

INVITATION FOR OFFER
FEDERAL GAS FROM CLIFFSIDE HELIUM ENRICHMENT UNIT
IFO No. MMS-2007-CHEU-001
April 2007 – October 2007/March 2008

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 firm transportation to various interconnects on El Paso's system. They currently include: Cominco America Plant, Northern Natural Gas 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.

This sale is for a seven or twelve month term beginning on April 1, 2007. 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 11:00 a.m. MST on March 5, 2007**. We will award the best offer by 3:00 p.m. MST on March 6, 2007. Please call Mike DeBerard at 303-231-3884 with questions about this Invitation for Offer (IFO).

Offers¹

The Attachment is the offer sheet containing the meter numbers, estimated daily production, preferred index prices, 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. 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.

MMS and the buyer will mutually agree to pricing remedies when:

- The index price does not post or is removed
- Gas flow is disrupted due to Force Majeure, including acts of God

Consideration of Offers

MMS may award a contract on the basis of initial offer(s) received without discussion. 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 value are received.

The MMS shall award a contract resulting from this IFO to the offeror whose offer, in MMS' sole judgment, is the most advantageous to the Federal Government. MMS will award to the buyer by means of its Natural Gas Sale Transaction Confirmation and Agreement.

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.

Term

Deliveries of the Federal CHEU gas to the buyer will commence on April 1, 2007. The delivery period will be for a term ending October 31, 2007, or March 31, 2008, depending on the value of offers received, unless either party cancels the transaction.

The reasons for which MMS may declare an early cancellation 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. The failure to provide adequate financial assurances to MMS specified under Pre-Qualification and Credit Requirements.
3. Any representation or warranty which is proven to have been false or misleading in any material respect when made or deemed to be repeated.

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. **Therefore the buyer, whether taking gas downstream of the delivery point on purchaser's contract or as an agent under MMS's contract, will be responsible for associated penalties, imbalance cashouts and penalties, as well as pipeline imbalances scheduled by buyer.** 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 royalty gas.** Actual volumes should be confirmed daily with BLM. This will continue for each month of the royalty gas delivery period. The buyer schedules; nominates and receives pipeline confirmations of flowing gas; MMS is a read-only entity.

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.**

MMS will send the buyer a Transaction Confirmation (TC) detailing the awarded package. **The TC will be deemed binding for both parties if the buyer does not either sign and return or note discrepancies within 2 business days from date of receipt, however, it is the preference of MMS that the TC be returned signed.**

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. 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. Upon review of financial statements, MMS will issue an amount of unsecured credit based on the creditworthiness of the offeror. In situations where the company entering into the transaction with MMS is a different entity than the pre-qualified company, MMS requires a parent guaranty on behalf of the transacting party for the full term of the contract and payment requirements there under.

MMS reserves the right to request additional financial information in any situation it deems necessary and may reissue or suspend approved lines of credit. Furthermore, buyers are required to provide MMS with any information regarding a significant, adverse change in their financial status that would affect the approved line of credit. Such adverse changes would include a credit downgrade, material changes to liquidity or capital resources, noncompliance with financial

covenants in debt documents, or significant market events affecting operations, revenues, or assets.

In situations where the amount of unsecured credit is not sufficient to cover the 60-day value of production awarded, MMS will require acceptable financial assurance (such as a letter of credit or, if buyer desires, a prepayment) effective for the full term of the contract. More information regarding calculation of the financial assurance may be found in the credit approval notification. Failure to provide adequate financial assurance when requested by MMS may result in a loss of award unless MMS extends the date.

Payment Terms

The US Treasury FEDWIRE Deposit System allows electronic payments to the MMS for same day processing. You must provide specific information to your bank so that a FEDWIRE message can be transmitted to the MMS US Treasury account. Complete instructions are located on our website: <http://www.mrm.mms.gov/ReportingServices/PDFDocs/fedwire.pdf>

Liquidated Damages

MMS will remarket the gas in the event an early contract cancellation 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. Alternatively, MMS may elect to enforce any liquidated damages specified in the signed GISB and/or NAESB contract.

Paperwork Reduction Act. The Paperwork Reduction Act of 1995 (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 leases on Federal lands. This information collection is approved by the Office of Management and Budget and is titled "30 CFR Part 208—Sale of Federal Royalty Oil; Sale of Federal Royalty Gas; and Commercial Contracts (OMB Control Number 1010-0119, expiration date February 28, 2009)." We use this information to maintain and audit lease accounts. Responses are mandatory to obtain a benefit. 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(b)(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 is estimated to average 1 hour per response, including the time for reviewing instructions, gathering and maintaining data, and completing and reviewing the data. Direct comments regarding the burden estimate or any other aspect of this information collection to the Information Collection Clearance Officer, Minerals Management Service, Mail Stop 4230, 1849 C Street NW, Washington, DC 20240.

Attachment

Minerals Management Service
IFO No. MMS-2007-CHEU-001
April 2007 to October 2007/March 2008

Federal Gas Sales - CHEU

Delivery Point	Volume MMBtu/ Day	Obligation (see note)	Apr-07 to Oct-07 (7-mo. term) Offer	Apr-07 to Mar-08 (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