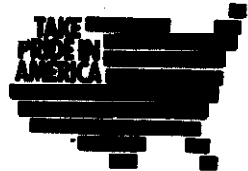




United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240



CERTIFIED MAIL --
RETURN RECEIPT REQUESTED

APR -5 1994

Dear Sir or Madam:

On June 18, 1993, an order was sent to all royalty payors under Federal and Indian oil and gas leases. That order required all payors to submit certain information regarding payments received from purchasers and pipeline companies to rescind, terminate, limit, or otherwise modify oil and gas sales contracts or to settle disputes. As that order advised, the United States Department of the Interior, Minerals Management Service (MMS), is conducting an investigation and inquiry into these contract settlement agreements to determine the extent to which any of the settlement proceeds may be royalty-bearing, and whether such royalties have been paid.

As originally issued, the June 18, 1993 order required your company to complete and return, within 45 days, a special report regarding any contract settlement agreements your company entered into (including settlements negotiated by any predecessor or acquired entity) since January 1, 1980, affecting Federal or Indian oil and gas leases. In addition, the order required a knowledgeable and responsible officer to submit an affidavit certifying either that your company was not a party to any contract settlement during the period beginning January 1, 1980, or that the information given in the special report is correct. The order further required that all records related to contract settlements involving Federal and Indian oil and gas leases that occurred after January 1, 1980, must be retained until MMS specifically authorizes their release in writing, with the records available for inspection by authorized personnel. The order was authorized by, *inter alia*, sections 103(a) and 107(a)(1) of the Federal Oil and Gas Royalty Management Act of

1982 (FOGRMA), 30 U.S.C. 1713(a) and 1717(a)(1), 30 C.F.R. 212.50 and 212.51(a), and relevant lease terms.

Subsequently, some 24 oil and gas producer associations, including the Independent Petroleum Association of America (IPAA) and the American Petroleum Institute (API), filed a lawsuit challenging the June 18, 1993 order. The plaintiff associations collectively represent most lessees and other parties who pay royalty on producing Federal and Indian oil and gas leases. The action was originally filed in the United States District Court for the Northern District of West Virginia (*Independent Petroleum Association of America, et al., v. Babbitt, et al.*, Civil No. 93-0112-E (N.D.W.V.)). Upon motion of the Federal defendants, the action later was transferred to the United States District Court for the District of Columbia (Civil No. 93-2544-RCL (D.D.C.)).

Agreements reached between the government and counsel for the several plaintiffs in that case to resolve certain procedural issues have led to the issuance of this order. This order supersedes the order of June 18, 1993. Pursuant to the same authorities set forth in the June 18, 1993 order, you are hereby ordered to do the following:

1. Complete and return the enclosed special report (Enclosure A) within 45 days after receipt of this order, relative to any natural gas contract settlement agreements your company entered into (including those settlements negotiated by any predecessor or acquired entity) since January 1, 1980, affecting Federal or Indian leases. (The information required in Enclosure A is the same information required under Part I of Enclosure I to the June 18, 1993 order, limited to natural gas contract settlements.)

2. A knowledgeable and responsible officer (e.g., Chief Executive Officer, Chief Operating Officer, or General Counsel) shall submit a declaration to the effect that the information in the special report reflects all of the settlements the company has been able to identify in response to this order. A sample declaration is enclosed as Enclosure B.

3. The information required in Enclosures A and B shall be mailed to:

Deputy Associate Director for Audit
Minerals Management Service
Royalty Management Program
P.O. Box 25165, Mail Stop 3600
Denver, CO 80225-0165

Your company may receive multiple copies of this letter because a separate letter is being sent to each payor code on the MMS system. However, as noted on the enclosed special report,

Enclosure A, your company should submit only one report consolidating all payor codes. If you fully complied with the predecessor order dated June 18, 1993, you may disregard paragraphs 1 through 3 above.

4. All records related to natural gas contract settlements involving Federal and Indian oil and gas leases that occurred after January 1, 1980, shall be maintained until MMS specifically authorizes their release in writing. The records must be available for inspection by any duly authorized officer of MMS or personnel of State and Tribal audit organizations which have audit cooperative agreements with, or delegations of authority from, MMS.

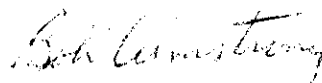
This order is not in derogation of MMS' right, under existing statutes, regulations, and lease terms including those cited above, to require further documents, information or answers to questions in the course of any audit of any specific lessee or royalty payor.

Because this order is signed by an Assistant Secretary of the Department of the Interior, it is not subject to appeal to the Interior Board of Land Appeals (IBLA) and is the final action of the Department. *Blue Star, Inc.*, 41 IBLA 333 (1979); *Marathon Oil Co.*, 108 IBLA 177 (1989).

Pursuant to 30 U.S.C. 1719 and 30 CFR 241.51 (1992), failure to comply with this order could result in a Notice of Noncompliance and the assessment of a civil penalty.

If you have any questions, please call Kenneth Moyers of the MMS at (303) 231-3185.

Sincerely,



Bob Armstrong
Assistant Secretary - Land and
Minerals Management

2 Enclosures

OMB 1010-0092
 Expires May 31, 1996
 The paperwork reduction Act of 1980 (44 U.S.C. 3501 et seq.) requires us to inform you that this information is being collected to determine if proceeds resulting from contract settlement agreements are royalty bearing and if royalties have been paid. Response to this request is mandatory in accordance with 30 U.S.C. 1717 section 107. (a)(1).

CONTRACT SETTLEMENTS SPECIAL REPORT

Company Name: _____
Payor Code: _____

List all settlements of contract disputes that took place on or after January 1, 1980, including but not limited to settlements for take-or-pay, price deficiencies, "buy out" or "buy down" payments, etc., to which you are a party and that involve Federal or Indian oil and gas leases. A party is defined as payor, reporter, operator, or other participant in the contract settlement. One consolidated report should be filed for a company.

DATE OF SETTLEMENT	PRODUCER	PURCHASER	SETTLEMENT AMOUNT	DATE OF RECEIPT OF SETTLEMENT PROCEEDS

Public reporting burden for this form is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining data, and completing and reviewing the form. Direct comments regarding the burden estimate or any other aspect of this form including suggestions for reducing this burden to the Information Collection Clearance Officer, Mail Stop 2053, Minerals Management Service, 381 Elden Street, Herndon, VA 22070; and the Office of Management and Budget, Paperwork Reduction Project (1010-0092), WASHINGTON, DC 20503.

DECLARATION OF _____ [Name]

1. My name is _____. I am currently employed by _____ [company] as _____ [title]. In this position I am responsible for supervising _____ [company's] compliance with the regulations and orders of the Minerals Management Service. I am personally knowledgeable regarding the efforts of _____ [company] to comply with the order of Assistant Secretary Robert Armstrong dated March __, 1994 ("Armstrong order").

2. Following reasonable investigation, a good-faith review of _____ [company's] files, and discussion with company personnel who I believe to be familiar with settlements of _____ [company's] disputes over its natural gas sales contracts, I affirm that the information in the attached special report reflects all of the settlements that I have been able to identify in response to the Armstrong order.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct, to the best of my knowledge.

Executed on _____

NAME

At the respondent's option, this certification may be provided as an affidavit in lieu of a declaration.