



# United States Department of the Interior

## MINERALS MANAGEMENT SERVICE

Royalty Management Program  
P.O. Box 25165  
Denver, Colorado 80225-0165

IN REPLY REFER TO:

October 14, 1998

Dear Operator/Payor:

Your company has been identified as an operator/payor of at least one Federal 8(g) Outer Continental Shelf (OCS) lease selected for a royalty-in-kind pilot project (Pilot). The Minerals Management Service (MMS) of the U.S. Department of the Interior will begin the Pilot on December 1, 1998, for natural gas produced from specific Texas 8(g) leases. The pilot is intended to examine the feasibility of taking natural gas royalties in-kind and the methods for doing so and will run for a period of 1-2 years.

Title to the royalty share of monthly natural gas production from the leases and blocks listed on the attachment will be transferred to the United States (lessor) at the Facility Measurement Points. The operator of each property/lease will be required to deliver daily natural gas royalty volumes at a designated point onshore. The volumes will be equal to the daily volume of natural gas production times the lease royalty rate percentage applicable to each lease's production. The designated point is determined in consultation with the operator, and our agent or purchaser. Our authority is 43 U.S.C. Chapter 29 and the royalty provisions contained in the Federal leases. Actual transportation costs incurred for the delivery of royalty natural gas volumes taken in-kind will be reimbursed by our agent or purchaser. Any plans you are currently making for natural gas production, transportation, storage, and sales should recognize that the royalty share of your production from the identified property(ies) will be delivered to MMS's purchaser or agent beginning December 1, 1998. The MMS and its agent or purchaser will contact the operator of each property/lease to discuss how the transfer of volumes will be done. In general, the process will be consistent with industry practice.

Delivery of the accurate royalty share of natural gas produced from the lease will satisfy the lessee's monthly royalty obligation under the lease. Operators will continue reporting production under current requirements, formats and frequencies. Reporting natural gas sales for leases in this pilot program on Form MMS-2014, is not required of operators, lessees, or existing payors for the term that each lease participates in the pilot.

We will have a meeting in Houston on November 10, 1998, from 10:00 a.m. to 5:00 p.m. to discuss delivery, reporting, communication, and imbalance issues with operators and payors.

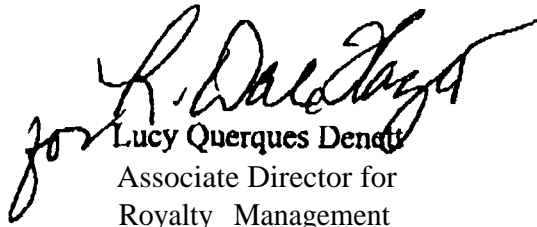
The meeting will be held at the MMS, Houston Area Audit Office, 4141 N. Sam Houston Parkway, Houston, Texas. Your rights and responsibilities will be detailed in a further letter to be sent after the November 10<sup>th</sup> meeting.

If you have any questions about the Pilot, please contact:

Mr. Bonn J. Macy  
Minerals Management Service  
MS4230  
1849 C Street, NW  
Washington, D.C. 20240-0001  
Tel: 202-208-3827.  
E-mail; Bonn.Macy@mms.gov

Thank you for your participation in this important program.

Sincerely,



Lucy Querques Denett  
Associate Director for  
Royalty Management

Attachment

ATTACHMENT

<u>Brazos Area</u>	<u>Block No.</u>	<u>Galveston Area</u>	<u>Block No.</u>
054-004140-0	BA 437	054-006094-0	GA 211
054-004258-0	BA 436	054-006104-0	GA 333
054-005003-0	BA 412	054-006113-0	GA 363
054-006069-0	BA 491		
054-007214-0	BA 364	<u>Matagorda Is Area</u>	<u>Block No</u>
054-007215-0	BA 376	054-006032-0	MI 519
054-007218-0	BA 399		
054-007221-0	BA 488		
054-009010-0	BA 375		
054-009021-0	BA 475		
054-011274-0	BA 476		
054-011279-0	BA 517		
054-012363-0	BA 452		
054-014803-0	BA 377		

Lease#	Company	Contact	Address1	Address2	City	State/Zip
23708	FORCENERGY GAS EXPLORATION INC.	PAULA MAXWELL	LAKEWAY THREE, SUITE 23	003838 N CAUSEWAY BLVD	METAIRIE	Louisiana 70002
L8322	FORCENERGY INC.	RIAN RICHE	3838 N CAUSEWAY BLVD	LAKEWAY 3, SUITE 2300	METAIRIE	L 70002
F1140	AMOCO PRODUCTION COMPANY	FRANCO LOPEZ	OFFSHORE BUSINESS UNIT	1340 POYDRAS-PO BOX 50879	NEW ORLEANS	LA 701500879
50272	STATOIL EXPLORATION (US) INC.	CARL BROUSSARD		9033 LOUISIANA HWY 343	ABBEVILLE	LA 70610
F0031	UNION OIL CO. OF CALIFORNIA	DANIEL BROUSSARD	ACCOUNTING DEPARTMENT	P.O. BOX 39210	LAFAYETTE	LA 705190200
38245	SOUTHWESTERN ENERGY PROD. CO.	THERESA KLIMEK		PO BOX 1408	FAYETTEVILLE	AR 72702
48795	SAMEDAN OIL CORPORATION	PENNE REED		PO BOX 909	ARDMORE	OK 734020909
10862	AMOCO PRODUCTION COMPANY	ED KOLLAJA	STATE & FEDERAL REPORTI	NGP O BOX 22048	TULSA	OK 741212048
17555	CONOCO INC.	DEBBIE	P.O. BOX 1267	320 - 4 STREET	PONCA CITY	OK 746021267
18740	UNION PACIFIC RESOURCES CO.	KAREN MARX (817-321-7242)		PO BOX 7 MAIL STOP 2504	FT. WORTH	TX 761010007
50210	BURLINGTON RESOURCES OIL & GAS	DAVID GARDNER	801 CHERRY STREET	SUITE 710	FT. WORTH	TX 76102
L9560	SEAGULL ENERGY E&P, INC.	BONNIE REED	SUITE 1700	1001 FANNIN ST	HOUSTON	TX 77002
49135	SEAGULL ENERGY E&P, INC.	GLADYS GORDON	1001 FANNIN	SUITE 1700	HOUSTON	TX 77002
48294	SENECA RESOURCES CORPORATION (GULF)	PAUL PUGNETTI	1201 LOUISIANA STREET	SUITE 400	HOUSTON	TX 77002
72157	SONAT EXPLR GULF OF MEXICO	KIM GAENNIE	1201 LOUISIANA ST	STE 3200	HOUSTON	TX 770025223
F5800	SENECA RESOURCES CORPORATION	SMERIL JENNINGS	1201 LOUISIANA ST	SUITE 400	HOUSTON	TX 770025604
50700	TRI-UNION DEVELOPMENT CORP	JO ANN CURTIS	SUITE 400	2801 POST OAK BLVD	HOUSTON	TX 77066
11110	APACHE CORPORATION	ALYCIA ANDERSON (4)	SUITE 100, ATTN CONPL	2000 POST OAK BLVD	HOUSTON	TX 770664400
L5519	SANTA FE ENERGY RESOURCES INC	LUTHER C SOWELL JR		1616 SOUTH VOSS, 1000-VMG	HOUSTON	TX 77057
48800	SANTA FE ENERGY RESOURCES INC	CHARLES HARMWOOD	1616 S VOSS ROAD	SUITE 400	HOUSTON	TX 77067
L5040	MERIDIAN OFFSHORE COMPANY	STELLA ALVARDO	400 N. SAA HOUSTON PKWY	ESUITE 1200	HOUSTON	TX 77063583
15846	CAIRN ENERGY USA, INC.	VALERIE TURMAN	SUITE 300	15895 N BARKERS LANDING RD	HOUSTON	TX 77075
72172	MARINER ENERGY, INC.	JANET SPRAIN	SUITE 1300	580 WESTLAKE PARK BLVD	HOUSTON	TX 77075
F8180	MARINER ENERGY, INCORPORATED	M.S. WANDA HIGNIGHT	580 WESTLAKE BLVD	SUITE 1300	HOUSTON	TX 77075
11870	BLAZER ENERGY CORP.	BILLY BRAGDON		5870 HIGHWAY 6 N #200	HOUSTON	TX 770841802
F2781	EXXON COMPANY, U.S.A.	MILLIE MYERS		P.O. BOX 4496	HOUSTON	TX 772104496
22201	EXXON COMPANY, U.S.A.	JOSE MYERS (7828)	OWNER SETTLEMENT, A&R	PO BOX 4496	HOUSTON	TX 772104496
73750	UNION OIL CO OF CALIFORNIA	ERIC ENRIG	OIL REVENUE ACCOUNTING	P.O. BOX 4531	HOUSTON	TX 772104531
10930	ANADARKO PETROLEUM CORPORATION	JESSEE GANIEZ		P.O. BOX 1330	HOUSTON	TX 77215
33808	KING RANCH OIL & GAS, INC.	DIANA BREDBENNER		PO BOX 200140	HOUSTON	TX 772160140
F9810	ANADARKO PETROLEUM CORPORATION	ROY HOUGH		P.O. BOX 1330	HOUSTON	TX 772111330
71827	DOMAIN ENERGY VENTURES CORPORA	BEVERLY TREMONT		PO BOX 2229	HOUSTON	TX 772822229
F0480	FOREST OIL CORPORATION	JERRY S. LENTZ	SPVR. PROD. ACCTG	1600 BROADWAY, STE 2200	CEMVER	CO 80202
23780	FOREST OIL CORPORATION	GINA FRIESELL	1600 BROADWAY	SUITE 2200	CEMVER	CO 80202