



United States Department of the Interior



MINERALS MANAGEMENT SERVICE
Minerals Revenue Management
P.O. Box 25165
Denver, Colorado 80228-0165
www.mrm.mms.gov

JAN 18 2006

Dear Reporter:

Re: Termination of the benefits under the Heavy Oil and Stripper Oil Royalty Rate Reduction Programs

Termination of Heavy Oil Royalty Rate Reductions

The Heavy Oil Royalty Rate Reduction (HO RRR) Program was suspended on November 1, 2005. Consequently, the benefits you received under the HO RRR Program ceased for all oil sold effective November 1, 2005. A copy of the Federal Register notice that suspended the program can be found at <http://www.mrm.mms.gov/ReportingServices/RoyRepInfo.htm>.

If you erroneously reported oil royalties for sales months November and December 2005 using a HO RRR, please make the necessary adjustments to the Form MMS-2014 using adjustment reason code 17. Payors will be responsible for additional royalty payments, plus late and underpayment charges, if royalties are paid at a royalty rate lower than the rate contained in the lease instrument. Unless your property has either a stripper royalty rate reduction (see below) or a fuel substitution royalty rate reduction, you should report oil royalties at the royalty rate contained in the lease instrument.

You may be eligible to change from the HO RRR Program to the Stripper Oil Property Royalty Rate Reduction (Stripper RRR) Program if MMS previously accepted a stripper royalty rate reduction on your lease or agreement. However, the benefits under the Stripper RRR Program will terminate effective February 1, 2006, and any subsequent oil sales will be subject to the royalty rate contained in the lease instrument.

If you have any questions regarding the HO RRR Program, please call the Bureau of Land Management (BLM) office which granted your HO RRR.

Termination of Stripper Oil Royalty Rate Reductions

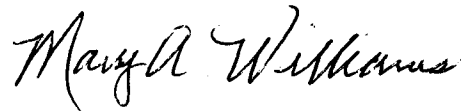
BLM published the six-month notification to terminate all stripper oil royalty rate reductions in a Federal Register notice dated July 21, 2005. Consequently, the benefits you received under the Stripper RRR Program will cease for all oil sold effective February 1, 2006. A copy of the Federal Register notice that terminated the benefits under the Stripper RRR Program can be found at <http://www.mrm.mms.gov/ReportingServices/RoyRepInfo.htm>.



Please adjust the royalty rates reflected in your system and pay royalties in accordance with your lease terms effective February 1, 2006. Payors will be responsible for additional royalty payments, plus late and underpayment charges, if royalties are paid at a royalty rate lower than the rate contained in the lease instrument.

If you have any questions regarding the Stripper RRR Program, please call Ms. Nichelle Dixon at (303) 231-3163 or Ms. Lydia Barder at (303) 231-3570, or call 1-800-634-6423.

Sincerely,

A handwritten signature in cursive script that reads "Mary A. Williams".

Mary A. Williams, Manager
Federal Onshore Oil and Gas
Compliance and Asset Management