



United States Department of the Interior

MINERALS MANAGEMENT SERVICE
Washington, DC 20240

JUL 7 1998

Dear Operator/Payor:

The Minerals Management Service (MMS) of the U.S. Department of the Interior in partnership with the State of Wyoming (State) will implement a pilot program to take royalties in-kind for crude oil produced from specific Federal properties in Wyoming, "in-kind", as a share of production on October 1, 1998. Your company has been identified as an operator/payor of at least one Federal property selected for potential inclusion in this royalty in-kind pilot program (Pilot). The Pilot will be conducted over a 2 to 3 year period. This letter is advance notification that the MMS may take crude oil volumes from one or more of your properties.

Specific Federal properties that may be selected will be listed on the, MMS Home Page (www.rmp.mms.gov), under "Our Future -- Royalty In Kind Study Pilot", starting on or about July 1, 1998. You will be able to determine which of your properties are eligible for inclusion into the MMS Pilot by reviewing this list.

The MMS will issue an Invitation for Bid (IFB) for the production taken as royalties in-kind. This will also be posted to the MMS Home Page on or about July 1, 1998. Potential purchasers will have approximately 1 month to respond to the invitations for bids. The MMS and the State will select and notify successful bidders by mid-August. The MMS will shortly thereafter, notify all current operators and payors as to whether the Federal royalty share of production from one or more of their properties has been successfully bid. The MMS retains the right to refuse purchase bids for production from any specific property.

On or after October 1, 1998, crude oil royalties will be taken in-kind only for the production that is selected by the MMS and successfully bid. The time frame for bid selection ensures that you will be notified by certified mail at least 45 days before any volumes of crude oil are taken in-kind. Any changes to your current reporting and payment procedures prior to final notification of a successful bid for production from your property would be premature.

We plan to meet early in September 1998 with operators/payors of properties selected for the Pilot. Please check the MMS Home Page as the summer progresses for details. In the meantime, if you have any questions about the Pilot, please call Mr. Bonn Macy (202-208-3827) of the MMS or Mr. Steve Reynolds (307-777-7331) of the State.

Sincerely,

Donald Z. Sant
for Lucy Querques Denett
Associate Director for
Royalty Management