A	SM 130 A	740	27.5	0.72					
10	LLS	St. James	SM 132 A	SM 149 C	325	39.4	N/A					
11	LLS	St. James	SS 274 C	SS 274 C	160	38.1	0.50					
12	LLS	St. James	VR 214 A	VR 214 A	180	36.8	N/A					
13	LLS	St. James	VR 215 A	VR 215 A	190	39.0	N/A					
14	LLS	St. James	VR 250 ssti	VR 252 A	370	36.0	N/A					
15	LLS	St. James	VR 376 A	VR 376 A	180	37.2	0.52					
16	LLS	St. James	WC 498 B	WC 498 B	250	35.1	N/A					
17	Mars	Clovelly	GI 116 A	GI 116 A	180	38.5	0.51					
18	Mars	Clovelly	GI 115 ssti	EW 921 A	200	30.0	2.18					
19	Mars	Clovelly	GC 205 A	GC 205 A	2,300	31.9	1.35					
20	Poseidon	Houma	Houma	Houma	7,120	31.5	1.40					
20a	Poseidon	Houma	EW 827ssti	ST 308 A	1,650	21.8	2.36					
20b	Poseidon	Houma	EI 346 A	EI 346 A	280	29.0	1.37					
20c	Poseidon	Houma	SS 359 ssti	SS 358 A	400	44.1	.44					
20d	Poseidon	Houma	GB 260 A	GB 260 A	1,230	32.8	1.14					
20e	Poseidon	Houma	SS 349 A	SS 349 A	250	26.6	2.26					
20f	Poseidon	Houma	EW 873 A	EW 873 A	2,700	23.7	2.97					
20g	Poseidon	Houma	EW 873 A	EW 873 A (EW1006)	50	23.7	2.97					
20h	Poseidon	Houma	GB 72 A	GB 72 A	250	34.8	0.75					
20i	Poseidon	Houma	EW 1003 A	EW 1003 A	310	30.4	1.31					

Offer Pkg	Royalty Oil Type	Market Center	Custody Transfer Point	Volume Metered At	Custody Transfer Point Royalty Volume (bbls/day)	Gravity	Sulfur %	Avg. of BV/MS Postings	NYMEX Calendar Month Basis
21	Santa Ynez	Los Angeles	Las Flores Canyon	Las Flores Canyon	1,000	19.0	5.00		
21	Santa Ynez	Los Angeles	Las Flores Canyon	Las Flores Canyon	1,000	19.0	5.00		
21	Santa Ynez	Los Angeles	Las Flores Canyon	Las Flores Canyon	1,000	19.0	5.00		
21	Santa Ynez	Los Angeles	Las Flores Canyon	Las Flores Canyon	1,000	19.0	5.00		
21	Santa Ynez	Los Angeles	Las Flores Canyon	Las Flores Canyon	1,000	19.0	5.00		
21	Santa Ynez	Los Angeles	Las Flores Canyon	Las Flores Canyon	1,000	19.0	5.00		
21	Santa Ynez	Los Angeles	Las Flores Canyon	Las Flores Canyon	800	19.0	5.00		

 Your Name

 Phone No.

 Company Name

 Fax No.

MMS Contacts

 Crystal Edler 303-231-3126 crystal.edler@mms.gov
 Richard Fantel 303-231-3502 richard.fantel@mms.gov
 Donna Hogan 303-231-3148 donna.hogan@mms.gov
 Allen Vigil 303-231-3098 allen.vigil@mms.gov
 Fax No. 303-231-3846

RIK Custody Transfer Point Detail

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.	6,000	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.	560	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	220	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	170	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	110	22.5	N/A	Odyssey P/L into Delta P/L	no yes	STUSCO
1f	HLS	Empire	MP 283 A or Empire	MP 283 A	2017724511H	ExxonMobil	320	44.9	N/A	Petronius P/L into Odyssey P/L into Delta P/L	no no yes	STUSCO STUSCO
1g	HLS	Empire	MP 289 C or Empire	VK 956 A	20608165112	Shell Offshore Inc.	1,750	41.9	N/A	Odyssey P/L into Delta P/L	no yes	STUSCO
1h	HLS	Empire	MP 289 C or Empire	MP 252 B	2017724511D	Shell Offshore Inc.	100 (Note 2)	57.3	N/A	Odyssey P/L into Delta P/L	no yes	STUSCO
1i	HLS	Empire	MP 289i or Empire	MP 288 A	20177245110	Stone Energy	370	28.5	N/A	Odyssey P/L into Delta P/L	no yes	STUSCO
1j	HLS	Empire	MP 289 C or Empire	MP 289 C	20177245118	Apache Corp.	230	27.3	N/A	Odyssey P/L into Delta P/L	no yes	STUSCO
1k	HLS	Empire	MP 72 or Empire	MP 61 A	20177255112	Pogo Producing Co.	1,310	27.7	N/A	Odyssey P/L into Delta P/L	no yes	STUSCO
1l	HLS	Empire	MP 72 or Empire	MP 61 B	20177255113	Pogo Producing Co.	1,370	29.7	N/A	Odyssey P/L into Delta P/L	no yes	STUSCO
Pipeline Total							12,510	33.3 (Note 3)				
2a	HLS	Empire	SP 65 A or Empire	SP 65 A	20177215102	Devon Energy Corp.	220	30.0	N/A	(Devon private line into) Pompano P/L into Delta P/L	no no yes	N/A STUSCO
2b	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
2c	HLS	Empire	SP 62 Ai or Empire	VK 900 A	20608165101	Chevron Corp.	160	35.9	N/A	Pompano P/L into Delta P/L	no yes	STUSCO

RIK Custody Transfer Point Detail

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
2d	HLS	Empire	MP 311 A or Empire	MP 311 A	20177245100	GOM Shelf LLC	130	31.9	N/A	Pompano P/L into Delta P/L	no yes	STUSCO
2e	HLS	Empire	MP 311 B or Empire	MP 311 B	20177245101	GOM Shelf LLC	220	23.8	N/A	Pompano P/L into Delta P/L	no yes	STUSCO
2f	HLS	Empire	SP 62 A or Empire	SP 62 A	20177215100	Apache Corp.	480	35.7	N/A	Pompano P/L into Delta P/L	no yes	STUSCO
2g	HLS	Empire	MP 70 or Empire	MP 77 A	20177255102	Chevron Corp.	140	29.7	N/A	Chevron Corp. private line (no charge) into Pompano P/L into Delta P/L	no no yes	N/A STUSCO
Pipeline Total							3,350	33.3 (Note 3)				
3	HLS	Empire	MC 474 A	MC 474 A	20608175111		13,800 (Note 2)	31.2	N/A	Na Kika P/L into Delta P/L	yes yes	
Pipeline Total							13,800					
4	HLS	Empire	Empire (from ST 52 C) Empire (from ST 37 J) Empire (from MP 299 A) Empire (from MP 299 B) Empire (from MP 144) Empire (from ST 177) Empire (from MP 30 A) Empire (from MP 42 L) Empire (from BM-Fed) Empire (from BM-State)	Empire Empire Empire Empire Empire Empire Empire Empire Empire Empire	2017715360A 2017715360E 20177245400 20177245400 20177245400 20177153605 20177255307 20177255304 20170573604 20170573601	Chevron Corp. Chevron Corp. Chevron Corp. Chevron Corp. Chevron Corp. Chevron Corp. Chevron Corp. Chevron Corp. Chevron Corp. Chevron Corp.	520 2,630 310 620 230 560 210 1,220 480 130	36.3 34.7 35.7 35.7 35.7 35.2 34.0 30.6 28.8 27.2	N/A N/A N/A N/A N/A N/A N/A N/A N/A N/A	Chevron P/L Chevron P/L Chevron P/L Chevron P/L Chevron P/L Chevron P/L Chevron P/L Chevron P/L Chevron P/L Chevron P/L	yes yes yes yes yes yes yes yes yes yes	
Pipeline Total							6,910	33.3 (Note 3)				
5	LLS	St. James	EI 176 ssti	EI 175 C	20177092601	Apache Corp.	150	35.5	N/A	Apache private line (no charge) into Central Gulf Gathering System into Tarpon P/L into Ship Shoal P/L	no no yes	N/A STUSCO
6	LLS	St. James	EI 174 ssti	EI 182 A	2017709260C	Newfield Exploration	150	33.4	N/A	Central Gulf Gathering System into Tarpon P/L into Ship Shoal P/L	no yes	STUSCO
7	LLS	St. James	EI 252 I	EI 252 I	2017709260K	Chevron Corp.	610	37.6	N/A	Central Gulf Gathering System into Tarpon P/L into Ship Shoal P/L	no yes	STUSCO
8a	LLS	St. James	EI 259 ssti	EI 258 B	20177092609	Nexen Petroleum	325	34.8	0.52	Central Gulf Gathering System into Tarpon P/L into Ship Shoal P/L	no yes	STUSCO
8b	LLS	St. James	EI 259 ssti	EI 276 B	20177102601	Unocal	210	35.7	0.50	Central Gulf Gathering System into Tarpon P/L into Ship Shoal P/L	no yes	STUSCO
9	LLS	St. James	SM 130 A	SM 130 A	20177082604	Energy Res. Technology	740	27.5	0.72	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
10	LLS	St. James	SM 132 A	SM 149 C	2017708260A	Unocal	325	39.4	N/A	Central Gulf Gathering System into Tarpon P/L into Ship Shoal P/L	no yes	STUSCO
11	LLS	St. James	SS 274 C	SS 274 C	2017712260E	Apache Corp.	160	38.1	0.50	Central Gulf Gathering System into Tarpon P/L into Ship Shoal P/L	no yes	STUSCO
12	LLS	St. James	VR 214 A	VR 214 A	20177052600	Chevron Corp.	180	36.8	N/A	Chevron P/L into Central Gulf Gathering System into Tarpon P/L into Ship Shoal P/L	yes no yes	STUSCO
13	LLS	St. James	VR 215 A	VR 215 A	20177052601	Newfield Exploration	190	39.0	N/A	Central Gulf Gathering System into Tarpon P/L into Ship Shoal P/L	no yes	STUSCO
14	LLS	St. James	VR 250 ssti	VR 252 A	2017706260A	Seneca Resources	370	36.0	N/A	Central Gulf Gathering System into Tarpon P/L into Ship Shoal P/L	no yes	STUSCO
15	LLS	St. James	VR 376 A	VR 376 A	2017706260C	PetroQuest Energy	180	37.2	0.52	Central Gulf Gathering System into Tarpon P/L into Ship Shoal P/L	no yes	STUSCO
16	LLS	St. James	WC 498 B	WC 498 B	20177022600	El Paso Production	250	35.1	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							3,840					
17	Mars	Clovelly	GI 116 A	GI 116 A	20177183651	Apache Corp.	180	38.5	0.51	Amberjack P/L into Mars Oil P/L	yes	
18	Mars	Clovelly	GI 115 ssti	EW 921 A	20608103651	ENI Petroleum	200 (Note 2)	30.0	2.18	Amberjack P/L into Mars Oil P/L	yes	
19	Mars	Clovelly	GC 205 A	GC 205 A	20608113651	Chevron Corp.	2,300	31.9	1.35	Amberjack P/L into Mars Oil P/L	yes	
Pipeline Total							2,680					
20a	Poseidon	Houma	EW 827ssti or Houma	ST 308 A	20177162951	Apache Corp.	1,650	21.8	2.36	Tarantula P/L to EW 827ssti into Poseidon P/L	no no	N/A see Ex. C
20b	Poseidon	Houma	EI 346 A or Houma	EI 346 A	2017710295M	Apache Corp.	280	29.0	1.37	Poseidon P/L	no	see Ex. C
20c	Poseidon	Houma	SS 359 ssti or Houma	SS 358 A	2017712295K	ATP	400	44.1	.44	Poseidon P/L	no	see Ex. C
20d	Poseidon	Houma	GB 260 A or Houma	GB 260 A	20608072952	Amerada Hess	1,230	32.8	1.14	Poseidon P/L	no	see Ex. C
20e	Poseidon	Houma	SS 349 A or Houma	SS 349 A	20177122952	Apache Corp.	250	26.6	2.26	Poseidon P/L	no	see Ex. C
20f	Poseidon	Houma	EW 873 A or Houma	EW 873 A	20608102951	Marathon	2,700 (Note 2)	23.7	2.97	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
20g	Poseidon	Houma	EW 873 A or Houma	EW 873 A (EW 1006)	20608102951	Marathon	50	23.7	2.97	Poseidon P/L	no	see Ex. C
20h	Poseidon	Houma	GB 72 A or Houma	GB 72 A	20608072950	Flextrend Development C	250 (Note 2)	34.8	0.75	Poseidon P/L	no	see Ex. C
20i	Poseidon	Houma	EW 1003 A or Houma	EW 1003 A	20608102952	El Paso Production	310	30.4	1.31	Poseidon P/L	no	see Ex. C
Pipeline Total							7,120	31.5 (Note 3)	1.40 (Note 3)			
21	Santa Ynez	Los Angeles	Las Flores Canyon	Las Flores Canyon	20040833500	ExxonMobil	6,800	19.0	5.00	Plains All American P/L	yes	
Pipeline Total							6,800					
Grand Total							57,010					

Pipeline and Buy/Sell Contacts:

- El Paso: Jerry Ross (713-420-6360)
- Poseidon: James Hostettler (303-820-0846)
- STUSCO for HLS properties, all deliveries at Empire: Brett Jones (713-230-1944)

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

Note 3: Gravity and Sulfur represents average delivered common stream.

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

Exhibit C

Poseidon contact: James Hostetler (303) 820-0847

Offer Pkg	Custody Transfer Point	Buy/Sell Rate to Houma (see Notes 1 & 2)	Maximum Daily Quantity (bbls/day)
20a	EW 827 ssti	\$1.05	TBD
20b	EI 346 A	\$0.95	500
20c	SS 359 ssti	\$0.99	500
20d	GB 260 A	\$1.00	2,000
20e	SS 349 A	\$0.87	500
20f	EW 873 A	\$0.95	4,000
20g	EW 1006	\$1.35	
20h	GB 72 A	\$2.09	300
20i	EW 1003 A	\$1.35	500

TBD: To be determined

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 0.05% of volume delivered to Poseidon when deliveries are at Houma, LA

MMS/MRM/RIK
Mail Stop 330B2

, 2005

(Address)

Dear (Title, Name):

The Minerals Management Service (MMS) selected one or more offshore Federal leases in the Gulf of Mexico (GOM) and the Pacific Outer Continental Shelf, that you operate or are a working interest owner of, to be included in a Royalty In-Kind (RIK) program where we will take crude oil and condensate royalty production in-kind beginning October 1, 2005. This letter supersedes previous operator letters you received regarding oil royalties taken in-kind and is effective the first day of deliveries.

This letter provides the procedures and establishes the terms and conditions under which the United States (Lessor) will take crude oil royalties in-kind. Our authority is the Outer Continental Shelf Lands Act of 1953 (43 U.S.C. § 1353) and the royalty provisions contained in your Federal lease. For the purposes of this letter, royalty oil means the Federal lease oil and condensate production multiplied by the lease royalty rate. The volumes of royalty oil taken in-kind by the Lessor will reflect and be consistent with all grants of royalty relief.

Term

The Lessor will take all royalty oil in-kind from your properties flowing to the Facility Measurement Point(s) (FMP) listed in Enclosure 1, beginning October 1, 2005, and will continue taking royalties in-kind until we notify you that the in-kind status is terminated. We will provide Lessees and Operators with at least a 45-day prior written notice when terminating the in-kind status.

Royalty Oil Delivery

The delivery points for royalty oil produced from the properties are at the FMP or first interconnect into a main pipeline, as identified in Enclosure 1, which lists the properties approved to flow to the FMPs. It is your responsibility to ensure that royalty production from any of your properties that is actually flowing to the designated FMP on any given month will be delivered in-kind to the Lessor or our designee, with the exception of leases in royalty relief status, section 6 leases (unless otherwise noted), state leases, or net profit share leases. The Lessor or designee will take custody and responsibility for royalty oil at the delivery point.

You can be reimbursed for transportation and quality bank debits and/or quality differentials associated with royalty oil delivery to points identified in Enclosure 1 that are downstream of the FMP in accordance with the applicable MMS regulations. In addition, you must pay MMS for any quality bank credits received associated with royalty oil delivery to points identified in Enclosure 1 that are downstream of the FMP in accordance with the applicable MMS regulations. If gathering upstream of the FMP is approved by MMS, you may take this deduction, as well as other related fees, on the Report of Sales and Royalty Remittance (Form MMS-2014). You will be required to report quality bank debits and credits for properties where the quality bank is passed back to the operator/producer or where a quality differential exists on a pipeline where there is not an instituted

quality bank, as allowed in applicable MMS regulations. Please use the applicable GravCap tables to calculate the quality differential on pipelines where there is a not an instituted quality bank.

Royalty oil must be placed in marketable condition at no cost to the Lessor. Marketable condition means the condition generally acceptable to purchasers in the field or area. Questions on marketable condition should be directed to the Lessor's points of contact identified in this letter.

You must deliver all royalty oil from the selected leases, including royalty oil from newly producing wells on these leases. During the in-kind period, you will make your best effort to notify the Lessor's designated point of contact of new oil production flowing to the FMP identified in Enclosure 1. Royalty oil from such new properties may be added to the RIK volumes at the existing delivery points by the Lessor.

Fulfillment of Royalty Obligations

Delivering the accurate volume of royalty oil (taking into account the effects of normal operational imbalances) in accordance with the terms of this letter will satisfy in full the Lessee's royalty obligation to the Lessor.

For properties where the Lessee has applied for deepwater royalty relief, you may use the proposed royalty rate in the interim before MMS/Offshore Minerals Management (OMM) approves the reduction. If OMM does not approve the royalty rate reduction, the resulting imbalance will be resolved in the same manner as described below for imbalances not remedied within 90 days (see "Balancing Account and Imbalances.")

All rent or minimum royalty obligations remain the responsibility of the Lessee. If the Lessee owes minimum royalties, the Lessor will issue a bill including information supporting the calculation. The Lessee will have 30 days to review the bill and make payment or appeal the bill.

Lessor's Obligation to Take

We agree to take 100 percent of the royalty oil delivered to the delivery point for the account of the Lessor. We will try to minimize imbalances with you and the Lessees using reasonable and customary industry practices.

To facilitate timely and accurate custody transfer of royalty oil, we will communicate with you regarding arrangements to transfer the royalty oil from the delivery point. The Lessee will not incur royalty-related penalties because of the Lessor's failure to take delivery of oil volumes as communicated by the Operator.

Communication with Lessor

You must notify the Lessor in writing via facsimile (303-231-3846) or e-mail addressed to our mailbox (rik.project@mms.gov) of the daily royalty oil volumes (Avails) anticipated for the following month of production by the dates shown in Enclosure 2 for each of the properties identified in Enclosure 1. On this same schedule, for each of the properties, you will also provide any anticipated volume adjustments to resolve previous months' imbalances. The total volumes to be delivered to our purchaser at each of the delivery points must be indicated as a volume net of anticipated production plus or minus any adjustments. The Lessor understands that any such

estimates are not warranties of actual deliveries but are provided to facilitate planning.

You must use reasonable efforts, consistent with industry practice, to inform the Lessor as soon as practical regarding significant changes to the information listed in Enclosure 1; for example, oil production levels, oil type, and/or royalty rates for the RIK contract properties, as well as if the property was sold and to whom it was sold.

Volume Reconciliation

You must provide the pipeline with the volume allocation for MMS' royalty oil separately from other take in-kind owners.

You must send all volume allocation schedules provided to pipeline companies that address royalty oil volumes at the delivery points in Enclosure 1 to MMS at the same time they are submitted to the pipeline companies.

You must provide the lease imbalance statement to MMS no later than 45 days after the end of the month of production, unless MMS approves an alternative timeframe for submitting the statement. We will monitor and reconcile royalty entitlements with the royalty oil deliveries you make. Reconciliation will involve communication between you and MMS. Upon project termination, you as the Operator, must issue a final oil imbalance statement. You will settle in accordance with the section "Balancing Account and Imbalances." Volume allocation schedules and lease imbalance statements must be submitted to the rik.project@mms.gov mailbox.

Operator Assignments

For leases which are being taken in-kind and which you are assigning to another operator, you will make the best reasonable effort to notify one of the Lessor's Points of Contact - New Lease Production listed below. In addition, any ending imbalance existing at the effective date of the assignment will be cashed out as described under "Balancing Account and Imbalances."

Balancing Account and Imbalances

You and MMS will jointly monitor imbalances between delivered and entitled volumes of royalty oil. You will take timely action to remedy such imbalances by adjusting the royalty oil volumes delivered to MMS. Such volume adjustments will be identified in your communication of royalty oil volumes anticipated before the month of production (see above under "Communication with Lessor.")

Imbalances will be remedied in the production month following the month that the imbalance is identified. Imbalances not remedied within 90 days of the end of the production month will be resolved as follows:

- Mutually agreed upon make-up delivery schedule.
- Cash out payment based on the contract price (at the delivery point) that MMS actually received (or would have received) from its Purchaser during the month or months that the imbalance occurred. Interest will accrue from 60 days after notification that cash out payment is due.

When the lease is no longer taken in-kind or after cessation of production from a lease, imbalances will be cashed out based on the MMS contract price (at the delivery point) for the last month the lease is taken in-kind. Interest will accrue starting 60 days after the final month of delivery. Imbalances remaining at the time of any sale/assignment of properties identified in Enclosure 1 will be settled in compliance with your Purchase and Sale Agreement assignments.

Reporting

You must continue to report crude oil production on the Oil and Gas Operations Report (OGOR). You must also report transportation allowances and quality bank debits/credits on the Form MMS-2014 for any royalty volumes that are delivered downstream of the FMP or where the quality bank is passed back to the operator/producer under requirements specified in the MMS regulations and the *MMS Minerals Revenue Reporter Handbook*, please see our website at <http://www.mrm.mms.gov/ReportingServices/PDFDocs/RevenueHandbook.pdf>.

You will not be required to report royalties for the RIK properties listed in Enclosure 1 on the Form MMS-2014 for the term during which the Lessor takes royalty in-kind, with the exception of properties noted as royalty relief, section 6 (unless being taken in-kind), net profit share, and any retrograde or free condensate not delivered to the Lessor. You must continue to report these properties on the Form MMS-2014 per the MMS regulations. Reporting does not change for non-RIK leases.

Lessor's Designee

The Lessor may act by or through a duly authorized designee. Enclosure 1 provides MMS' designee at each custody transfer point. The designee will agree in writing to comply with all provisions of this letter that are applicable to the Lessor when the designee acts on our behalf. You are allowed, but not required, to direct communications to our designee. You are required to direct communications to us. We will provide written notification when the designee changes or is no longer authorized to act on our behalf for the purposes of this letter.

Audit

The Lessor may audit your records regarding all information relevant to volumes and qualities of royalty oil produced, measured, delivered, and if applicable, transported. We reserve the right to examine your financial records for the subject properties related to any transportation allowances and quality banks prior to the delivery point.

Lessees, Operators, and revenue payors must maintain all records of transactions mentioned in the above paragraph in accordance with the Federal Oil and Gas Royalty Simplification and Fairness Act of 1996 (Public Law 104-185 Section 115(f)).

Lessor's Point of Contact

Copies of all correspondence between the Operator and Lessor should be kept on file by the Operator. Points of contact for the Lessor are listed below:

- Volume Avails (Anticipated Volumes), Volume Allocation Schedules, and Operator Imbalance Statements:

Ms. Bernie Muniz

Telephone: 303-231-3854; Fax: 303-231-3846

E-mail: Bernadette.Muniz@mms.gov

- New Lease Production:

Ms. Crystel Edler (BON, POS, EI, MARS, SGC)

Telephone: 303-231-3126; Fax: 303-231-3846

E-mail: Crystel.Edler@mms.gov or

Mr. Richard Fantel (HLS)

Telephone: 303-231-3502; Fax: 303-231-3846

E-mail: Richard.Fantel@mms.gov or

Ms. Donna Hogan (LLS & TXG)

Telephone: 303-231-3148; Fax: 303-231-3846

E-Mail: Donna.Hogan@mms.gov or

Mr. Allen Vigil (LLS, HLS-SB & HOOPS)

Telephone: 303-231-3098; Fax: 303-231-3846

E-Mail: Allen.Vigil@mms.gov

- Electronic Funds Transfer:

Mr. Joe Romero

Telephone: 303-231-3123; Fax: 303-231-3501

E-mail: Joseph.Romero@mms.gov

- Marketable Condition Questions:

Mr. Roman Geissel

Telephone: 303-231-3226; Fax: 303-231-3473

E-mail: Roman.Geissel@mms.gov

We acknowledge that you and the Lessees have given proper notice when using the telephone number or fax number provided to communicate with us. Any telephone communication regarding volumes must be confirmed by fax or e-mail no later than 1 business day after telephone communication occurs. We further agree to make arrangements to receive such communications regarding oil scheduling issues during normal business hours. You and the Lessees should communicate with one of the points of contact to answer any further questions.

The Paperwork Reduction Act

The OMB Control Number for this Dear Operator Letter is 1010-0126 with an expiration date of June 30, 2006. 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 mandatory (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 one 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.

Sincerely,

Pamela Rieger
Deputy Program Manager
for Royalty In-Kind

2 Enclosures