OMB Control Number 1010-0129
Expiration Date: July 31, 2006

INVITATION FOR OFFER
FEDERAL GAS FROM CLIFFSIDE HELIUM ENRICHMENT UNIT
IFO No. MMS-2006-CHEU-001
April 2006 – October 2006/March 2007

Introduction

The Minerals Management Service (MMS) of the U.S. Department of the Interior (DOI) is requesting written offers to purchase Federal gas produced from the Bureau of Land Management's (BLM) Cliffside Helium Enrichment Unit (CHEU). BLM's CHEU is located in Potter County, Texas near the city of Amarillo.

Production from the CHEU is delivered into El Paso Natural Gas' (El Paso) natural gas transmission system via El Paso's Cliffside lateral line. BLM has contracted with El Paso for firm transportation over this lateral. This firm contract includes access to an interconnect with Natural Gas Pipeline Company of America (NGPL), also located in Potter County, Texas.

BLM has also contracted with El Paso for interruptible transportation (IT) to various interconnects on El Paso's system. They currently include: Cominco American Plant, Northern Natural Dumas, Transok Canute, NGPL Moore, and Phillips Hutchinson Plant. Access to these interconnects will be granted to the successful offeror (buyer) through an Agency Agreement Authorization between El Paso, BLM, and the buyer. Because of recent changes to El Paso's system, BLM cannot guarantee that this gas will flow on their IT contract at all times. Therefore, if you are planning to use this contract, we are also requesting an offer for those times when the gas cannot move to El Paso and must flow into NGPL.

This sale is for a seven or twelve month term beginning on April 1, 2006. The buyer will take custody of the Federal gas at the interconnect of the CHEU and the Cliffside lateral (delivery point) and will schedule and nominate the gas at and downstream of this point.

You must submit a written offer via facsimile (fax no. 303-231-3846) **by 1:00 p.m. MST on February 22, 2006**. We will award the best offer by 3:00 p.m. MST on February 23, 2006. You may call Mike DeBerard at 303-231-3884 with questions about this Invitation for Offer (IFO).

Offers[1]

Attachment 1 is the offer sheet containing the meter numbers, estimated daily production, preferred index price, interconnect meter numbers, and contact information. Your offer, expressed as an increment or decrement in relation to the index price, should be placed in the appropriate offer sheet column (seven or twelve month term or both). Please note that we are selling all of this gas under a swing obligation on the daily market rather than using a baseload and swing component. The CHEU volume may increase or decrease through the term of this sale although BLM anticipates relatively stable production rates.

[1] Offerors must be pre-qualified to submit offers, see Attachment 2 for the Pre-Qualification and Credit Requirements. By submission of an offer, the offeror agrees to be bound to the terms and conditions of its Gas Industry Standards Board (GISB) and/or its North American Energy Standards Board (NAESB) contract with MMS and this IFO.

Offerors must be pre-qualified to receive a contract (see the Pre-Qualification and Credit Requirements section). By submission of an offer, the offeror agrees to be bound by the terms and conditions of its Gas Industry Standards Board (GISB) and/or its North American Energy Standards Board (NAESB) contract with MMS and this IFO.

Consideration of Offers

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 could submit. However, MMS may negotiate with offerors in the event offers of similar or unanticipated value are received.

The MMS shall award a Contract resulting from this IFO to the offeror whose offer, in MMS' judgement, is most advantageous to the Federal Government. MMS will award to the buyer by means of a Natural Gas Purchase Confirmation Notice which will also include payment instructions.

Neither party shall disclose directly or indirectly, without the prior written consent of the other party, the terms of any transaction 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) in order to comply with any applicable law, order, regulation, or exchange rule, (ii) to the extent necessary for the enforcement of this Contract, (iii) to the extent necessary to implement any transaction, (iv) to the extent necessary to implement any transaction as described below in the Transportation and Scheduling of Royalty Gas section, or (v) 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 disclosure of the terms of any transaction (other than as permitted hereunder) 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.

Governing Contract

This transaction is governed by the GISB and/or NAESB contract signed between the buyer and MMS. The provisions in this IFO are a condition of your purchase and are supplemental to the GISB and/or NAESB contract. Conflicts between the GISB and/or NAESB contract and this IFO shall be resolved in favor of the IFO.

Term

Deliveries of the Federal CHEU gas to the buyer will commence on April 1, 2006. The delivery period will be for a term ending October 31, 2006, or March 31, 2007, depending on the value of offers received, unless either party cancels the transaction.

The reasons for which MMS may declare an early cancellation to this contract may be, but are not limited to:

(1) The failure to pay, when due, any payment required under this agreement, if such failure is not remedied within 5 business days after written notice of such failure, provided that the payment is not the subject of a good faith dispute and the buyer pays MMS such amounts as it concedes to be correct;

(2) Any representation or warranty which is proven to have been false or misleading in any material respect when made or deemed to be repeated;

(3) The failure to provide adequate financial assurances to MMS as specified under the Pre-Qualification and Credit Requirements section.

Transportation and Scheduling of Federal Gas

The buyer agrees to take 100% of the Federal gas delivered at the delivery point for the entire contract period. BLM will use reasonable efforts, consistent with industry practice, to inform the buyer regarding significant changes in gas production levels, gas quality, and production shut-ins. The buyer, through customary industry practice set forth by GISB and/or NAESB and the Council of Petroleum Accountants Societies (COPAS) in nominating and scheduling transportation services, will communicate directly with BLM. The buyer, at its expense, shall make all necessary arrangements to receive delivery of Federal gas at the delivery point. The buyer is not responsible for costs of transportation upstream of the delivery point nor is it responsible for the Cliffside lateral transportation cost.

No later than 8 calendar days before the first day of each month, BLM will notify the buyer of the daily gas volume and quality anticipated for the following month of production. The buyer understands that any such estimate is not a warranty of actual deliveries to be made but is provided to facilitate planning of delivery of Federal gas. This will continue for each month of the delivery period.

Liquidated Damages

MMS will remarket the gas in the event an early contract termination occurs. MMS will collect from the terminated party an amount equal to the positive difference, if any, between the contract price less the price at which MMS is able to remarket the gas not purchased, using commercially reasonable efforts in an arm's-length transaction. This provision does not preclude MMS from enforcing any liquidated damages specified in the signed GISB and/or NAESB contract.

2 Attachments

Attachment 1

Minerals Management Service
IFO No. MMS-2006-CHEU-001
April 2006 to October 2006/March 2007

Federal Gas Sales - CHEU

Delivery Point	Volume MMBtu/ Day	Obligation (see note)	Apr-06 to Oct-06 (7-mo. term) Offer	Apr-06 to Mar-07 (12-mo. term) Offer
El Paso's Cliffside Lateral (ICLIFSID DRN 350305)	9,000	Swing		

Note: Swing Gas is offered at Gas Daily (Daily) index (preferences, but not limited to): El Paso Natural Gas Co. (Permian Basin), Panhandle Eastern Pipeline (Texas Oklahoma), NGPL (Mid-continent)

Meter numbers for El Paso interconnects available to buyer:

NGPL Cliffside (350165), NGPL Moore (10421), Cominco America (38944), NNG Dumas (42662), Transok Canute (151531), Phillips Hutchinson (204992)

______________________________ __________________________

Your Name Phone No.

______________________________ __________________________

Company Name Fax No.

Contacts:
MMS: Mike DeBerard 303-231-3884
BLM: John Hamak 806-356-1025
MMS Fax No. 303-231-3846

Attachment 2

Pre-Qualification and Credit Requirements

New offerors are required to pre-qualify by signing the base NAESB contract and providing audited financial statements, if not publicly available. Upon review of financial statements, 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 additional financial information in any situation it deems necessary and may reissue or suspend approved lines of credit. Please be advised that MMS requires a parent guaranty in situations where the offeror company is a different entity than the company that has pre-qualified.

For awards exceeding the amount of credit issued by MMS or MMS has not issued a line of credit, buyers will be required to provide secured financial assurance in the form of an Irrevocable Letter of Credit (ILOC), bond, pre-payment, or other MMS-acceptable surety instrument. The financial assurance amount shall be sufficient to cover the value of 60 days of deliveries of the estimated production of all royalty gas awarded, less the amount of credit issued by the MMS. If required, the financial assurance instrument must be provided at least 5 business days prior to the first delivery of the natural gas under the contract. In such situation, buyers will be notified, and such notice will be included in the Natural Gas Purchase Confirmation Notice. MMS will also contact you regarding calculation of new sureties or continuation of existing sureties. The ILOC, Bond, pre-payment, 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 payment for final month of delivery is verified. Failure to provide adequate financial assurance when requested may result in a loss of award unless the Contracting Officer for the MMS extends the date.

Significant and sustained increases in the value of royalty gas during the term of the contract may result in the requirement to increase 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 financial assurances may be required as a condition to further deliveries under the agreement. An investment-grade rating by Standard and Poor's or Moody's is generally required by MMS to maintain creditworthiness.

In addition, the buyer is required to provide MMS with any information regarding a significant, adverse change in their financial status. Such changes can include a material change in liquidity or capital resources, noncompliance with financial covenants in debt documents, and market events affecting operations, revenues, or assets.

The financial institution issuing the ILOC or surety company issuing the Bond must be acceptable to MMS. See http://www.mrm.mms.gov/ReportingServices/Forms/RIK.htm for a sample of the ILOC or Bond. Contact Larry Cobb at 303-231-3307 if you have any questions regarding pre-qualification or credit.