



INVITATION FOR OFFER – UNRESTRICTED RIK CRUDE OIL SALE
IFO No. 1435-02-06-RP-27781
Deliveries beginning April 1, 2006 and ending September 30, 2006

Introduction

The Minerals Management Service (MMS) of the U.S. Department of the Interior is soliciting offers from pre-qualified companies to buy royalty oil and condensate produced from certain Federal leases in the Gulf of Mexico.

This Invitation for Offer (IFO) is for a 6-month sales term beginning April 1, 2006. Successful offerors will take custody of the royalty oil at the applicable custody transfer point as shown in Exhibit A and are responsible for moving the royalty oil downstream of this point.

Offers must be made in writing and submitted to Richard Fantel via facsimile (303-231-3846) or email (richard.fantel@mms.gov) by 2:00 pm MST on February 6, 2006. MMS will confirm receipt of all offers. **Royalty oil packages will be awarded by 2:00 pm MST on February 9, 2006.** Call Richard Fantel for technical questions at 303-231-3502; Maggie Miller for contracting questions at 303-231-3932; and Larry Cobb for pre-qualification or credit questions at 303-231-3307.

Offers

Offerors must be pre-qualified to submit offers. Please see the “Pre-qualification and Credit Requirements” section for more information. MMS reserves the right to reject any offer received.

Exhibit A identifies 25 packages of royalty oil. Exhibit B provides further detail on Facility Measurement Point (FMP) operators, pipelines, and custody transfer points. Data in the exhibits is not warranted and offerors are expected to contact the appropriate parties for the most recent information. The royalty volumes shown for each custody transfer point represent the most recent production data available for properties behind the custody transfer point. Other pertinent information such as leases/agreements, operators, and royalty rates will be provided to the successful offeror upon award.

Exhibit A is the offer sheet to be completed and faxed or emailed. Offers must be to the nearest \$0.0001. MMS prefers no more than one award for each package. However, MMS may consider offers on only part of a royalty oil package if favorable to the Government.

Successful offerors for all **HLS** packages will be responsible for the Empire exit fee (also known as outbound terminal or pump out fee) and reconsignment fee, when applicable. These fees should not be included in the offer.

HLS packages 8-10 (MP 289 C, VK 989 A and MP 311 A & B) have two possible custody transfer points (onshore and offshore) and offers may be made for either or both in the appropriate columns of Exhibit A.

Offers on package 11 (GC 158 A) may be as crude types **Mars** and/or **Poseidon**.

Offers on packages 12 (GB 783 A), 13 (GB 426 A), and 14 (SM 205 ssti) may be for crude types **Bonito** and/or **EI**. For offers on crude type **EI**, a **Bonito** offer must also be submitted to account for volumes prorated on Auger Pipeline.

Please see the “Quality” section for more information on how to account for gravity and sulfur in your offer.

Royalty oil from new wells on currently producing properties behind the custody transfer points that commence production during the term of this IFO will be automatically added to the volumes awarded under this IFO. Royalty oil from new properties behind the custody transfer points that commence production during the term of this IFO will be added to the volumes awarded under this IFO on a case-by-case basis pursuant to mutual consent of MMS and successful offerors.

Pricing Mechanism: Offerors must submit offers as an increment or decrement from either or all of the below pricing formulas. **If you would like to submit an offer based on an alternative pricing formula, please caveat your offer with the alternative pricing formula used and/or call the technical contact listed.**

1. (Koch WTI Posting + Platts P⁺) – (Platts WTI – Platts Crude Type)
2. (Koch WTI Posting + Platts P⁺) + (Argus Weighted Average Crude Type Differential)
3. (Calendar NYMEX + Daily Roll) – (Platts WTI – Platts Crude Type)
4. (Calendar NYMEX + Daily Roll) + (Argus Weighted Average Crude Type Differential)

Where: Koch WTI Posting: Koch Supply and Trading's posting for West Texas/New Mexico Intermediate (WTI), deemed 40° API, for the Physical Month of Delivery

Platts P⁺: Arithmetic average of the daily high and low price quotes for "P-Plus WTI" for the Platts Month of Delivery

Platts WTI: The arithmetic average of the daily high and low price quotes for WTI Cushing for the Platts Month of Delivery

Platts Crude Type: The arithmetic average of the daily high and low price quotes for crude type for Platts Month of Delivery

Argus Weighted Average Crude Type Differential: The weighted average differential for each crude type published by Argus

Calendar NYMEX: Arithmetic average of the daily settlement price for the "Light Sweet Crude Oil" front month futures contract reported by the New York Mercantile Exchange (NYMEX) during the Physical Month of Delivery (excluding weekends and holidays)

Platts or Argus Month of Delivery: Refers to quotes in Platts Oilgram Price Report or Petroleum Argus Americas Crude Price Report for the period of time from the twenty-sixth day of the month two months prior to the physical month of delivery through the twenty-fifth day of the month one month prior to the Physical Month of Delivery (excluding weekends and holidays)

Physical Month of Delivery: The calendar month when the crude oil is delivered

Daily Roll: $(X - Y).6667 + (X - Z).3333$, where:

X = Average of the daily NYMEX settlement price for the prompt month, trading days only, when the Physical Month of Delivery is the prompt month trading on NYMEX

Y = Average of the daily NYMEX settlement price for the second month during the same period, trading days only

Z = Average of the daily NYMEX settlement price for the third month during the same period, trading days only

For crude type designated as "TXG," use crude type "WTI."

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 can submit. However, MMS may negotiate with offerors in the event offers of similar or unanticipated values are received. All information about the origin and value of offers received will remain confidential, except as noted above under "Imbalances" with respect to resolving certain extraordinary imbalances.

The MMS shall award a contract resulting from this IFO to the party whose offer, in MMS' judgment, is most advantageous to the Federal Government. MMS will award to successful offerors by means of the "MMS Crude Oil Transaction Confirmation." MMS will attempt to award 100 percent of the volume from a custody transfer point.

Term

Delivery of royalty oil begins April 1, 2006, and ends September 30, 2006.

Quality

For all **HLS** packages, quality bank costs should not be included in your offer. Successful offerors will pass back to MMS any quality bank debits/credits received. For packages 8-10, if the offer is accepted at the market center (Empire), the quality bank costs will not be incurred by the successful offeror and therefore should not be reflected in your offer or passed back to MMS.

For **HLS** packages 1-6, charges resulting from sulfur treatment at the Plains Terminal in Venice for South Pass West Delta (SPWD) barrels will be reimbursed to the purchaser by MMS. These charges should not be included in the offer.

For all **EI, Poseidon, Mars, and Bonito** packages flowing down Auger Pipeline, quality bank debits/credits should not be included in your offer. Successful offerors will pass back to MMS all quality bank(s) debits/credits received from the quality bank administrator(s).

For **TXG** packages 22-24, quality bank debits/credits should not be included in your offer as they will be passed back to the MMS by the operator.

For **Bonito** package 25, quality bank debits/credits should not be included in your offer for any leg flowing down the Bonito Pipeline System as they will be passed back to MMS by the operator. All other quality banks downstream of the Bonito Pipeline System should be included in your offer.

Successful offerors must net any quality bank credits or debits against the monthly charges for purchased oil. The net payment is due to MMS by the 20th of the month after receipt. All quality bank data must be accompanied by supporting documentation.

The quality information in the Exhibits represents MMS' most recent data for the custody transfer points in the packages offered. Actual quality during the term of this sale may vary. Data provided by MMS is based on the best information available at the time of IFO publishing and is not warranted.

Transporting and Scheduling Royalty Oil

Successful offerors are responsible for transporting all royalty oil volumes downstream of the custody transfer point specified in Exhibit A. Successful offerors must nominate and schedule all volumes awarded through this IFO separately from all other volumes owned or controlled at the custody transfer point where royalty oil is received. When nominating to the pipeline, you are required to indicate that the nomination is for MMS sourced crude oil.

Exhibit C identifies transportation rates MMS has arranged with Marathon Pipeline. For royalty oil volumes associated with packages 1-5, 18 and 19a, successful offerors, at their discretion, may be designated as MMS' agents for the transportation rates and terms specified in Exhibit C. Offerors must indicate on Exhibit A whether they intend to use these rates.

For package 7, Main Pass Oil Gathering system (MPOG), offers should be given for flow down both Cypress Pipeline and Delta Pipeline. Selected offerors' payment will be based on maximum flow allowable on Cypress Pipeline and the remaining volume on Delta Pipeline. At the time of issuance of this IFO, for shippers wanting to ship down Cypress Pipeline, flow from MPOG at MP 69 was 50 percent down Cypress Pipeline and 50 percent down Delta Pipeline.

For HLS packages 8-10, if awarded at the market center, MMS receives volumes as a percent of production from the producers, and therefore, nominations may be adjusted by MMS throughout the month of production. Volumes received by the successful offeror may not necessarily reflect initial nominations. Successful offeror will pay only for volumes received.

Within 10 days of execution of the "MMS Crude Oil Transaction Confirmation" relative to this IFO, successful offerors must request in writing to all pipeline companies moving royalty oil, that MMS royalty volumes be itemized separately from non-MMS volumes. In cases where the pipeline companies are unable to break out the MMS volumes on the pipeline statement, you must provide MMS with acceptable third-party data itemizing the MMS volumes delivered or use a pipeline assigned measurement facilitator. Any charges associated with obtaining this third-party data are the responsibility of the successful offeror.

Successful offerors will provide MMS with pipeline statements and any third-party documentation within 2 days after the documents have been made available to the shipper. Documentation not received by the due date may be purchased by MMS with the successful offeror being billed the associated costs.

Successful offerors, through customary industry practice, will communicate directly with MMS and the FMP operator and will make arrangements to deliver and transfer the royalty oil from the awarded custody transfer point. Successful offerors, at their expense, will make all necessary arrangements to receive royalty oil at the custody transfer point. Successful offerors are not responsible for any transportation costs upstream of the custody transfer point.

No later than 5 calendar days before the first day of each month, the MMS will notify successful offerors of the daily royalty oil volumes anticipated for the following month of production. Successful offerors understand that any such estimates are not warranties of actual deliveries to be made but are provided to facilitate planning the delivery of royalty oil. This process will continue for each month of the term of this IFO.

The operators of the properties behind the custody transfer points offered in this IFO are instructed to use reasonable efforts, consistent with industry practice, to inform MMS and/or successful offerors regarding significant changes in royalty oil production levels and production shut-ins.

The MMS will automatically adjust an awarded offer by any increase or decrease in tariff-based transportation costs related to awarded properties effective on the date of the tariff change. MMS will send the successful offeror written notification confirming such changes. Unless extraordinary circumstances exist, contract amendments will not be granted for rate changes in offeror's buy/sell arrangements.

Imbalances

Successful offerors are granted rights to royalty oil delivered by operators at the custody transfer points indicated in Exhibit A, not actual entitlements due the Federal Government.

MMS and the operator will jointly monitor imbalances between deliveries and entitlements. Routine imbalances will be resolved by adjusting the volume of royalty oil delivered to successful offerors in the second month following the month of delivery unless otherwise approved by MMS. MMS will communicate these adjustments to the successful offeror regarding the first of month availability of royalty oil.

Property imbalances not remedied within 90 days of the production month will be resolved by mutual agreement between MMS and the operator. The contract price under this IFO may form the basis of resolving certain extraordinary imbalances between MMS and operators.

An example of the rights and responsibilities of operators under RIK oil situations is outlined in MMS' "Dear Operator" letter at <http://www.mrm.mms.gov/rikweb/PDFDocs/20050215.pdf>.

MMS is not responsible for royalty crude oil pipeline imbalances downstream of the custody transfer point.

Confidentiality

Neither MMS or the successful offeror shall disclose directly or indirectly, without the prior written consent of the other party, the terms of any transaction under this IFO 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) to comply with any applicable law, order, regulation, or exchange rule, (ii) to the extent necessary to enforce this Contract, (iii) to the extent necessary to implement any transaction, including any transaction as described above in the section "Transporting and Scheduling Royalty Oil", or (iv) 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 disclosing the terms of any transaction (other than as permitted above) 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 1 year from the expiration of the transaction.

Pre-qualification and Credit Requirements

Offerors are required to pre-qualify by signing the MMS base contract "RIK Crude Oil General Terms and Conditions" and providing detailed financial information. Pre-qualification information can be found on our web site at <http://www.mrm.mms.gov/RIKweb/Oilprequal.htm>. By submitting an offer, the offeror agrees to be bound by the terms of its signed MMS base contract and this IFO.

Upon pre-qualifying, 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 updated financial information in any situation it deems reasonable and may reissue approved lines of credit. Please be advised that MMS will require a parent guaranty in situations where the company submitting the offer is a different entity than the company that has pre-qualified.

For awards exceeding the amount of unsecured credit issued by MMS, successful offerors will be required to provide secured financial assurance in the form of an Irrevocable Letter of Credit (ILOC), Bond, or other MMS-acceptable surety instrument within 5 business days prior to first delivering oil under the contract. If additional security is required, successful offerors will be notified, and such notice will be included in the sales transaction confirmation.

The ILOC, Bond, 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 receipt of final delivery or payment under the contract is verified. Failure to provide adequate financial assurance when requested may result in a loss of award, unless the MMS Contracting Officer extends the date.

See our website at <http://www.mrm.mms.gov/ReportingServices/PDFDocs/4071.pdf> for a sample of the ILOC, MMS Form-4071. For Bonds, go to <http://www.mrm.mms.gov/ReportingServices/PDFDocs/4072.pdf> for MMS Form-4072. The financial institution issuing the ILOC or surety company issuing the Bond must meet MMS requirements under 30 CFR Part 208.11.

The financial assurance amount shall be sufficient to cover the value of 60 days of deliveries of the estimated production of all royalty oil awarded, less the amount of unsecured credit issued by the MMS as previously notified. For new surety instruments, the MMS will contact you regarding the calculation of an estimated amount of surety to be provided prior to initial deliveries. This value must be multiplied by the daily royalty production (estimated in Exhibit A), multiplied by 60 days, and then reduced by the amount of unsecured credit issued by MMS. For continuing surety instruments, we will contact you regarding renewal requirements. The amount of unsecured credit available for this sale is contingent upon the successful offeror's current participation in other RIK sales or exchange programs.

Significant and sustained increases in the value of crude oil during the term of the contract may result in requiring an increase in 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 assurances may be required as a condition to further performance under the agreement. Such assurances include, but are not limited to, a prepayment or a surety instrument in a form and amount satisfactory to MMS. Failure to provide additional performance assurances when requested may result in early termination of the contract. Where applicable, an investment-grade rating by Standard and Poor's is required by MMS to maintain creditworthiness.

Governing Contract

This transaction is governed by the MMS base contract "RIK Crude Oil General Terms and Conditions," signed by the offeror and MMS. Conflicts between the MMS base contract and the terms of this IFO will be resolved in favor of this IFO. Only companies who have pre-qualified and signed the MMS base contract may receive a contract.

MMS will send the successful offeror a Transaction Confirmation detailing the award packages. Transaction Confirmations not signed and returned and/or errors noted within 2 business days of receipt of the Transaction Confirmations will be deemed binding on behalf of both parties.

Paperwork Reduction Act of 1995 (PRA) Statement:

The OMB Control Number for this IFO is 1010-0119 with an expiration date of January 31, 2009. The PRA (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 Federal lands. The MMS uses the information to maintain and audit lease accounts. Responses are voluntary (43 U.S.C. 1334). 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(1), (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 for this form is estimated to average 1 hour per response, including the time for reviewing instructions, gathering and maintaining data, and completing and reviewing the form. Direct comments regarding the burden estimate or any other aspect of this form to the Information Collection Clearance Officer, Minerals Management Service, Mail Stop 4230, 1849 C Street, NW, Washington, DC 20240.

3 Exhibits:

Exhibit A – Offer Sheet

Exhibit B – RIK Custody Transfer Point Detail

Exhibit C – Marathon Pipeline LLC Incentive Rates

Deliveries: April 1, 2006 through September 30, 2006

Offer Pkg	Royalty Oil Type	Gulf Coast Market Center	Custody Transfer Point	Volume Metered At	Custody Transfer Point Royalty Volume (bbls/day)	Custody Transfer Point API Gravity	Custody Transfer Point Sulfur %	Quality Bank Included in Offer (Y/N)	Koch P+ basis (offshore delivery point)	NYMEX + Daily Roll basis (offshore delivery point)	Koch P+ basis (delivery at Market Center)	NYMEX + Daily Roll basis (delivery at Market Center)	Required: Platts or Argus (indicate P or A)	Accept MMS' Transportation or Buy/Sell (Yes or No)
1	HLS	Empire	SP 86 C	SP 86 C	90	37.0	See Ex. B	N						
2	HLS	Empire	SP 87 D	SP 87 D	70	39.0	See Ex. B	N						
3	HLS	Empire	SP 89 B	SP 89 B	70	43.0	See Ex. B	N						
4	HLS	Empire	SP 89 B	SP 89 B (Zia)	320	30.0	See Ex. B	N						
5	HLS	Empire	WD 79 A	WD 79 A	170	37.0	See Ex. B	N						
6	HLS	Empire	WD 109 A	WD 109 A	450	33.0	See Ex. B	N						
7a	HLS	Empire	MP 69 (from MPOG via Delta P/L)	See Exhibit B	6,800	36.9	N/A	N						
7b	HLS	Empire	MP 69 (from MPOG via Cypress P/L)	See Exhibit B	6,800	37.0	N/A	N						
8	HLS	Empire	MP 289 C or Empire	MP 289 C	250	27.2	N/A	N						
9	HLS	Empire	SP 62 or Empire	VK 989 A	2,000	34.8	N/A	N						
10a	HLS	Empire	MP 311 A or Empire	MP 311 A	150	30.6	N/A	N						
10b	HLS	Empire	MP 311 B or Empire	MP 311 B	240	23.9	N/A	N						
11a	Mars	Clovelly	GC 158 A	GC 158 A	2,300	34.5	1.16	N						
11b	Poseidon	Houma	GC 158 A	GC 158 A	2,300	34.5	1.16	N						
12a	Bonito	St. James	GB 783 A	GB 783 A	3,600	41.6	0.69	N						
12b	EI	St. James	GB 783 A	GB 783 A	3,600	41.6	0.69	N						
13a	Bonito	St. James	GB 426 A	GB 426 A	6,600	32.1	1.30	N						
13b	EI	St. James	GB 426 A	GB 426 A	6,600	32.1	1.30	N						
14a	Bonito	St. James	SM 205 ssti	EI 397 A	430	41.5	0.48	N						
14b	EI	St. James	SM 205 ssti	EI 397 A	430	41.5	0.48	N						
15	EI	St. James	PL 13 ssti	PL 10 B	650	34.8	0.20	N						
16	EI	St. James	SS 181 B	SS 181 B	150	30.0	0.30	N						
17	EI	St. James	EW 989 ssti	GC 18 A	700	29.6	1.49	N						
18	EI	St. James	VR 386 B	VR 386 B	350	30.8	1.09	N						
19a	EI	St. James	EC 346 A	EC 346 A	700	29.2	1.33	N						
19b	EI	St. James	EC 346 A (Non-Incentive Rate)	EC 346 A	75	29.2	1.33	N						
20	EI	St. James	EI 327 ssti	EI 325 A	280	36.7	0.51	N						
21	Mars	Clovelly	MC 809 A	MC 809 A	16,000	30.6	2.05	N						
22a	TXG	Texas City	Segment 1 (GA 256 ssti)	GA 209 B	520	32.0	0.09	N						
22b	TXG	Texas City	HIA 474 A	HIA 474 A	200	40.7	0.18	N						
23a	TXG	Texas City	EB 159 A	EB 159 A	150	39.2	0.20	N						
23b	TXG	Texas City	EB 160 A	EB 160 A	450	28.3	0.38	N						
23c	TXG	Texas City	HIA 563 B	HIA 563 B	150	35.6	0.22	N						
23d	TXG	Texas City	HIA 582 C	HIA 582 C	1,700	37.2	0.34	N						
24a	TXG	Texas City	IP#4/SEG III	HIA 376 A	120	29.5	0.37	N						
24b	TXG	Texas City	HIA 573 B	HIA 573 B	160	33.2	0.43	N						
24c	TXG	Texas City	HIA 595 C	HIA 595 C	470	35.0	0.60	N						
24d	TXG	Texas City	GB 189 A	WC 661 A	300	30.0	0.63	N						
25	Bonito	St. James	EI 330 ssti	EI 314 A	300	34.3	0.80	see IFO						

 Your Name

 Phone No.

 Company Name

 Fax No.

MMS Contacts

Crystal Edler 303-231-3126 crystal.edler@mms.gov
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 Fax No. 303-231-3846

Offer Pkg	Royalty Oil Type	Gulf Coast Market Center	Custody Transfer Point	Volume Metered at	MMS FMP No.	FMP Operator	Custody Transfer Point Royalty Volume (bbbls/day)	API Gravity (Note 1)	Sulfur % (Note 1)	Pipelines	Common Carrier(s)	Buy/Sell
1	HLS	Empire	SP 86 C	SP 86 C	20177224601	Marathon Oil Co.	90	37.0	(Note 2)	• South Pass-West Delta System (Marathon P/L) into Chevron P/L or; • South Pass-West Delta System (Marathon P/L) into Chevron P/L	yes yes no yes	(Note 3) Multiple Co.
2	HLS	Empire	SP 87 D	SP 87 D	20177224602	Marathon Oil Co.	70	39.0	(Note 2)	• South Pass-West Delta System (Marathon P/L) into Chevron P/L or; • South Pass-West Delta System (Marathon P/L) into Chevron P/L	yes yes no yes	(Note 3) Multiple Co.
3	HLS	Empire	SP 89 B	SP 89 B	20177224600	Marathon Oil Co.	70	43.0	(Note 2)	• South Pass-West Delta System (Marathon P/L) into Chevron P/L or; • South Pass-West Delta System (Marathon P/L) into Chevron P/L	yes yes no yes	(Note 3) Multiple Co.
4	HLS	Empire	SP 89 B	SP 89 B (Zia) (Note 4)	20177224600	Marathon Oil Co. (Devon Energy for Zia)	320 (Note 5)	30.0	(Note 2)	• South Pass-West Delta System (Marathon P/L) into Chevron P/L or; • South Pass-West Delta System (Marathon P/L) into Chevron P/L	yes yes no yes	(Note 3)
5	HLS	Empire	WD 79 A	WD 79 A (Note 4)	20177194600	SPN Resources	170	37.0	(Note 2)	• South Pass-West Delta System (Marathon P/L) into Chevron P/L or; • South Pass-West Delta System (Marathon P/L) into Chevron P/L	yes yes no yes	(Note 3) Multiple Co.
6	HLS	Empire	WD 109 A	WD 109 A (Note 4)	20177194602	Chevron Corp.	450	33.0	(Note 2)	Chevron P/L	yes	
Pipeline Total							1,170					
7	HLS	Empire	MP 69 (from MPOG)	VK 826 A VK 915 A MP 281 A VK 823 A MP 225 A	20608165111 20608165114 2017724511G 20608165115 2017724511C	Kerr-McGee BP Expl. and Prod. Dominion E & P Total E & P Maritech Resources	6,800 (Note 5)	36.9 37.0 (Note 7) N/A N/A	N/A N/A N/A N/A	Cypress P/L or Delta P/L (Note 6)	yes	
Pipeline Total							6,800					
8	HLS	Empire	MP 289 C or Empire	MP 289 C	20177245118	Apache Corp.	250	27.2	N/A	Odyssey P/L into Delta P/L	no yes	STUSCO
9	HLS	Empire	SP 62 or Empire	VK 989 A (Note 8)	20608165102	BP Expl. and Prod.	2,000	34.8	N/A	Pompano P/L into Delta P/L	no yes	STUSCO
10a	HLS	Empire	MP 311 A or Empire	MP 311 A (Note 4)	20177245100	GOM Shelf LLC	150	30.6	N/A	Pompano P/L into Delta P/L	no yes	STUSCO
10b	HLS	Empire	MP 311 B or Empire	MP 311 B (Note 4)	20177245101	GOM Shelf LLC	240	23.9	N/A	Pompano P/L into Delta P/L	no yes	STUSCO
Pipeline Total							2,640					
11a	Mars or	Clovelly	GC 158 A	GC 158 A	20608113652	Shell Offshore	2,300 (Note 5)	34.5	1.16	• Brutus P/L into Amberjack P/L into Mars Oil P/L or; • Brutus P/L into SS 301 to SS 332 into	yes yes	
11b	Poseidon	Houma	GC 158 A	GC 158 A						Poseidon P/L; Delivery at Houma	no	Poseidon
Pipeline Total							2,300					

Offer Pkg	Royalty Oil Type	Gulf Coast Market Center	Custody Transfer Point	Volume Metered at	MMS FMP No.	FMP Operator	Custody Transfer Point Royalty Volume (bbbls/day)	API Gravity (Note 1)	Sulfur % (Note 1)	Pipelines	Common Carrier(s)	Buy/Sell
12a	Bonito or	St. James	GB 783 A	GB 783 A	20608072603	ConocoPhillips	3,600	41.6	0.69	• Auger P/L into Ship Shoal P/L or;	yes	
12b	EI	St. James								• Auger P/L into Bonito P/L into Ship Shoal P/L or;	yes	
										• Auger P/L into Eugene Island P/L into Shell's South Louisiana System	yes	
						Pipeline Total	3,600					
13a	Bonito or	St. James	GB 426 A	GB 426 A	20608072600	Shell Offshore Inc.	6,600	32.1	1.30	• Auger P/L into Ship Shoal P/L or;	yes	
13b	EI	St. James					(Note 5)			• Auger P/L into Bonito P/L into Ship Shoal P/L or;	yes	
										• Auger P/L into Eugene Island P/L into Ship Shoal P/L	yes	
14a	Bonito or	St. James	SM 205 ssti	EI 397 A	2017710260P	W & T Offshore	430	41.5	0.48	• Auger P/L into Ship Shoal P/L or;	yes	
14b	EI	St. James					(Note 5 and 8)			• Auger P/L into Bonito P/L into Ship Shoal P/L or;	yes	
										• Auger P/L into Eugene Island P/L into Ship Shoal P/L	yes	
						Pipeline Total	7,030					
15	EI	St. James	PL 13 ssti	PL 10 B	20177132950	Apache Corp.	650	34.8	0.20	Eugene Island P/L System into Shell's South Louisiana System	yes	
											yes	
16	EI	St. James	SS 181 B	SS 181 B	20177112951	Chevron Corp.	150	30.0	0.30	Shell P/L into Eugene Island P/L into Shell's South Louisiana System	yes	
											yes	
17	EI	St. James	EW 989 ssti	GC 18 A	20608112950	ExxonMobil	700	29.6	1.49	Boxer P/L into Eugene Island P/L into Shell's South Louisiana System	yes	
											yes	
						Pipeline Total	1,500					
18	EI	St. James	VR 386 B	VR 386 B	20177062954	Houston Exploration	350	30.8	1.09	Marathon P/L into Eugene Island P/L (Marathon capacity) into Shell's South Louisiana System	yes	(Note 3)
											yes	
											yes	
19a	EI	St. James	EC 346 A	EC 346 A	20177042950	Remington Oil and Gas	700	29.2	1.33	Marathon P/L into Eugene Island P/L (Marathon capacity) into Shell's South Louisiana System	yes	(Note 3)
							(Note 4)				yes	
											yes	
19b	EI	St. James	EC 346 A (Non-Incentive Rate) (production from EC 345/360)	EC 346 A	20177042950	Remington Oil and Gas	75	29.2	1.33	Marathon P/L into Eugene Island P/L (Marathon capacity) into Shell's South Louisiana System	yes	
							(Note 4)				yes	
											yes	
20	EI	St. James	EI 327 ssti	EI 325 A	20177102952	Forest Oil Corp.	280	36.7	0.51	Marathon P/L into Eugene Island P/L (Marathon capacity) into Shell's South Louisiana System	yes	
											yes	
											yes	
						Pipeline Total	1,405					
21	Mars	Clovelly	MC 809 A	MC 809 A	20608173651	Shell Offshore	16,000	30.6	2.05	Ursa P/L into Mars Oil P/L	yes	
						Pipeline Total	16,000					
22a	TXG	Texas City	Segment I (GA 256 ssti)	GA 209 B	20427060150	ExxonMobil	520	32.0	0.09	HIPS P/L	yes	
22b	TXG	Texas City	HIA 474 A	HIA 474 A	20427090153	Newfield Exploration	200	40.7	0.18	HIPS P/L	yes	
						Pipeline Total	720					

Offer Pkg	Royalty Oil Type	Gulf Coast Market Center	Custody Transfer Point	Volume Metered at	MMS FMP No.	FMP Operator	Custody Transfer Point Royalty Volume (bbbls/day)	API Gravity (Note 1)	Sulfur % (Note 1)	Pipelines	Common Carrier(s)	Buy/Sell
23a	TXG	Texas City	EB 159 A	EB 159 A	20608040150	Unocal	150	39.2	0.20	HIPS P/L	yes	
23b	TXG	Texas City	EB 160 A	EB 160 A	20608040151	Unocal	450 (Note 5)	28.3	0.38	HIPS P/L	yes	
23c	TXG	Texas City	HIA 563 B	HIA 563 B	20427090158	Chevron Corp.	150	35.6	0.22	HIPS P/L	yes	
23d	TXG	Texas City	HIA 582 C	HIA 582 C	2042709015E	Chevron Corp.	1,700	37.2	0.34	HIPS P/L	yes	
Pipeline Total							2,450					
24a	TXG	Texas City	IP#4/SEG III (HIA 546 ssti)	HIA 376 A	20427110152	Apache Corp.	120	29.5	0.37	HIPS P/L	yes	
24b	TXG	Texas City	HIA 573 B	HIA 573 B	2042709015B	Apache Corp.	160	33.2	0.43	HIPS P/L	yes	
24c	TXG	Texas City	HIA 595 C	HIA 595 C	2042709015C	Apache Corp.	470	35.0	0.60	HIPS P/L	yes	
24d	TXG	Texas City	GB 189 A	WC 661 A	20177020150	Tarpon Offshore	300	30.0	0.63	HIPS P/L	yes	
Pipeline Total							1,050					
25	Bonito	St. James	EI 330 ssti	EI 314 A	20177102605	ExxonMobil	300 (Note 4)	34.3	0.80	Bonito P/L into Ship Shoal P/L	yes	
Pipeline Total							300					
Grand Total							46,965					

Pipeline and Buy/Sell Contacts:

- Poseidon: James Hostetter (303-820-0846)
- STUSCO: Brett Jones (713-230-1944)

- FMP: Facility Measurement Point
- N/A: Not Applicable

Note 1: Gravity and Sulfur contents are not warranted and are measured at the FMP unless otherwise noted.

Note 2: The crude may require treatment/blending to lower the sulfur content. If so, offeror would be charged a buy/sell rate from the Plains Terminal. This charge should not be included in the offer.

Note 3: Reserve Commitment Program for Marathon's tariff, see Exhibit C.

Note 4: Due to the hurricanes, property is currently not producing, however, expected to produce prior to or during the contract period.

Note 5: FMP contains a lease in Royalty Relief status whose volume will not be included in deliveries to purchaser.

Note 6: Offers should be given for flow down both the Cypress and Delta Pipelines. At the time of issuance of this IFO, flow from MPOG at MP69 was 50 percent down the Cypress Pipeline and 50 percent down the Delta Pipeline.

Note 7: The first gravity listed is the average commingled MPOG gravity entering Delta P/L for October-December, 2005. The second is the average commingled gravity entering Cypress P/L for October-December 2005. Both are measured at MP 69.

Note 8: Due to the hurricanes, property not yet producing at full capacity. Volume shown on the Exhibits represents the current production level.

**Marathon Pipe Line LLC
Incentive Rates**

Exhibit C

Marathon Contacts:

Ted Skinner (713-296-3719)

Offer Pkg	Custody Transfer Point	Pipeline System	Incentive Program Rate	FERC Number
1	SP 86 C	South Pass-West Delta	\$0.85	32
2	SP 87 D	South Pass-West Delta	\$0.85	32
3	SP 89 B	South Pass-West Delta	\$0.85	32
4	SP 89 B (Zia)	South Pass-West Delta	\$0.45	54
5	WD 79 A	South Pass-West Delta	\$0.45	33
18	VR 386 B	Eugene Island	\$1.27	10
19a	EC 346 A	Eugene Island	* \$1.27	10

Note: Line loss based on actuals.

* Rate is only from EC 346 production. Production from EC 345/360 will be at non-incentive rate.