

FE DOCKET NO.: 96-03-ANG

APPLICANT(S): HESS ENERGY INC

ITEM	PREPARED OR FILED BY	FILING TYPE	DESCRIPTION OF DOCUMENT	DATED	DATE FILED OR ISSUED
1 ✓	EASTERN ENERGY MARKETING, INC	APPLICATION	Application for Authority to Import Natural Gas to Canada (LONG TERM) 2,826 MMBtus	96-02-07	96-02-07
2 ✓	DOE/FE	ORDER	Order 1152 Granting Long-Term Authority to Import Natural Gas from Canada	96-03-27	96-03-27
3 ✓	DOE/FE	APPLICATION	Application Requesting Request for Name Change to Statoil Energy, Inc from Eastern Energy Marketing, Inc.	98-10-27	98-10-27
4 ✓	DOE/FE	ORDER	Order 1152-A Amending Long Term Authority to Import Natural Gas	98-10-29	98-10-29
5 ✓	HESS ENERGY INC.	AMENDMENT	Application Requesting Name Change to Hess Energy Inc. from Statoil Energy Services	00-05-12	00-05-12
6 ✓	DOE/FE	ORDER	Order 1152-B Transferring Blanket Authority to Import Natural Gas to Hess Energy, Inc.	00-06-14	00-06-14

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY

FEB - 7 1996
REC'D DOE/FE/OFD

BEFORE THE
OFFICE OF FUELS PROGRAMS, FOSSIL ENERGY

IN THE MATTER OF)
)
Eastern Energy Marketing, Inc.)

Docket No. FE96-03NG

APPLICATION OF
EASTERN ENERGY MARKETING, INC.
FOR LONG TERM AUTHORIZATION
TO IMPORT NATURAL GAS

Pursuant to Section 3 of the Natural Gas Act, 15 U.S.C. Section 717(b), Department of Energy Delegation Order Nos. 0204-111 and 0204-127 and the Regulations of the Department of Energy in 10 C.F.R. Part 590, Eastern Energy Marketing, Inc. ("Applicant") hereby submits this application for long term authorization to import natural gas from Canada. Applicant proposes to import up to 2,826 MMBtu per day of natural gas, on a firm basis at the U.S. / Canadian border near Sumas, Washington. In support of its application, Applicant states the following:

I.

CORRESPONDENCE AND COMMUNICATIONS

The names, titles and mailing addresses of the persons to whom correspondence and communications concerning this Application are to be addressed as follows:

John A. Herbert
Senior Vice President
Eastern Energy Marketing, Inc.
2900 Eisenhower Avenue; Suite 300
Alexandria, VA 22314
703-317-2229

Lisa Yoho ¹
Director, Regulatory Affairs
The Eastern Group
2900 Eisenhower Avenue; Suite 300
Alexandria, VA 22314
(703) 317-2244

II.

DESCRIPTION OF EXISTING OPERATIONS

The exact legal name of the Applicant is Eastern Energy Marketing, Inc. Eastern Energy Marketing, Inc. is a corporation organized under the laws of the State of Virginia, having its principal office located at 2900 Eisenhower Avenue, Alexandria, Virginia 22314. Applicant is engaged in the marketing of natural gas and other fuels to industrial, commercial and institutional end-use customers and providing such customers risk management, fuel administration and regulatory services.

III.

BACKGROUND / SUMMARY OF PROPOSAL

Applicant has executed with the Rupert Cogeneration Partners, Ltd. ("RCP"), a Gas Services Agreement under which the Applicant will provide firm supplies of natural gas delivered to, and for use in, RCP's proposed gas-fired cogeneration project (the "Project"). Applicant will source supply for the Project via a Gas Sales Agreement executed between itself and Talisman Energy Inc. ("Talisman") and dated December 21, 1995. (The Gas Sales Agreement is attached hereto at Exhibit A). Talisman is a Canadian oil and gas explorer and producer and one of the top twenty-five publicly traded, independent hydrocarbon producing companies in the world. The natural gas which Applicant proposes to purchase from Talisman and import for resale to RCP will fully satisfy the fuel requirements of the Project.

¹ Designated to receive service in accordance with Rule 202(a), 10 C.F.R. Sec. 590.202(a) of the Office of Fuels Programs, Fossil Energy's Administrative Procedures with Respect to the Import and Export of Natural Gas.

The Project will have a total net generating capacity of approximately 10 megawatts and will be located near Rupert, Idaho. The Project will be a "qualifying facility" within the meaning of 18 C.F.R. Section 292.101(b)(i) and Section 201 of the Public Utility Regulatory Policies Act. The electrical output of the Project will be sold to Idaho Power Company ("IPCo") pursuant to the terms and conditions of a long-term Energy Sales Agreement dated June 25, 1993, between RCP and IPCo. The steam will be sold to Magic Valley Foods, Inc. under a long-term Thermal Energy Sales Agreement dated August 1, 1995. RCP successfully closed construction financing for the Project on January 12, 1996.

IV. INFORMATION REQUIRED

The information required by Section 590.202(b) of the Office of Fuels Programs, Fossil Energy's Regulations, 10 C.F.R., Sec. 590.202(b), is set forth below:

1. Scope of the Project

a. The scope of the authorization requested herein is to permit Applicant to import from Canada up to 2,826 Dth of natural gas per day. Applicant requests that the term of the import authorization be for a period commencing with the commercial operation date of the Project (anticipated December 1996) and effective for twenty (20) years thereafter. The date of initial delivery will correspond with the Project's commercial operation date and will be reported to DOE within two weeks of the date of first import.

b. Applicant does not propose to construct any new facilities. The point of delivery and transfer of title of the gas sold by Talisman and delivered to Applicant shall be at the Canada / United States international boundary where the facilities of Westcoast Energy, Inc. ("Westcoast") interconnect with those of Northwest Pipeline Corporation

("Northwest") at Sumas, Washington. Possession of and title to gas delivered by Talisman shall pass from Talisman to Applicant at this point of delivery.

2. Source and Security of the Natural Gas Supply

The Gas Sales Agreement provides that Talisman will export, sell, and deliver, and Applicant will import, purchase, and receive up to 2,826 MMBtu of natural gas per day ("DCQ") on a firm basis for delivery at Sumas, Washington. To meet its service obligation Talisman will have both the supply and the firm transportation arrangements required so as to deliver to Applicant the volumes which Applicant now seeks authorization to import.

Talisman will fulfill its gas supply obligation to Applicant through production from reserves which it beneficially owns or controls. Under certain conditions, Talisman would be required to dedicate specific gas reserves sufficient to enable Talisman to fulfill its obligations to Applicant. Further, Talisman has firm transportation in place with Westcoast in Canada for delivery to Sumas, and Applicant has firm transportation in place with Northwest to accept the proposed volumes for transportation to the Project site. These supply arrangements:

- ▶ are more than sufficient to allow Talisman to satisfy the delivery obligations to Applicant;
- ▶ provide the level of reserves necessary to fulfill regulatory and commercial requirements; and
- ▶ are for a term matching in length the agreement between Talisman and Applicant.

Talisman (formerly BP of Canada) is a Canadian oil and gas explorer and producer, active both domestically and internationally. Talisman is one of the top twenty-five (25)

publicly traded, independent hydrocarbon producers in the world. In 1994, Talisman rose to the third largest gas producer in Canada following its acquisition of Bow Valley. It has the fourth largest undeveloped landholding of the major companies in the Western in the Western Canada Sedimentary Basin. Talisman's annual natural gas production in 1994 was 496 mmcf/d. Talisman's Canadian proved reserves of natural gas were 1,520.9 Bcf; probable reserves were 1,290.3 Bcf. Talisman is a widely held, independent Canadian company listed on the Toronto, Montreal and Vancouver stock exchanges.

3. Identification of Participants in the Transaction

Applicant and Talisman are the participants in this import transaction. Applicant is the gas marketing subsidiary of The Eastern Group, Inc., an integrated energy company headquartered in Alexandria, Virginia. A description of Talisman has been provided in Section 2 immediately above.

4. Terms of Transaction

The term of the Gas Sales Agreement is for a primary period beginning on the Project's Commercial Operation Date and ending twenty years thereafter. The maximum volume to be purchased by Applicant from Talisman is 2,826 MMBtu per day. The Gas Sales Agreement provides that, commencing on the Commercial Operation Date and continuing on each subsequent Day during the term of the Agreement, Talisman shall sell and deliver and Applicant will purchase and receive a quantity of gas equal to one hundred percent of the DCQ.

5. Provisions of the Import Arrangement which Establish the Price, Volume Requirements and Other Costs

a. The pricing provisions for the imported natural gas are set forth at Article 11 of the attached Gas Sales Agreement. Specifically, the DCQ is divided into a market component and a fixed component for pricing purposes. The market component's purchase

price is tied to Inside FERC's Gas Market Report, an industry recognized gas pricing index, plus a market adjustment. Fixed component pricing is set for the first year of the Gas Sales Agreement and increases by an agreed-to escalator for the next four (4) years. The fixed component pricing for contract years 6 - 15 is tied to the NYMEX Futures Gas Strip and a Basis Differential and is redetermined annually.

b. The volume requirement under the Gas Sales Agreement is for 2,826 MMBtu per day which matches the Project's daily fuel requirements.

6. Potential Environmental Impact

Since no new facilities will be constructed by Applicant for the proposed importation of natural gas, granting this authority is not a Federal action significantly affecting the quality of the human environment within the meaning of the National Environmental Policy Act, 42 U.S.C. 4321, et seq., and therefore an environmental impact statement or environmental assessment is not required.

VI.

STATEMENT REGARDING PUBLIC INTEREST

Under Section 3 of the Natural Gas Act, supra, and Delegation Order No. 0204.111, 49 Fed. Reg. 6684 (February 22, 1984), an application to import natural gas must be approved unless it is determined that the import is not consistent with the public interest.

The Office of Fuels Programs, Fossil Energy, gas import guidelines are based on a presumption in favor of freely-negotiated contracts and emphasizes three criteria by which the governments would evaluate natural gas import applications. These criteria provided that gas imports will be found to serve the public interest if: 1) the gas is sold at a competitive price; 2) there is a need for the gas; and 3) the gas is obtained from a secure supply source.

1. Competitive Pricing

Applicant sought and has obtained from Talisman through arms-length bargaining a long-term contract with competitive pricing terms for a supply of Canadian-based natural gas which Applicant will resell to a new cogeneration facility to be located in the State of Idaho. As set forth at Section 5(a) above, the Gas Sales Agreement provides that the "market" component of the DCQ is tied directly to a recognized industry gas pricing index (*Inside F.E.R.C.'s Gas Market Report*) plus a "negotiated" market adjustment. The "fixed" component is set during the contract's first five (5) years, with later-year pricing tied to the NYMEX. Accordingly, the gas is being sold under a competitive pricing scheme which was agreed to through arm's length negotiations between the parties.

2. Need for the Natural Gas

Applicant will purchase the Canadian volumes for resale in order to satisfy the gas supply requirements of a cogeneration facility to be located in the State of Idaho. The cogeneration facility will produce electrical power that will be purchased by IPCo pursuant to a twenty-year Firm Energy Sales Agreement. Such electric power will be utilized by IPCo to diversify its energy portfolio (this will be one of the first two gas-fired generating facilities in IPCo's service territory) and to satisfy the electrical power requirements of its customers. Further the RCP/IPCo Firm Energy Sales Agreement was approved by the Idaho Public Service Commission in Order No. 25050 issued July 23, 1993. (Case No. IPC-I-93-15). Therefore, there exists a significant need for the natural gas for which importation authorization is now being requested.

3. Security of Supply

The security of supply for the import arrangement is evidence by Talisman's Canadian proved reserves of 1,520.9 Bcf. Security of supply is supported further by the contractual warranty obligations under which Talisman must deliver the DCQ or suffer the penalty of

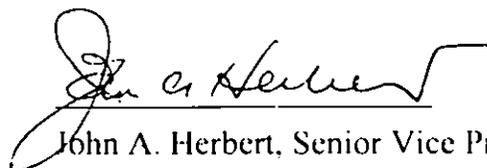
reimbursing Applicant for costs incurred in obtaining alternate supplies of fuel to replace the delivery shortfall. Additionally, pursuant to the Gas Sales Agreement, under certain conditions, Talisman would be obligated to dedicate specific gas reserves sufficient to fulfill its obligations to Applicant. Finally, the historic reliability and present continued availability of Canadian supplies, in general, substantiate the security of this supply source.

Therefore, for all of the above, the import authorization which is herein sought is otherwise consistent with the public interest.

WHEREFORE, Applicant respectfully requests that the DOE promptly find pursuant to Section 3 of the Natural Gas Act, that the long-term authorization to import natural gas from Canada, 2,826 Dth per day on a firm basis from Talisman, is not inconsistent with the public interest and should be approved.

Respectfully submitted,

EASTERN ENERGY MARKETING, INC.

A handwritten signature in cursive script, appearing to read "John A. Herbert", is written over a horizontal line.

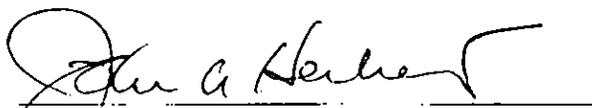
John A. Herbert, Senior Vice President

Dated: February 7, 1996

VERIFICATION

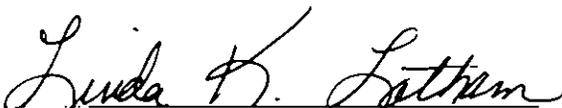
STATE OF VIRGINIA)
COUNTY OF ALEXANDRIA)

John A. Herbert, being first duly sworn, states that he is Senior Vice President of Eastern Energy Marketing, Inc.; that he is authorized to execute this verification; that he has read the above and foregoing Applications and is familiar with the contents thereof; and that all allegations and facts contained herein are true and correct to the best of his knowledge, information and belief.



John A. Herbert
Senior Vice President

Subscribed to and sworn before me this 7th day of February, 1996.



Linda K. Latham
Notary Public

My Commission Expires:

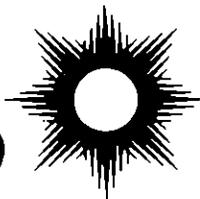
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EXHIBIT A

Opinion of Counsel

**Application of Eastern Energy Marketing, Inc.
For Authorization to Import Natural Gas**



The Eastern Group

February 6, 1996

Office of Fuels Programs
Fossil Energy
U.S. Department of Energy
Forrestal Building, Room 3F-056, FE-50
1000 Independence Avenue, S.W.
Washington, DC 20585

Re: Eastern Energy Marketing, Inc., Application for Long-Term Importation of
Natural Gas from Canada.

Ladies and Gentlemen:

I am General Counsel for Eastern Energy Marketing, Inc. ("EEM"), a Virginia corporation, and I have served in that capacity in connection with the proposed imports of natural gas from Canada for service to the Rupert Cogeneration Project in Rupert, Idaho, and with the transactions contemplated by the Natural Gas Sales Agreement dated December 21, 1995 by and between EEM and Talisman Energy Inc. (the "Gas Sales Agreement").

In my capacity as Counsel, I have examined an executed copy of the Gas Sales Agreement. I have also examined copies, certified or otherwise authenticated to my satisfaction, of such other documents, instruments and records and such certificates and other instruments of public officials and officers of EEM, and I have made such investigation of law, as I have deemed necessary or appropriate for the purpose of rendering the opinion expressed herein.

Based upon and subject to the foregoing, I am of the opinion that the proposed import of natural gas is within the corporate powers of EEM.

The opinion expressed in this letter is limited to the matters set forth in this letter and no other opinions should be inferred beyond the matters expressly stated. The opinion expressed in this letter are solely for the use of the Department of Energy, Office of Fossil Energy, and this opinion may not be relied on by an other person without my prior written approval.

Very truly yours,

EASTERN ENERGY MARKETING, INC.

Barbara J. Bordelon
General Counsel

EXHIBIT B

Gas Sales Agreement

**Application of Eastern Energy Marketing, Inc.
For Authorization to Import Natural Gas**

Final

**GAS SALES AGREEMENT
FOR A POWER GENERATION PROJECT**

21st THIS GAS SALES AGREEMENT (the "Agreement") is entered into and effective this day of December, 1995, between Eastern Energy Marketing, Inc. ("EEM"), a Virginia corporation, Talisman Energy Inc. ("Talisman"), a Canadian corporation ("Seller") and Rupert Cogeneration Partners, Ltd. ("RCP" or "Partnership") a Colorado limited partnership. (Reference herein to a "Party" shall refer to EEM, Seller or RCP and reference to the "Parties" shall refer to EEM, Seller and RCP. "Party" and "Parties" shall also be construed in a manner consistent with Paragraph 17.4.

WHEREAS, EEM desires to purchase supplies of natural gas on a firm basis for resale to RCP for use in RCP's cogeneration facility to be located near Rupert, Idaho; and

WHEREAS, Seller has available for sale to EEM supplies of natural gas on a firm basis for the term of this Agreement;

WHEREAS, RCP and Seller now desire to terminate the Gas Sales Agreement dated October 20, 1995, for the sale of gas by Seller to RCP effective on the date herein above first written; and

NOW, THEREFORE, in consideration of the foregoing and the promises and covenants hereinafter set forth, the sufficiency of which is hereby acknowledged, EEM, RCP and Seller agree as follows:

**ARTICLE 1
DEFINITIONS AND CURRENCY**

1.1 Definitions. Unless another meaning is expressly stated, the following words and terms used in this Agreement shall have the following meaning:

"Agreement" shall mean this Gas Sales Agreement For A Power Generation Project, as may be amended from time to time.

"Btu" shall mean British thermal unit, and shall be the quantity of heat required to raise the temperature of one (1) pound of water one (1) degree Fahrenheit at sixty (60) degrees Fahrenheit and a pressure of 14.73 psia.

"Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in the cities of New York or Calgary are authorized or required by law or executive order to close.

"EEM's Transporter" shall mean Northwest Pipeline Corporation ("NWP") and any local distribution company or other entity providing Gas transportation from the pipeline facilities of NWP to the Facility.

"Contract Year" shall mean the time period from the Operation Date to December 31, 1997, for the first Contract Year, and thereafter each Contract Year shall mean the time period from January 1 to December 31.

"Credit Agreement" shall mean that agreement between ^{RCP} ~~RCP~~ and Toronto-Dominion Bank Inc., as a Lender, pursuant to which Toronto-Dominion Bank Inc., extends credit to enable RCP to develop, construct, install and equip the Project. ^{JSP}

"Daily Contract Quantity" or "DCQ" shall mean 2,666 MMBtu of Gas per Day which is comprised of the Market Component and the Fixed Component, plus EEM's Transporter's Fuel and fuel required, if any, for engine degradation at the Project, which fuel in the aggregate shall not exceed six (6) percent of the DCQ.

"Day" shall mean a period of twenty-four (24) consecutive hours beginning at 8:00 a.m. (Mountain time) and ending at 8:00 a.m. (Mountain time) the following calendar day.

"Delivery Point" shall be the interconnection of the pipeline facilities of Seller's Transporter with the pipeline facilities of EEM's Transporter at Sumas, Washington, or such other point or points as may be mutually agreed by the Parties.

"Event of Default" shall have the meaning as set forth in Article 18 of this Agreement.

"Excess Quantity" or "EQ" shall mean a quantity of Gas in excess of the DCQ, plus Transporters' Fuel related to that quantity.

"Facility" shall mean RCP's cogeneration plant and all appurtenant structures and equipment, including RCP's electrical and steam interconnection facilities and real property interests owned, leased or subleased by RCP in and around the Magic Valley Foods, Inc. potato processing plant located near Rupert, Idaho.

"FERC" shall mean the Federal Energy Regulatory Commission or its successor agency.

"FESA" shall mean the Firm Energy Sales Agreement between RPC and Idaho Power Company dated June 25, 1993, as amended from time to time.

"Fixed Component" shall mean 1,853 MMBtu of Gas per Day.

"Gas" or "Natural Gas" shall mean natural gas of a quality acceptable for delivery into the system of EEM's Transporter, as set forth in EEM's Transporter's then effective, FERC-approved tariff.

"Lease" shall mean that lease, dated as of September 25, 1995, between Steam Host and RCP, pursuant to which Steam Host has agreed to allow RCP to occupy the Site.

"Lender" shall mean a) any person or entity providing financing or refinancing for the development, construction or operation of the Facility or matters relating thereto, and b) any trustee or agent acting on their behalf. The term Lender shall also include entities providing financing in connection with a leveraged lease of the Facility.

"Market Component" shall mean 813 MMBtu per Day.

"MMBtu" shall mean one million (1,000,000) British thermal units.

"Month" shall mean the calendar month commencing at 8:00 a.m. (Mountain time) on the first Day of the calendar month and concluding at 8:00 a.m. (Mountain time) on the first Day of the following calendar month.

"Notice" shall mean a written communication between the Parties given in accordance with the provisions of this Agreement.

"Operation Date" shall mean the Day, on or before April 1, 1997, that RCP commences operation of its Facility and first becomes entitled to payments for electric power and steam generated thereby.

"Purchase Price" shall mean the price to be paid for Gas delivered by the Seller to EEM at the Delivery Point as set forth in Article 11.

"Seller's Transporter" shall mean Westcoast Energy Inc.

"Site" means (a) the land on which the Facility is located, and which has been provided to RCP by Steam Host pursuant to the Lease, and (b) any additional easements or other property rights that Steam Host has granted to RCP for purposes of performing its obligations under the Thermal and Electrical Energy Service Agreement dated as of August 1, 1995, between the RCP and the Steam Host.

"Start-up Supply" shall mean the quantities of Gas that EEM nominates for purchase and delivery from Seller prior to the Operation Date, as set forth in Article 7.1 of this Agreement.

"Start-up Period" means the period of testing and startup operation of the Facility prior to the Operation Date.

"Steam Host" means the existing potato processing plant owned by Magic Valley Foods, Inc., located near Rupert, Idaho.

"Transportation Contract" shall mean the agreements between EEM and EEM's Transporter pursuant to which EEM's Transporter shall transport Gas delivered by Seller and purchased by EEM under this Agreement, as the same may be amended from time to time, or any successor(s) to same.

"Transporter's Fuel" shall mean the quantity of compressor fuel and line loss make-up Gas which EEM's Transporter is entitled to retain under the Transportation Contract with EEM to transport Gas from Delivery Point to the Facility.

1.2 Currency. All references herein are to U.S. dollars and all payments shall be made hereunder in U.S. dollars, unless otherwise noted.

ARTICLE 2

CONDITIONS PRECEDENT AND TERMINATION

2.1 Conditions Precedent. EEM's, Seller's and RCP's agreement to be bound hereby shall be conditioned upon:

- (A) RCP successfully closing construction financing for the Facility on terms satisfactory to RCP on or before December 31, 1995. (In the event that construction financing is not received by December 31, 1995, the Parties may extend the period for meeting this requirement to a mutually acceptable date);
- (B) RCP obtaining, on or before December 31, 1995, all real property rights and permits required to construct the Facility;
- (C) EEM obtaining, on or before December 31, 1995, Transportation Contract(s) for transportation from the Delivery Point to the Facility of all the Gas to be sold and delivered by Seller and purchased by EEM under this Agreement;
- (D) As of the closing of construction financing, all the documents related to the Facility shall be in full force and effect and shall constitute legal, valid, and binding obligations of the Parties thereto, enforceable against such Parties in accordance with their respective terms;
- (E) As of the closing of construction financing for the Facility, all representations, warranties and covenants contained in this Agreement shall be true and fulfilled in all respects;
- (F) As of the closing of construction financing, no Event of Default (as provided for in Article 18 herein) shall have occurred;

- (G) Seller obtaining, on or before April 1, 1996, all governmental authorizations, on terms satisfactory to Seller, necessary to deliver the Gas purchased hereunder by EEM at the Delivery Point, including but not limited to the authorization from the National Energy Board to export the Gas from Canada into the United States; and
- (H) EEM obtaining, on or before April 1, 1996, all governmental authorizations, on terms satisfactory to EEM, necessary to receive the Gas purchased hereunder, including but not limited to the authorization to import from Canada into the United States the Gas delivered by Seller hereunder at the Delivery Point;
- (I) RCP obtaining, on or before April 1, 1997, all governmental authorizations, on terms satisfactory to RCP, necessary to operate the Facility;
- (J) The Operation Date occurring on or before April 1, 1997.

2.2 Upon any Party's becoming aware of the satisfaction of any of the conditions precedent listed in Article 2.1, such Party shall promptly provide written notice to the other Party of the satisfaction of such condition precedent.

2.3 If any of the conditions precedent are not satisfied on or before the dates specified herein, any Party may terminate this Agreement upon thirty (30) Days prior written notice to the other Parties, provided, however, that if such condition precedent is satisfied during such thirty (30) Days then this Agreement shall not be terminated.

ARTICLE 3 **TERM**

3.1 This Agreement shall become effective on the date first above written and shall remain in effect, unless terminated as provided elsewhere in this Agreement, for a term beginning on the Operation Date and ending on the twentieth anniversary of the Operation Date (the "Term").

ARTICLE 4 **DELIVERY POINT**

4.1 Delivery Point. The Delivery Point under this Agreement shall be set forth in Exhibit A to this Agreement, as may be amended or modified by the mutual agreement of the Parties during the Term of this Agreement to add or change delivery points.

4.2 Measurement. EEM and Seller agree to rely on the information provided by EEM's Transporter and Seller's Transporter as to the quantity and heating value in MMBtus of Gas delivered at the Delivery Point.

ARTICLE 5
POSSESSION AND TITLE

5.1 **Title**. Seller warrants title to the Gas delivered under this Agreement free and clear of all liens, encumbrances and claims whatsoever. Seller will indemnify EEM and hold it harmless from any and all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of adverse claims of any and all persons resulting from Seller's failure to have title to such Gas free and clear of all liens, encumbrances and claims whatsoever. RCP will indemnify Seller and hold it harmless from any and all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of adverse claims of any and all persons resulting from EEM's failure to have title to such Gas free and clear of all liens, encumbrances and claims whatsoever, but only to the extent that EEM's failure does not arise from Seller's failure to have title to such Gas free and clear of all liens, encumbrances and claims whatsoever at or prior to the Delivery Point.

5.2 **Transfer at Delivery Point**. Title to all Gas delivered under this Agreement shall pass from Seller to EEM at the Delivery Point.

5.3 **Liability**. As between the Parties hereto, Seller shall be in exclusive control and possession of the Gas and responsible for any damage, injury or loss whatsoever (including costs and reasonable attorney's fees) caused thereby until same shall have been delivered for EEM's account at the relevant Delivery Point, after which delivery EEM shall be deemed to be in exclusive control and possession thereof and responsible for any injury, damage or loss whatsoever (including costs and reasonable attorney's fees) caused thereby.

ARTICLE 6
QUANTITIES

6.1 **Deliveries**. Subject to the terms and conditions of this Agreement:

(A) **Daily Purchase Quantity**. Commencing on the Operation Date and continuing on each subsequent Day during the term of this Agreement, Seller shall sell and deliver and EEM shall purchase and receive a quantity of Gas equal to one hundred percent (100%) of the DCQ.

(B) **Excess Quantity**. If on any Day EEM requires a quantity of Gas in excess of the DCQ, EEM shall notify Seller of its EQ requirements. Seller shall immediately forward to EEM a proposal for the sale of EQ Gas including the price at which Seller is willing to sell such EQ gas. If EEM determines that the price Seller is asking for EQ Gas is not economical in relation to existing market conditions, then EEM may obtain EQ Gas from any other entity.

6.2 **Full Requirements**. To the extent that the Facility is operational, EEM shall purchase all of the Facility's Gas requirements from Seller hereunder, subject to EEM's rights under Articles 6.1(B), 7.1 and 10.2 of this Agreement.

ARTICLE 7
GAS DELIVERIES PRIOR TO THE OPERATION DATE

7.1 Start-up. Subject to the terms and conditions of this Agreement, upon thirty (30) Days Notice from EEM to Seller, EEM may request that Seller sell and deliver Gas in quantities up to the DCQ, prior to the Operation Date, for purposes of testing and commissioning of the Facility. Seller shall notify EEM of its willingness and ability to sell and deliver such Gas, together with the price payable for such Gas if Seller is willing to make such Gas available, within ten (10) Days after receipt of EEM's request. If the price and quantity of such Gas is unacceptable to EEM or if Seller is unwilling or unable to sell such Gas, then the Parties shall have no further obligation to each other under this Article 7.1 and EEM may obtain such Gas from any other entity. Nominations for any agreed quantity of such Start-up Supply shall be made pursuant to the provisions of Article 8.1(C) of this Agreement.

7.2 The price payable for Start-up Supply shall be market based and as mutually agreed to by the Parties.

ARTICLE 8
NOMINATIONS AND IMBALANCE PENALTIES

8.1 Nominations.

(A) At least two (2) Business Days prior to the beginning of the Month nomination deadline of EEM's Transporter receiving the Gas at the Delivery Point, EEM shall provide Notice to the Seller that it shall take the DCQ during each Day of the following Month. If EEM fails to submit such a nomination, EEM's timely nomination for the Month shall be deemed to be zero prior to the Operation Date, and after such date, shall be deemed to be the DCQ. EEM shall also in such Notice advise Seller as to the quantity, if any, of monthly EQ Gas that Seller desires to purchase and receive during the following Month.

(B) In the event EEM desires Seller to deliver daily EQ Gas at the Delivery Point, EEM shall provide Seller with reasonable Notice in advance of the EEM's Transporter's scheduling deadline of such nomination revisions. Seller shall use all reasonable efforts to effectuate such nomination revisions in a manner consistent with EEM's Transporter's nomination and scheduling procedures as set forth in its currently effective FERC Gas Tariff, or upon such shorter time as EEM's Transporter may permit.

(C) EEM and Seller shall be subject to the same nomination terms as provided for in Articles 8.1(A) and (B) with respect to Start-up Supply.

8.2 Imbalance Penalty. If for any Month, EEM or Seller is assessed a transportation imbalance penalty or charge by EEM's Transporter or Seller's Transporter, both Parties shall be obligated to determine the validity as well as the cause of such imbalance penalty or charge. If the

Parties determine that the imbalance penalty or charge was imposed as a result of EEM's actions or inactions (which shall include, but shall not be limited to EEM's failure to accept a daily quantity of Gas equal to the quantity nominated by EEM and confirmed by Seller to EEM's Transporter), then EEM shall pay such imbalance penalty or charge and hold the Seller harmless. If the Parties determine that the imbalance penalty or charge was imposed as a result of Seller's actions or inactions (which shall include, but shall not be limited to, Seller's failure to deliver a daily quantity of Gas equal to the quantity nominated by EEM and confirmed by Seller to EEM's Transporter), then Seller shall pay such imbalance penalty or charge and hold the EEM harmless. If EEM or Seller receives Notice from Seller's Transporter or EEM's Transporter that a penalty or charge may be or has been charged due to over or under receipts or deliveries of Gas under this Agreement, such Party shall promptly provide telephone notice to the other Party of such penalty or charge or possibility thereof, with a copy of the Notice to be immediately forwarded to the other Party. The Parties agree to cooperate with one another in their efforts to rectify any imbalances which may exist and to avoid or diminish the imposition of penalties or charges, including adjusting nominations, deliveries and receipts to the extent reasonably possible during any Month to avoid or diminish any imbalance charges or penalties for such Month.

ARTICLE 9

PURCHASE REQUIREMENTS

9.1 Purchase Requirements.

(A) EEM shall receive and purchase quantities of Gas from Seller on each Day during the term of this Agreement equal to the DCQ.

(B) If the quantity of Gas EEM purchases on any Day is less than the DCQ and the Sales Price, as defined below, is less than the Purchase Price, then EEM shall be liable for and shall pay to Seller an amount equal to the sum of the product of (i) the difference between the Purchase Price and the Sales Price the Seller receives, multiplied by (ii) the difference between the DCQ and the quantities of Gas taken by EEM for each such Day. EEM shall also pay a fee of \$0.05 per MMBtu for quantities of Gas less than the DCQ taken on any Day. An example of the calculation of this amount is set forth in Exhibit B attached hereto and incorporated herein by this reference.

The "Sales Price" shall be the price at the Delivery Point at which Seller is able, acting in good faith and in a commercially reasonable manner, to make comparable sales promptly after obtaining actual knowledge of EEM's failure to receive or purchase Gas. In the event Seller is not able, after exercising all reasonable efforts, to find a market for the deficiency quantity, the Sales Price at the Delivery Point shall be deemed to be the fair market price for the Gas not taken, as agreed to by the Parties based on industry-recognized publications or market quotations.

ARTICLE 10
SUPPLY REQUIREMENTS

10.1 Seller covenants and warrants, for itself and its successors and assigns, that it will have and will make available each Day during the Term of this Agreement, a quantity of Gas sufficient to sell and deliver the DCQ to EEM at the Delivery Point and at the prices set forth in Article 11 of this Agreement.

10.2 If on any Day Seller fails to deliver the DCQ, Seller shall reimburse EEM, to the extent of such deficiency between the DCQ and Seller's actual deliveries, for the incremental costs incurred by EEM in procuring alternate Gas supply ("Alternate Gas"); provided, however, EEM will give Seller advance Notice by telephone or facsimile of EEM's intention to purchase such Alternate Gas and unless Seller notifies EEM, and EEM confirms receipt of the Notice that Seller will deliver the DCQ, then EEM may purchase such Alternate Gas. EEM shall be reimbursed for the incremental cost of the Alternate Gas, incremental transportation and any directly related incremental expenses which EEM incurred after obtaining actual knowledge of Seller's failure to deliver Gas. EEM shall use all reasonable efforts to minimize the cost of obtaining Alternate Gas, subject to EEM's satisfying its requirements for timely delivery of Gas of the necessary quality and quantity.

10.3 Seller shall pay the amount of EEM's invoice under this Article 10 by Electronic Fund Transfer on or before the later to occur of (a) ten (10) Days after Seller's receipt of EEM's invoice or (b) the twenty-fifth (25th) Day of the Month in which the invoice is received ("Seller's Due Date"). If the Seller's Due Date of any payment obligation should occur on a Day that is not a Business Day, then such obligation shall be deferred until the next Business Day thereafter. In no event, however, will Seller be liable for the foregoing costs, expenses and damages if Seller's failure to deliver is excused by Force Majeure.

ARTICLE 11
PRICE AND CHARGES

11.1 DCQ. EEM will pay a price for each MMBtu of DCQ Gas delivered at the Delivery Point and during the specified Contract Years as set forth below. For purposes of determining the price of the Gas on any Day when any quantity less than the DCQ is delivered, the quantity of Gas actually delivered shall be considered to have been delivered in quantities directly proportional to the relative quantities of the DCQ comprised of the Fixed Component and the Market Component. If Inside F.E.R.C.'s Gas Market Report's or the specified index contained therein is no longer published, then any successor publication shall be utilized or any other index of the market value of the Gas that the Parties mutually agree upon shall be utilized, provided that if the Parties are unable to agree on a replacement publication or other index the issue shall be submitted to arbitration under Article 22 of this Agreement. Similarly, if the New York Mercantile Exchange ("NYMEX") ceases to provide a futures contract for natural gas, then the Parties shall utilize any other mutually agreed indicator of gas futures prices, provided that if the Parties are unable to agree on a replacement

indicator of gas futures prices or other index the issue shall be submitted to arbitration under Article 22 of this Agreement.

11.1.1 The price for each MMBtu of the Market Component of the DCQ delivered at the Delivery Point for Contract Years 1 - 15 shall equal:

The Purchase Price per MMBtu as set forth in the Index for "Prices of Spot Gas Delivered to Pipelines" for first of the month deliveries into NWP Canadian Border contained in the first issue of *Inside F.E.R.C.'s Gas Market Report's* published during the month the Gas is delivered, plus a market adjustment of \$0.06 per MMBtu to reflect the premium applied by the market for deliveries at the Delivery Point.

11.1.2 The price for each MMBtu of the Fixed Component of the DCQ delivered at the Delivery Point for the specified Contract Years shall equal:

Contract Years 1 - 5:

The price for Contract Years one through five for each MMBtu of the Fixed Component of the DCQ delivered at the Delivery Point shall coincide with the calendar year in which each Contract Year occurs, as follows:

1997 - \$1.675; 1998 - \$1.722; 1999 - \$1.769; 2000 - \$1.819;
2001 - \$1.869

Contract Years 6 - 15:

The price of each MMBtu of the Fixed Component of the DCQ delivered at the Delivery Point for Contract Years six through fifteen shall be calculated annually as set forth below and shall include a floor and a ceiling price. An example of the calculation of the price for the Fixed Component for Contract Years six through fifteen is attached hereto as Exhibit C.

The price shall be redetermined annually and shall equal the sum of the NYMEX Futures Gas Strip (as defined below) and the Basis Differential (as defined below);

The Basis Differential for the applicable Contract Year shall be the average of three investment grade financial institutions' twelve (12) month, January to December, "Bid/Offer" quotes for a forward "basis swap" from the NYMEX to the Delivery Point. Such quotes shall be compiled by Talisman for the thirty (30) business days prior to the

expiry of the applicable January NYMEX futures contract and averaged together.

The NYMEX Futures Gas Strip for the applicable Contract Year shall be the arithmetic average of the Forward Twelve Month Strip, which is the period January to December of the forthcoming Contract Year. The Forward Twelve Month Strip shall be compiled by Talisman for each of the thirty (30) business days prior to the expiry of the applicable January NYMEX futures contract. The arithmetic average of these 30 Forward Twelve Month Strip prices will be calculated to determine the NYMEX Futures Gas Strip.

The price for the Fixed Component delivered at the Delivery Point shall not be less than or greater than the following floor and ceiling prices for the Contract Years occurring in the specified calendar years:

	Floor	Ceiling
2002	\$2.025	\$2.30
2003	\$2.086	\$2.37
2004	\$2.148	\$2.44
2005	\$2.213	\$2.51
2006	\$2.279	\$2.59
2007	\$2.348	\$2.67
2008	\$2.418	\$2.75
2009	\$2.490	\$2.83
2010	\$2.565	\$2.91
2011	\$2.642	\$3.00

Contract Years 16 - 20:

The price of each MMBtu of the Fixed Component of the DCQ delivered at the Delivery Point for Contract Years sixteen through twenty shall be calculated annually as set forth below.

The price shall be redetermined annually and shall equal the sum of the NYMEX Futures Gas Strip (as defined below) and the Basis Differential (as defined below), plus a mutually agreed upon market adjustment to reflect the premium, if any, applied by the market for deliveries at the Delivery Point;

The Basis Differential for the applicable Contract Year shall be the average of three investment grade financial institutions' twelve (12)

month, January to December, "Bid/Offer" quotes for a forward "basis swap" from the NYMEX to the Delivery Point. Such quotes shall be compiled by Talisman for the thirty (30) business days prior to the expiry of the applicable January NYMEX futures contract and averaged together.

The NYMEX Futures Gas Strip for the applicable Contract Year shall be the arithmetic average of the Forward Twelve Month Strip, which is the period January to December of the forthcoming Contract Year. The Forward Twelve Month Strip shall be compiled by Talisman for each of the thirty (30) business days prior to the expiry of the applicable January NYMEX futures contract. The arithmetic average of these 30 Forward Twelve Month Strip prices will be calculated to determine the NYMEX Futures Gas Strip.

11.2 Excess Quantity. EEM will pay a price for each MMBtu of EQ Gas delivered to the Facility as mutually agreed to by the Parties and in accordance with the provisions of Article 11.1.1.

11.3 Taxes. Seller will be responsible for all production, severance, ad valorem, good and service or similar taxes levied on the Gas prior to its delivery to or for the account of EEM at the Delivery Point. EEM will be responsible for all sales, use, consumption, or similar taxes imposed on the transfer of title or possession of the Gas to or for the account of EEM, or on EEM's subsequent use or disposition thereof. Any such taxes shall be paid by EEM directly to the taxing authority unless Seller is required by law to collect and remit such taxes, in which case, EEM shall reimburse Seller for all amounts so paid. If EEM claims exemption from any such taxes, EEM shall provide Seller a proper exemption certificate or other appropriate documentation thereof.

ARTICLE 12 **BILLING AND PAYMENT**

12.1 Billing and Payment. On or before the fifteenth (15th) Day of each Month, Seller shall render an invoice to EEM for: i) the Gas delivered during the preceding Month; and ii) any charges attributable to EQ Gas for such Month. EEM shall pay the amount of Seller's invoice by Electronic Fund Transfer on or before the later to occur of (a) ten (10) Days after EEM's receipt of Seller's invoice or (b) the twenty-fifth (25th) Day of the Month in which the invoice is received ("EEM's Due Date"). If the date of any payment obligation should occur on a Day that is not a Business Day, then such obligation shall be deferred until the next Business Day thereafter. To the extent that information on actual deliveries is not known to Seller at the time Seller renders its invoice, Seller may submit invoices based on the DCQ subject to subsequent correction based on actual data to be submitted to EEM when such data becomes available.

12.2 In the event a dispute arises as to the amount payable in any invoice rendered hereunder, the Party disputing the amount (the "Disputing Party") shall pay the undisputed amount

and notify the other Party of the disputed amount and the reasons for the dispute. The Disputing Party shall not be obligated to pay any disputed amounts until the dispute is resolved in accordance with the terms of this Agreement, provided that disputed amounts in excess of US\$ 10,000.00 shall, upon the request of the other Party, be paid into an escrow account pending resolution of the dispute. Seller shall not suspend the sale and delivery of Gas as a result of EEM's failure to pay any disputed amount, provided that EEM complies with the foregoing obligation to pay, upon request, any disputed amount in excess of US\$10,000.00 into an escrow account pending settlement of the dispute. If the Parties are unable to resolve the dispute within sixty (60) Days, then the matter shall be submitted to arbitration in accordance with Article 22. The amount determined to be owing by the Disputing Party, if any, shall be paid by the Disputing Party, together with the interest earned in the escrow account, following the final arbitration award, and the remaining funds, if any, in the escrow account shall be refunded to the Disputing Party.

12.3 Should EEM fail to remit the full amount of any invoice due to Seller by the EEM's Due Date, interest on the unpaid portion shall accrue at a rate equal to the then-effective "prime rate" of interest for large U.S. money center commercial banks published under "Money Rates" in the issue of The Wall Street Journal published on the first Day of the Month such invoice was rendered (or other mutually agreeable and comparable index if such "Money Rates" index is no longer published) plus two percent (2%) per annum from the EEM's Due Date until the date of payment; provided, however, the rate of interest provided herein may never exceed the highest rate of interest permitted by applicable law.

12.4 If EEM pays any amount due and owing upon the invoice of Seller, and such amount is subsequently determined by agreement, arbitration or judgment of court not to have been due and owing when paid, Seller will refund such amount to EEM together with interest accruing thereon from the date of payment to the date of refund at an annual rate equal to the then-effective "prime rate" of interest for large U.S. money center commercial banks published under "Money Rates" in the issue of The Wall Street Journal published on the first Day of the Month such invoice was rendered (or other mutually agreeable and comparable index if such "Money Rates" index is no longer published) plus two percent (2%) per annum; provided, however, the rate of interest provided herein may never exceed the highest rate of interest permitted by applicable law.

12.5 Each Party shall have the right to retain an independent auditor who shall, upon reasonable notice and at reasonable times, examine the books and records of the other Party as are related to this Agreement to the extent reasonably necessary to verify the accuracy of any statement, payment demand, charge, payment, or computation made under this Agreement. Any such audit and any claim based upon errors in any statement, etc., must be made within two (2) years of the date of such statement. In the event either Party determines that there is an error in the amount previously billed and/or paid pursuant to any invoice rendered hereunder, the error shall be adjusted within thirty (30) Days of a final determination by the Parties that an error has occurred; provided, however, any claim for such error shall be made within twenty-four (24) Months after the date of the invoice.

12.6 Charges related to Gas delivered by Seller to EEM shall be deemed costs for the operation of the Facility. As such, Gas charges shall be afforded the payment priority provided for operation costs set forth in Article 10 of the Credit Agreement. RCP and EEM shall use their best efforts to structure a payment mechanism whereby Seller is paid directly via wire transfer from RCP's Project Revenue Account with the Lender.

ARTICLE 13 **LAWS AND REGULATIONS**

13.1 This Agreement shall be subject to all applicable and valid laws, ordinances, rules and regulations of federal, state or local authorities having jurisdiction now or hereafter having jurisdiction over the Parties; and should either of the Parties, by force of any such law or regulation imposed at any time during the term of this Agreement, be rendered unable, wholly or in part, to carry out its obligations under this Agreement, other than an obligation to make payments due hereunder, then this Agreement shall continue nevertheless and shall then be deemed modified to conform with the requirements of such law or regulation. Notwithstanding the above, this Agreement shall not be deemed to be so modified if such law or regulation substantially and materially prohibits the Parties from performing hereunder or has the effect of materially altering the economic position of the Parties or either of them; then the Party hereby injured may, by written notice to the other Party, require that this Agreement or other arrangements incidental to this Agreement be amended as necessary to preserve the economic position held by the affected Party immediately prior to such event. Such notice shall describe the action taken by the regulatory authority and shall include reasonable particulars as to the manner and extent to which the economic position of the Party giving the notice has been adversely affected. The Parties shall use all their reasonable efforts during a sixty (60) Day period following such notice to negotiate and effect such amendments following which the injured Party may, if such efforts are unsuccessful, by further written notice to the other Party within thirty (30) Days after such sixty (60) Day period submit this issue to binding arbitration under Article 22 of this Agreement.

ARTICLE 14 **REPRESENTATIONS AND WARRANTIES**

14.1 Representations and Warranties of EEM. EEM represents and warrants as follows:

(A) Existence, Good Standing and Power. EEM is a corporation duly organized, validly existing, and in good standing under the law of the Commonwealth of Virginia. EEM has all requisite power and authority to enter into and perform under this Agreement.

(B) Authorization and Validity. This Agreement and the other documents and instruments to be delivered by EEM pursuant thereto, and the transactions contemplated thereby, shall be duly authorized by EEM; and this Agreement shall be, and each such other document or instrument shall be, duly executed and delivered by EEM and upon such execution and delivery shall

constitute legal, valid and binding obligations of EEM, enforceable against EEM in accordance with their respective terms.

(C) No Violation. The execution, delivery, and performance by EEM of this Agreement and the other documents and instruments to be delivered by EEM pursuant thereto, and the transactions contemplated thereby, will not:

(1) violate or conflict with any provision of EEM's articles of incorporation;

(2) violate or constitute a default under any agreement or instrument to which EEM is a Party or by which EEM is bound, which violation shall have a material and adverse effect on EEM's ability to perform its obligations under this Agreement; or

(3) violate any existing statute or law or any judgment, decree, order, regulation or rule of any court of governmental authority applicable to EEM, which violation shall have a material and adverse effect on EEM's ability to perform its obligations under this Agreement.

(D) Legal Proceedings. There are no judicial or administrative actions, proceedings or investigations (including, without limitation, bankruptcy, reorganization or insolvency actions, proceedings or investigations) pending or, to the best of EEM's knowledge, threatened that:

(1) challenge the validity of this Agreement or the transactions contemplated thereby;

(2) seek to restrain or prevent any action taken or to be taken by EEM in connection with this Agreement; or

(3) if adversely determined, would have a material and adverse effect upon EEM's ability to perform its obligations under this Agreement.

(F) Import Authorization. EEM shall have in place on or before March 1, 1996, the authorizations necessary to import into the United States the Gas sold hereunder, provided, however, that if such authorizations are short-term, they will have to be renewed or replaced in order for EEM to continue to perform its obligations hereunder for the full Term of this Agreement. Accordingly, EEM will have on or before the Operation Date, authorization to import all Gas sold under this Agreement from Canada to the United States at the Delivery Point; provided, however, that such import authorization may be short-term and therefore not authorized for the full Term of this Agreement. Regarding such long-term import authorization, see Article 15.1(D) of this Agreement.

14.2 Representations and Warranties of Seller. Seller represents and warrants as follows:

(A) Existence, Good Standing and Power. Seller is a corporation duly organized, validly existing, and in good standing under the laws of Canada. Seller has all requisite power and authority to enter into and perform under this Agreement. Seller's Consolidated Net Worth (as defined in Article 15.2(E) of this Agreement) as of the date of execution of this Agreement exceeds one hundred million dollars - Canadian (\$100,000,000-Canadian).

(B) Authorization and Validity. This Agreement and the other documents and instruments to be delivered by Seller pursuant thereto, and the transactions contemplated thereby, shall have been duly authorized by Seller; and this Agreement shall have been, and each such other document or instrument shall be, duly executed and delivered by Seller and upon such execution and delivery will constitute legal, valid and binding obligations of Seller, enforceable against Seller in accordance with their respective terms.

(C) No Violation. The execution, delivery, and performance by Seller of this Agreement and the other documents and instruments to be delivered by Seller pursuant thereto, and the transactions contemplated thereby, shall not:

(1) violate or conflict with any provision of Seller's certificate of incorporation or bylaws;

(2) violate or constitute a default under any agreement or instrument to which Seller is a Party or by which Seller is bound, which violation will have a material and adverse effect on Seller's ability to perform its obligations under this Agreement; or

(3) violate any existing statute or law or any judgment, decree, order, regulation or rule of any court of governmental authority applicable to Seller, which violation will have a material and adverse effect on Seller's ability to perform its obligations under this Agreement.

(D) Legal Proceedings. There are no judicial or administrative actions, proceedings or investigations (including, without limitation, bankruptcy, reorganization or insolvency actions, proceedings or investigations) pending or, to the best of Seller's knowledge, threatened that:

(1) shall challenge the validity of this Agreement or the transactions contemplated thereby;

(2) seek to restrain or prevent any action taken or to be taken by Seller in connection with this Agreement; or

(3) if adversely determined, would have a material and adverse effect upon Seller's ability to perform its obligations under this Agreement.

(E) Title. Seller has, or will have, title to all Gas sold under this Agreement, has the right to sell all Gas sold under this Agreement to EEM, and such Gas is free from any and all liens and adverse claims of every kind.

(F) Export Authorization. Seller shall have in place on or before January 31, 1996, the authorizations necessary to remove and export to the United States the Gas sold hereunder, but such authorizations are short-term and will have to be renewed or replaced in order for Seller to continue to perform its obligations hereunder for the full Term of this Agreement. Accordingly, Seller will have on or before the Operation Date, authorization to export all Gas sold under this Agreement from Canada to the United States at the Delivery Point; provided, however, that such export authorization may be short-term and therefore not authorized for the full Term of this Agreement. Regarding such long-term export authorization, see Article 15.2(C) of this Agreement.

14.3 Representations and Warranties of RCP. RCP represents and warrants as follows:

(A) Existence, Good Standing and Power. RCP is a partnership duly organized, validly existing, and in good standing under the law of the State of Colorado. RCP has all requisite power and authority to enter into and perform under this Agreement.

(B) Authorization and Validity. This Agreement and the other documents and instruments to be delivered by RCP pursuant thereto, and the transactions contemplated thereby, shall have been duly authorized by RCP; and this Agreement shall have been, and each such other document or instrument shall be, duly executed and delivered by RCP and upon such execution and delivery will constitute legal, valid and binding obligations of RCP, enforceable against RCP in accordance with their respective terms.

(C) No Violation. The execution, delivery, and performance by RCP of this Agreement and the other documents and instruments to be delivered by RCP pursuant thereto, and the transactions contemplated thereby, shall not:

(1) violate or conflict with any provision of RCP's certificate of partnership;

(2) violate or constitute a default under any agreement or instrument to which RCP is a Party or by which RCP is bound, which violation will have a material and adverse effect on RCP's ability to perform its obligations under this Agreement; or

(3) violate any existing statute or law or any judgment, decree, order, regulation or rule of any court of governmental authority applicable to RCP, which violation will have a material and adverse effect on RCP's ability to perform its obligations under this Agreement.

(D) Legal Proceedings. There are no judicial or administrative actions, proceedings or investigations (including, without limitation, bankruptcy, reorganization or

insolvency actions, proceedings or investigations) pending or, to the best of RCP's knowledge, threatened that:

(1) shall challenge the validity of this Agreement or the transactions contemplated thereby;

(2) seek to restrain or prevent any action taken or to be taken by RCP in connection with this Agreement; or

(3) if adversely determined, would have a material and adverse effect upon RCP's ability to perform its obligations under this Agreement.

(E) Site. RCP has, or will have on or before the Operation Date, a lease to the Site on which the Facility is to be constructed, free and clear of all liens, claims, and encumbrances of any nature whatsoever, except those that will have no material effect on RCP's ability to construct the Facility and perform its obligations under this Agreement.

(F) Default Under FESA. RCP is not in, and has not received Notice of the existence of any, default under the FESA, nor is there existing any event or circumstance which with notice or lapse of time or both would give rise to a default on the part of RCP thereunder.

ARTICLE 15 **COVENANTS**

15.1 Covenants of EEM. EEM covenants, for as long as this Agreement is in effect, that EEM shall, unless otherwise consented to by Seller and RCP in writing:

(A) Notice of Events. Furnish, or cause to be furnished, to RCP, Seller and Lender, after EEM shall have obtained knowledge of the occurrence of a EEM's Event of Default (as provided for in Article 18, herein), Notice thereof setting forth the details of such EEM's Event of Default and the cure or other action which EEM proposes to take with respect thereto.

(B) Existence, Good Standing and Power, etc. Cause the representations and warranties in Articles 14.1(A), (B), (C), (E) and (F) to remain true and correct.

(C) Governmental Approvals. Use all reasonable efforts to obtain and maintain in full force and effect from the Operation Date through the remainder of the Term all certificates, permits, licenses and other governmental authorizations from United States governmental and regulatory authorities, whether federal, state, local or otherwise, necessary for (i) the import into the United States and the transportation from the Delivery Point to the Facility of Gas purchased under this Agreement; and (ii) the performance of this Agreement. EEM shall file on or before January 31, 1996, an application with the United States Department of Energy for the authorization to import

the Gas sold hereunder from Canada to the United States at the Delivery Point for the full Term of this Agreement.

(D) From and after the Operation Date, maintain in full force and effect the Transportation Contract with EEM's Transporter.

15.2 Covenants of Seller. Seller covenants for as long as this Agreement is in effect, that Seller shall, unless otherwise consented to by EEM or RCP in writing:

(A) Notice of Events. Furnish, or cause to be furnished, to EEM, RCP and Lender, after Seller shall have obtained knowledge of the occurrence of a Seller's Event of Default, written notice thereof setting forth the details of such Seller's Event of Default and the action which Seller proposes to take with respect thereto.

(B) Existence, Good Standing and Power, etc. Cause its representations and warranties in Articles 14.2(A), (B), (C) and (E) to remain true and correct.

(C) Governmental Approvals. Use all reasonable efforts to obtain and maintain in full force and effect from the Operation Date through the remainder of the Term all certificates, permits, licenses and other governmental authorizations from Canadian governmental and regulatory authorities, whether federal, provincial, local or otherwise, necessary for (i) the removal, sale, transport and export from Canada to the United States at the Delivery Point of Gas purchased under this Agreement, and (ii) the performance of this Agreement. Seller covenants that it will use all reasonable efforts to apply for and obtain long-term authorization to export the Gas to be sold hereunder at the Delivery Point for the full Term of this Agreement and that it will use all reasonable efforts to have and maintain in place from the Operation Date through the Term of this Agreement authorization (either short-term or (preferably) long-term) to remove, sell and export the quantity of Gas sold hereunder from Canada to the United States at the Delivery Point. Seller shall file on or before March 31, 1996, (i) an application with the Province of British Columbia, Ministry of Energy, Mines and Petroleum Resources, for any long-term gas removal permit required for the Gas sold hereunder for the full Term of this Agreement, and (ii) an application with the National Energy Board for the authorization to export the Gas sold hereunder to the United States at the Delivery Point for the full Term of this Agreement.

(D) Financing. Cooperate reasonably with RCP in providing information regarding this Agreement and Seller's ability to perform under this Agreement to the Lender in connection with RCP's obtaining financing for the Facility. Seller shall execute all customary and reasonable consents as requested by the Lender in form and content acceptable to Seller.

(E) Security of Supply. Seller acknowledges that EEM has relied on the size of Seller's corporate balance sheet and overall net worth as security for Seller's performance of its obligations under this Agreement, and, therefore, Seller covenants that if any event occurs that materially detrimentally affects its corporate balance sheet or relative net worth during the Term of

this Agreement, Seller shall immediately notify EEM in writing of such event. If, at any time during the Term of this Agreement, the Consolidated Net Worth of Seller falls below one hundred million dollars - Canadian (\$100,000,000-Canadian), then Seller shall forthwith notify EEM, and, upon EEM's written request, Seller shall dedicate, in form satisfactory to EEM and Seller (subject to arbitration under Article 22 in the event that the Parties cannot agree), the benefit, but not the burden or any obligations in respect thereof, to EEM and to the fulfillment of this Agreement, of Seller's gas reserves, applicable oil and gas leases and lands, deliverability therefrom and of Seller's firm transportation contracts, all of which shall otherwise be undedicated, unencumbered, free of adverse charges or claims and sufficient for Seller to continuously meet its obligations hereunder for the remaining Term of this Agreement. For purposes of this Article 15.2(E), "Consolidated Net Worth" means the sum of the accounts stated in the Consolidated Balance Sheet(s) of the most recent Annual Report(s) of Seller for preferred stock, common stock, additional paid-in capital, and retained earnings, less common stock in treasury.

(F) From and after the Operation Date, maintain in full force and effect Seller's transportation service agreements with Seller's Transporter.

(G) Seller shall reasonably cooperate with EEM in acquiring the necessary approvals for EEM's Transporter to construct the natural gas pipeline and delivery facilities necessary to deliver Gas purchased hereunder directly to the Facility.

15.3 Covenants of RCP. RCP covenants, for as long as this Agreement is in effect, that RCP shall, unless otherwise consented to by Seller and EEM in writing:

(A) Construction. Promptly and diligently prosecute the design, development, and construction of the Facility and in this regard apply for and diligently seek all governmental authorizations and construction arrangements necessary or advisable to meet the Operation Date.

(B) Notice of Events. Furnish, or cause to be furnished, to EEM, Seller and Lender, after RCP shall have obtained knowledge of the occurrence of a RCP's Event of Default (as provided for in Article 18, herein), Notice thereof setting forth the details of such RCP's Event of Default and the cure or other action which RCP proposes to take with respect thereto.

(C) Existence, Good Standing and Power, etc. Cause the representations and warranties in Articles 14.3(A), (B), (C), (E) and (F) to remain true and correct.

(D) Governmental Approvals. Use all reasonable efforts to obtain and maintain in full force and effect from the Operation Date through the remainder of the Term all certificates, permits, licenses and other governmental authorizations from United States governmental and regulatory authorities, whether federal, state, local or otherwise, necessary for (i) the performance of this Agreement, and (ii) the operation of the Facility.

(E) Insurance. Maintain insurance sufficient to enable RCP, as determined by RCP in its reasonable discretion, to meet its obligations under this Agreement in case of any matter affecting the Facility or its operation, including maintaining the insurance policies and amounts required to be provided by RCP pursuant to Paragraph 14.2 of the FESA.

ARTICLE 16
FORCE MAJEURE

16.1 Except as provided for in Article 17.5, Seller shall not be liable to EEM for Seller's failure to perform under this Agreement, and EEM shall not be liable to Seller, other than the obligation to make payments for Gas already delivered under this Agreement, for EEM's failure to perform under this Agreement, when such failure on the part of either shall be caused by Force Majeure.

16.2 For the purposes of this Agreement, the term "Force Majeure" shall mean an event that directly affects EEM, Seller, the Facility, or the facilities or services of Seller's Transporter or EEM's Transporter including any of the following: fire, floods, storms, washouts, landslides, lightning, earthquakes, riots, legal interferences, arrest and restraint of government and people, civil disturbances, strikes, lockouts, industrial disputes or disturbances affecting the Facility, wars, blockades, riots, sabotage, insurrections, explosions, acts of God or public enemy, accident to or breakage of EEM's Transporter's or Seller's Transporter's systems, machinery or equipment, government restraints or orders (as provided for in Article 13), an event of Force Majeure declared under the FESA, failure of Idaho Power Company to accept power from the Facility pursuant to Article 13.3 of the FESA (but not for more than thirty (30) Days per Contract Year), unscheduled outages of the Facility due to breakage or accident to machinery, or without limitation by enumeration, any other cause beyond the reasonable control of the Party failing to deliver or receive Gas, as the case may be.

16.3 Except as provided in Article 16.5, if either EEM or Seller, as the case may be, is rendered wholly or partially unable to perform its obligations (other than accrued obligations to make payments) under this Agreement because of an event of Force Majeure, that Party's obligations that are affected by the event of Force Majeure shall be suspended to the extent so affected during the continuation of such inability to perform; provided, however:

(A) The non-performing Party, as soon as reasonably practicable after learning of its inability to perform due to an event of Force Majeure, shall provide Notice to the other Party giving a description of any such Force Majeure event in writing or by facsimile within twenty-four (24) hours after the occurrence of the cause relied on, and giving the full particulars of any such Force Majeure event in writing within five (5) days after the occurrence of the cause relied on, including an estimate of its expected duration and probable impact on the performance of its obligations under this Agreement. The non-performing Party shall continue to furnish timely regular reports with respect to the event of Force Majeure;

(B) The non-performing Party shall exercise all reasonable efforts to continue to perform its obligations under this Agreement and use due diligence to remedy its inability to so perform;

(C) The non-performing Party shall provide the other Party with prompt Notice of the cessation of the event of Force Majeure giving rise to the suspension of performance; and

(D) No obligation of either Party that was to be performed prior to the occurrence of the event of Force Majeure shall be suspended as a result of that occurrence.

16.4 It is understood and agreed that the settlement of strikes or lockouts or industrial disturbances shall be entirely within the discretion of the Party having the difficulty, and that the above requirements that any Force Majeure shall be remedied promptly and diligently shall not require the settlement of strikes or lockouts or industrial disturbances by acceding to the demands of the opposing Party when such course is inadvisable in the discretion of the Party having the difficulty.

16.5 Neither Party shall be entitled to the benefit of Force Majeure under any of the following circumstances:

(A) to the extent such Force Majeure event could have been prevented, avoided or overcome by the Party claiming Force Majeure through the exercise of due diligence;

(B) to the extent such Party's inability to perform was caused by the Party's lack of funds;

(C) to the extent such Party's inability to perform was caused by shortage of Gas supply not caused by an event of Force Majeure; and,

(D) to the extent curtailment of gathering or transportation, due to lack of available capacity not caused by an event of Force Majeure, renders Seller or EEM unable to perform.

16.6 Should a Force Majeure event prevent Seller or EEM from performing under the terms of this Agreement and such Force Majeure event, or the effects thereof, shall continue for more than twelve (12) consecutive Months, then the Party that has not claimed suspense of its obligations because of the Force Majeure event may terminate this Agreement without continuing liability by either Party to the other Party, except for obligations previously accrued hereunder, upon sixty (60) Day's prior Notice to the Party that has claimed suspense of its obligations; provided, however, such termination shall not be effective if the cause of the Force Majeure event is remedied within such sixty (60) Day notice period. Any Party that is prevented by any event of Force Majeure from performing hereunder shall use due diligence to remedy such condition at the earliest practicable date.

16.7 To the extent and for as long as either Seller's or EEM's performance under this Agreement is excused because of an event of Force Majeure: i) EEM may purchase replacement supplies of Gas from a third-Party supplier; and, ii) Seller may sell and deliver the Gas to a third-Party purchaser.

ARTICLE 17

LIMITATIONS OF LIABILITY

17.1 Liability. Neither EEM, Seller nor RCP, nor their respective officers, directors, partners, agents, employees, affiliates or successors or assigns shall be liable to the other Party or its officers, directors, partners, agents, employees, affiliates or successors or assigns for claims for incidental, special, indirect or consequential damages of any nature connected with or resulting from performance or non-performance of this Agreement, including without limitation, claims in the nature of lost revenues, income or profits (other than payments specifically provided for and properly due under this Agreement) or losses, damages or liabilities under any financing, lending or construction contracts, agreements or arrangements to which RCP may be a Party, irrespective of whether such claims are based upon warranty, negligence, strict liability, contract, operation of law or otherwise.

17.2 Seller's Sole Recourse. Seller's sole recourse under this Agreement shall be against the assets of RCP and its successors and assigns, but excluding the assets of any entity, such as a Lender, which receives an assignment of RCP's rights under this Agreement simply as collateral or security for RCP's performance of its obligations to such assignee. Seller shall have no right to proceed against the individual partners of RCP or EEM or against the directors, officers or shareholders of the individual partners of RCP or EEM or their affiliates. Seller shall have no right of subrogation of any claim by RCP for any capital contributions from any partner to RCP. This provision is made expressly for the benefit of the partners in RCP and the owners and affiliates of any such partner.

17.3 EEM's Sole Recourse. EEM's sole recourse under this Agreement shall be against the assets of Seller and its successors and assigns.

17.4 Consistent with Paragraph 17.2 and 17.3 above, and notwithstanding anything to the contrary herein. EEM, RCP and Seller agree that EEM and not RCP shall be entitled to demand performance under this Agreement and secure from Seller damages, losses and permitted indemnifications in the event of Seller's non-performance. No action for damages, losses or indemnification by RCP against Seller shall be permitted. Seller shall be entitled to EEM's performance under this Agreement in a manner consistent with the provisions contained herein; provided, however, Seller shall not be entitled to secure damages from EEM but shall only commence actions (due to non performance by either EEM or RCP) for damages, losses or permitted indemnifications against RCP. Any reference in this Agreement to "Party" or "Parties" shall be construed in accordance with the principles set forth in this Article 17.4.

17.5 Indemnity.

(A) Each Party shall indemnify, defend and hold the other Party, its officers, directors, partners, affiliates, agents, employees, successors and assigns harmless from and against all damages, losses or expenses suffered or paid as a result of any and all claims, demands, suits, causes of action, proceedings, judgments and liabilities, including reasonable counsel fees incurred in litigation or otherwise, assessed, incurred or sustained by or against any such Party that may result from personal injury, death or property damage suffered by a third Party with respect to or arising out of any act, or failure to act, related to this Agreement, by the indemnifying Party, its affiliates, employees, contractors, agents, representatives, successors or assigns, except to the extent caused by the gross negligence or willful misconduct of the indemnified Party, its affiliates, employees, contractors, agents, representatives, successors or assigns.

(B) In the event the FESA is modified, revised, amended or terminated such that EEM can no longer perform under the terms of this Agreement, RCP shall indemnify Seller, from and against any and all claims, demands, suits, actions, liabilities, losses, damages, judgements and/or other legal or other expenses which may arise from or in connection with the performance or non-performance of their obligations hereunder.

17.6 Notices and Legal Defense. Promptly after receipt by a Party of any claim or Notice of the commencement of any action, administrative or legal proceeding, or investigation as to which the indemnity provided for in Article 17.5 of this Agreement may apply, the indemnified Party shall notify the indemnifying Party in writing of such fact. The indemnifying Party shall assume the defense thereof with counsel designated by such Party; provided, however, that if the defendants in any such action include both the indemnified Party and the indemnifying Party and the indemnified Party shall have reasonably concluded that there may be legal defenses available to it which are different from or additional to, or inconsistent with, those available to the indemnifying Party, the indemnified Party shall have the right to select separate counsel to participate in the defense of such action on behalf of such indemnified Party, at the indemnifying Party's expense.

17.7 Failure to Defend Action. Should a Party be entitled to indemnification under Article 17.5 of this Agreement as a result of a claim by a third Party, and the indemnifying Party fails to assume the defense of such claim, the indemnified Party will, at the expense of the indemnifying Party, contest (or, with the prior written consent of such indemnifying Party, settle) such claim, provided that no such contest need be made and settlement or full payment of any such claim may be made without consent of the indemnifying Party (with such indemnifying Party remaining obligated to indemnify the indemnified Party under Article 18.3 of this Agreement) if, in the written opinion of the indemnified Party's counsel, such claim is meritorious.

17.8 Indemnification Amount. In the event that a Party is obligated to indemnify and hold the other Party and its successors and assigns harmless under Article 17.5 of this Agreement, the amount owing to the indemnified Party will be the amount of such Party's actual out-of-pocket expenses net of any insurance or other recovery.

ARTICLE 18
EVENTS OF DEFAULT; RIGHT TO CURE; REMEDIES

18.1 Events of Default. Except as otherwise provided for in this Agreement, an event of default by a Party ("Event of Default") shall have occurred if such Party fails to perform any material obligations imposed upon it under this Agreement (except where such failure shall be excused under other provisions of this Agreement). If a Party's Event of Default occurs under this Agreement then the Party not in default may (without waiving any other remedy for breach thereof) provide Notice to the Party in default and, in the case of a EEM's Event of Default, Lender, stating specifically the nature of the Event of Default and declaring it to be the intention of the Party giving such Notice to terminate this Agreement if the Event of Default is not cured as provided in this Agreement. Event of Default under this Agreement will include but not be limited to the following:

(A) Failure of Seller to provide to EEM the DCQ which Seller is obligated to supply under the Agreement;

(B) Failure of EEM to take and purchase the DCQ which EEM is obligated to purchase under the Agreement;

(C) Subject to Article 12 of this Agreement, failure of EEM or Seller to timely pay any amounts due under this Agreement;

(D) A transfer of the Facility to a third party in violation of Article 19 of this Agreement;

(E) EEM, RCP or Seller generally fail to pay, or admit in writing its inability to pay, its debts as they become due, or shall voluntarily commence any case or proceeding or file any petition under any bankruptcy, insolvency, or similar law seeking dissolution, liquidation, or reorganization or the appointment of a receiver, trustee, custodian, or liquidator for itself or a substantial portion of its property, assets, or business, or to effect a plan or other arrangement with its creditors, or shall file any answer admitting the jurisdiction of the court and the material allegations of any involuntary petition filed against it in any bankruptcy, insolvency, or similar case or proceeding, or shall be adjudicated bankrupt, or shall make a general assignment for the benefit of creditors, or shall consent to, or acquiesce in the appointment of, a receiver, trustee, custodian or liquidator for itself or a substantial portion of its property, assets, or business, or corporate action shall be taken by EEM, RCP or Seller for the purpose of effectuating any of the foregoing; or involuntary proceedings or any involuntary petition shall be commenced or filed against EEM, RCP or Seller under any bankruptcy, insolvency, or similar law seeking the dissolution, liquidation, or reorganization of EEM, RCP or Seller, or the appointment of a receiver, trustee, custodian, or liquidator for EEM, RCP or Seller, or substantial part of the property, assets, or business of EEM, RCP or Seller, or any writ, judgement, warrant of attachment, execution, or similar process shall be issued or levied against a substantial part of the property, assets, or business of EEM, RCP or Seller; and

(F) EEM, RCP or Seller breaching any of the representations and warranties (when made) or covenants made in the Agreement in any material respect.

18.2 Suspension and Termination.

(A) Suspension of Gas Deliveries Due to EEM's Failure to Pay. If EEM fails to make a payment on the Due Date, then Seller may give EEM written notice of its intent to suspend deliveries of Gas hereunder if the payment is not paid within five (5) Business Days after the date of EEM's receipt of such notice. If EEM fails to make the payment owed within such five (5) Business Days, Seller may suspend deliveries of Gas hereunder until such time as EEM makes the payment owed, plus interest owed hereunder. If EEM makes such payment within such five (5) Business Days, then Seller shall not suspend deliveries of Gas hereunder.

(B) Termination. Except as otherwise provided in this Agreement, if the Party in default, or Lender (in case of RCP's Event of Default), does not remedy and remove the cause or causes stated in such Notice within one hundred twenty (120) Days after the Notice has been given, or does not indemnify the Party not in default, then this Agreement shall, at the option of the Party not in default, be terminated and be of no further force or effect from and after the expiration of said one hundred twenty (120) Day period, at the option of the Party not in default. Notwithstanding the foregoing, the non-defaulting Party shall have the right to pursue any other remedy available to it and existing at law or in equity (except to the extent such remedy is precluded by Article 17 of this Agreement).

18.3 Expiration of Obligations. At the expiration of the Term, or if this Agreement terminates as provided for elsewhere in this Agreement, this Agreement and each Party's obligation(s) hereunder shall automatically terminate as of the effective date thereof; provided, however, the expiration of this Agreement shall not relieve either Party from any obligation arising under this Agreement to pay any monies due to the other Party which monetary obligation was incurred on or prior to the date of expiration or termination of this Agreement.

18.4 Procedure and Penalty for Certain Events of Default.

(A) The Parties agree that if a Seller's Event of Default occurs which causes EEM not to receive Gas from Seller hereunder, EEM shall use all reasonable efforts to mitigate such loss including the purchasing of Alternate Gas. If on any day Seller fails to deliver the DCQ, Seller shall reimburse EEM to the extent of such deficiency between the DCQ and Seller's actual deliveries for the incremental costs incurred by EEM in procuring the Alternate Gas, as set out more specifically in Articles 10.2 and 10.3. If, however, Seller fails to reimburse EEM for these incremental costs by Seller's Due Date in accordance with Articles 10.2 and 10.3, then, in addition to any other remedies available to EEM under Article 18.2(B), EEM may give a notice to Seller of its intent to declare a default, which notice shall restate the amount of monies due under Articles 10.2 and 10.3 and the amount of additional time (which shall not be less than thirty (30) days) within which Seller must pay the amount outstanding or, if Seller disputes the amount owed under Articles 10.2 and 10.3, pay the undisputed amount, if any, and refer the disputed amount to arbitration pursuant to Article 22.

(B) If, pursuant to the FESA, RCP, acting reasonably (the reasonableness of such action being subject to review by arbitration pursuant to Article 22), Permanently Curtails all or part of its generation of electric energy and such Permanent Curtailment was caused by a Default of Seller and Seller (at the time of such Permanent Curtailment) has not (i) paid the amount owing pursuant to Articles 10.2, 10.3 and 18.4(A) within the time periods set forth in such Articles or (ii) paid the amounts owed pursuant to Articles 10.2, 10.3 and 18.4(A) which are not disputed by Seller and referred the amounts disputed by Seller to arbitration, EEM shall then give Seller ten (10) days' prior written notice of their intention to seek indemnification from Seller for the liquidated damages payable by EEM (pursuant to Paragraph 21.3 of the FESA) to Idaho Power Company and related to a RCP Permanent Curtailment. "Permanent Curtailment" shall have the meaning set forth in Paragraph 21.3 of the FESA. If, within ten (10) days after the date of such notice, payment of the amounts owed under Articles 10.2, 10.3 and 18.4(A) is not made to EEM by Seller or the undisputed amounts, if any, are not paid by Seller and the disputed amounts are not referred to arbitration, then Seller shall so indemnify EEM, but the total amount of such indemnification shall not exceed the amounts calculated pursuant to Paragraph 21.3 (excluding any additional remedies available to Idaho Power Company under the last sentence of Paragraph 21.3 including but not limited to Paragraph 21.6 of the FESA) and Appendix "C" of the FESA and shall be apportioned, by arbitration if necessary, among EEM, RCP, Seller and any other party deemed by the arbitrators to be partially or wholly liable for the occurrence of the Permanent Curtailment. No indemnification for the liquidated damages payable by EEM to Idaho Power Company shall be payable unless the above procedures are followed.

(C) If (i) EEM has used all reasonable efforts to obtain Alternate Gas and is, nevertheless, unsuccessful in obtaining all the Alternate Gas required by the Facility and (ii) Seller has available to it the quantity and quality of Gas required by the Facility for which EEM was unable to obtain Alternate Gas, then EEM shall be entitled to injunctive relief to prevent Seller's delivery or sale of such Gas to any third party and to compel Seller's specific performance of its delivery of the quantity and quality of Gas so required by the Facility, subject to any regulatory restrictions or approvals required by law.

(D) If (i) Seller, pursuant to Article 18.4(B), has indemnified EEM for any amount of liquidated damages payable by EEM to Idaho Power Company related to a RCP Permanent Curtailment, (ii) EEM, pursuant to Paragraph 21.7 of the FESA, receives a refund of all or a portion of such liquidated damages from Idaho Power Company, and (iii) EEM obtains such a refund, in whole or in part, because either (x) Seller has resumed delivery and sale of Gas hereunder to EEM or (y) Seller has not resumed deliveries of Gas but has paid the incremental costs reasonably incurred by EEM to obtain the alternate fuel required to resume operation of the Facility, then EEM and RCP shall refund a proportionate amount of such refund to Seller based on the relationship of Seller's indemnification amount, the amount indemnified by any third party, and the total liquidated damages paid by EEM and RCP to Idaho Power Company as compared to the total amount of such liquidated damages refunded to EEM and RCP. Copies of Paragraphs 21.3, 21.6 and 21.7, and Appendix C, from the FESA, as well as an example of the calculation of the liquidated damages under Paragraph 21.3 and Appendix C are attached hereto as Exhibit D.

(E) If the closing of construction financing occurs, but the Lender providing construction financing for the Facility determines, at any time during the construction of the Facility, that the Facility will not commence commercial operation by the Operation Date, then RCP shall pay Seller liquidated damages in the amount set forth below for the Month in which the Lender so notifies Seller; provided, however, that in the event construction financing closing does not occur on or before December 31, 1995, the Parties may mutually agree to extend the period for closing such financing, but the dates and amounts set forth below shall remain the same. In order to secure RCP's performance of its obligation to pay liquidated damages to Seller under this Article 18.4(E), the Lender shall provide, at the closing of construction financing, a letter of credit for \$200,000 payable to Seller, but only for the amounts and at the times specified in this Article 18.4(E).

December, 1995	\$ 25,000
January, 1996	\$ 35,000
February, 1996	\$ 45,000
March, 1996	\$ 55,000
April, 1996	\$ 65,000
May, 1996	\$ 75,000
June, 1996	\$ 85,000
July, 1996	\$ 95,000
August, 1996	\$105,000
September, 1996	\$115,000
October, 1996	\$125,000
November, 1996	\$140,000
December, 1996	\$155,000
January, 1997	\$170,000
February, 1997	\$185,000
March, 1997	\$200,000

(F) To the extent that the Facility is operational, if EEM fails to purchase all of its requirements to satisfy RCP's Gas requirements from Seller hereunder, then, subject to EEM's rights under Articles 6.1(B), 7.1 and 10.2 of this Agreement, Seller shall be entitled to injunctive relief to prevent EEM's acceptance or purchase of Gas from any third party and to compel EEM's specific performance of its purchase of the quantity and quality of Gas required by RCP's Facility in accordance with Article 6.2 of this Agreement, subject to any regulatory restrictions or approvals required by law.

(G) If a EEM's Event of Default occurs under this Agreement as a result of any buy-out or buy-down of the FESA by Idaho Power Company, then Seller's right to any of the funds obtained by EEM as a result of such a buy-out or buy-down shall be mutually agreed by EEM and the Seller, provided, that if no agreement is reached between the EEM and the Seller, then the issue shall be submitted to arbitration under Article 22 of this Agreement.

ARTICLE 19
ASSIGNMENT

19.1 Assignment - Generally. This Agreement shall inure to and be binding upon the successors and assigns of the Parties hereto. This Agreement may not be assigned by any Party without the prior written consent of the other Parties, which consent shall not be unreasonably withheld or delayed, and the written agreement of the assignee whereby such assignee expressly assumes and agrees to perform each and every obligation of such assigning Party under this Agreement. A Party may not assign, or grant a security interest in, its rights to receive payments under this Agreement to any other entity without the prior written consent of the other Party, which consent shall not be unreasonably withheld or delayed. Any assignment in violation hereof shall be null and void, except as provided in Article 19.2.

19.2 Notwithstanding the provisions of Article 19.1, this Agreement may be assigned, or a security interest in this Agreement may be granted, in accordance with the following:

(A) RCP may assign, or grant a security interest in, its interest in this Agreement, without the consent of Seller, to (i) Idaho Power Company under the FESA and (ii) any Lender under any financing or any refinancing extended to RCP in connection with the Facility. Seller shall accept performance from Idaho Power Company or its designee, or the Lender or its designee, or any person acquiring RCP's interest on foreclosure of such security interest or any transfer in lieu thereof.

(B) It is specifically agreed that nothing in this Agreement shall in any way prevent RCP from pledging, mortgaging or assigning its rights hereunder as security for its indebtedness. In connection therewith, Seller will execute an appropriate consent to any such pledge, mortgage or assignment of rights. Any such consent will acknowledge, among other things, that:

(1) this Agreement has been duly authorized and is valid and enforceable against Seller;

(2) this Agreement is in full force and effect;

(3) Seller will not terminate this Agreement without giving Lender and Idaho Power Company the same opportunity to cure a EEM's or RCP's Event of Default as provided to EEM or RCP;

(4) Seller will deliver to Lender and Idaho Power Company a copy of each Notice of default and Notice of termination at the same time that such Notice is delivered to RCP and EEM; and

(5) in the event that Lender exercises its rights under its loan documentation with RCP, or Idaho Power Company exercises its rights under the FESA with EEM

or RCP, Seller will accept performance by Lender or Idaho Power Company, respectively, or any designee, successor or assign thereof.

19.3 Further Assurances.

(A) Seller acknowledges that RCP intends to finance the acquisition, construction and operation of the Facility with funds to be provided, in whole or in part, by Lenders, some or all of which are yet to be identified. Seller agrees to reasonably cooperate with RCP in RCP's efforts to obtain the necessary financing.

(B) Seller agrees to reasonably cooperate with RCP in providing information regarding Seller's ability to perform under this Agreement to any Lender or prospective Lender. Such information shall include, but not be limited to, financial statements, evidence of corporate existence, evidence of incumbency of the person executing this Agreement, and confirmation that Seller's representations and warranties contained in this Agreement remain true and accurate as of the date of the financial closing. Seller also agrees to execute any consent to the collateral assignment of this Agreement to any such Lender and to deliver to such Lender an opinion of counsel as to the enforceability of this Agreement, Seller's authorization to enter into this Agreement, and Seller's lawful existence and good standing.

(C) EEM agrees to deliver to Seller an opinion of counsel as to the enforceability of this Agreement, EEM's authorization to enter into this Agreement, and EEM's lawful existence and good standing. EEM shall also provide confirmation that EEM's representations and warranties contained in this Agreement remain true and accurate as of the date of the financial closing.

ARTICLE 20
NOTICES AND ADDRESSES

20.1 Except as otherwise provided, every Notice, communication, invoice or nomination provided for in this Agreement shall be in writing directed to the Party to whom given, make or delivered at such Party's address as provided for below.

20.2 As of the effective date of this Agreement, in addition to other information to be provided under this Agreement, RCP agrees to provide Seller with monthly status reports on the Financing, development, permitting and construction of its Facility, and the anticipated Operation Date.

20.3 Any Notice, request, nomination, demand, statement or payment for in this Agreement shall be sent to the Parties hereto at the following addresses:

EEM:

Eastern Energy Marketing, Inc.
2900 Eisenhower Ave., Suite 300
Alexandria VA 22314

Billings to: Attention: Gas Accounting
Telephone: (703) 317-2300
Facsimile: (703) 317-2204

Payment by Wire Transfer to:

PNC BANK, N.A.
ABA # 043-000-096
Acct. # 2451315

Twenty-four Hour Dispatch Contact:

During Business Hours:
After Business Hours:
Telephone:
Facsimile:

RCP:

Rupert Management, Inc.
71 Allen Street, Bldg. A
Rutland, VT 05701

Attention: General Manager
Telephone: 802-747-5481
Facsimile: 802-747-5478

And to:

Eastern Power Corporation
2900 Eisenhower Ave., Suite 300
Alexandria VA 22314

Attention: Mark L. Eisenhower
Telephone: 703-317-2331
Facsimile: 703-317-2203

Twenty-four Hour Dispatch Contact:

During Business Hours:
After Business Hours:
Telephone:
Facsimile:

Payment, Wire Transfer:

LENDER:

Toronto Dominion Bank
USA Division
31 West 52nd Street
New York, N.Y. 10019

Attention: Linda A. Lavin
Telephone: 212-468-0779
Facsimile: 212-262-1929

IDAHO POWER

Idaho Power Company
1221 West Idaho Street
Boise, Idaho 83707

Attention: John Ferree
Telephone: 208-388-2427
Facsimile: 208-388-6905

SELLER:

Talisman Energy Inc.
Suite 2400, 855 - 2nd Street S.W.
Calgary, Alberta
T2P 4J9

Attention: Manager - Natural Gas Marketing
Telephone: 403-237-1323
Facsimile: 403-237-1078

Twenty-four Hour Dispatch Contact:

During Business Hours:
After Business Hours:
Telephone:
Facsimile:

Payment, Wire Transfer:

Any notice, claim, request, consent, approval, confirmation, communication, or statement which is required or permitted under this Agreement, shall be in writing, except as otherwise provided, and shall be given or delivered by personal service, telecopy, telegram, overnight delivery service, or by deposit, postage prepaid, by registered United States or Canadian mail addressed to the Party at the address set forth below. Changes in such address shall be made by notice similarly given.

ARTICLE 21
MISCELLANEOUS

21.1 This Agreement shall be governed by the laws of the Province of Alberta without regard to conflict of law principles.

21.2 This Agreement constitutes the entire agreement between the Parties hereto with respect to the matters set forth herein. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original of this Agreement.

21.3 This Agreement is intended as the exclusive integrated statement of the Parties' agreement. Parol or extrinsic evidence shall not be used to vary or contradict the express terms of this Agreement.

21.4 The failure of either Party hereto to exercise any right granted hereunder shall not impair, nor be deemed as a waiver of, such Party's privilege of exercising such right at any subsequent time or times.

21.5 All headings appearing herein are for convenience only, and shall not be considered a part of this Agreement for any purpose or as in any way interpreting, construing, varying, altering or modifying this Agreement or any of the provisions hereof.

21.6 No modification or amendment to this Agreement shall be effective, unless such modification or amendment is in writing and signed by both Parties.

21.7 Confidentiality. The substantive terms of this Agreement and information disclosed pursuant to this Agreement, including but not limited to the price paid for Gas, shall be kept confidential by Seller, EEM and RCP; provided, however, that disclosure by a Party is permitted in the event and to the extent that: i) such Party is required by a court or governmental agency exercising jurisdiction over the subject matter hereof, by order or by regulation, to make such a disclosure; ii) to the extent such information is in the public domain other than through breach of the provisions of this Article 21.7; and iii) disclosure is required in the course of routine audit procedures. Provided that it first secures from such persons an agreement to preserve the confidentiality hereof, RCP also may disclose the contents hereof to Idaho Power Company or the Lender (or their attorneys, consultants and agents) to the extent required by RCP's contracts with such persons or as necessary for RCP to obtain financing from such Lenders. The Parties may disclose the contents hereof to its attorneys, consultants or agents, provided that it secures from such persons an agreement to preserve the confidentiality hereof.

21.8 RCP and Seller agree to terminate the Gas Sales Agreement For A Power Generation Project dated October 20, 1995, effective with the execution of this Agreement.

ARTICLE 22

DISPUTE RESOLUTION AND ARBITRATION

The Parties shall attempt in good faith to resolve or cure all disputes arising under or related to this Agreement by mutual agreement in accordance with this Article 22 before initiating any arbitration action (regardless of whether this Article 22 is referenced in the provision of this Agreement which is the basis for any such dispute). Any Party wishing to resolve or cure a dispute shall give Notice to the other Party. Within five (5) days after delivery of such Notice, the designated representatives of the Parties shall meet to discuss and to attempt to resolve or cure such dispute. If they are unable to do so within fifteen (15) Days after the delivery of such Notice, the matter shall be referred to a senior officer of each Party. If such senior officers are unable to agree on an appropriate cure or resolution within a ten (10) Day period, the matter shall be referred to an arbitration panel of three (3) persons having knowledge and experience in connection with similar Gas supply agreements for resolution. The panel shall be selected within thirty (30) Days after delivery of the Notice of the dispute, except if the dispute concerns a failure to pay as set forth in Article 12 of this Agreement, in which case the panel shall be selected within fifteen (15) Days after delivery of the Notice of the dispute, and shall be comprised of one (1) member selected by EEM and RCP, one (1) selected by Seller and one (1) jointly selected by the two arbitrators selected by EEM, RCP and Seller. Any arbitration proceeding shall be conducted in Calgary, Alberta, and in accordance with procedures established by the Arbitration Act (Alberta). The decision of the arbitrators shall be issued within sixty (60) Days after the commencement of the proceeding, except if the dispute concerns a failure to pay as set forth in Articles 10.3 or 12 of this Agreement, in which case the decision shall be issued within thirty (30) Days and shall be binding on the Parties, subject

to any necessary regulatory approvals. The Parties agree that the arbitration award may be enforced by the courts located in any jurisdiction in the United States or Canada with competent jurisdiction.

IN WITNESS WHEREOF, the Parties hereto, intending to be legally bound thereby, have caused this Agreement to be duly executed in duplicate (by their respective duly authorized corporate officers) effective as of the day and year first above written.

Rupert Cogeneration Partners, Ltd.
by Rupert Management, Inc. as General Partner

By: Mark L. Eisenhower
Name: ~~4/27/95~~ MARK L. EISENHOWER
Date: 12/21/95

Tallman Energy Inc.

By: [Signature]
Name: S. E. Hoalser VICE PRESIDENT MARKETING
Date: _____

Eastern Energy Marketing, Inc.

By: John A. Herbert
Name: John A. Herbert
Date: 12/21/95

jsd

EXHIBIT A

PIPELINE COMPANIES: Westcoast Energy Inc. and Northwest Pipeline Corporation

DELIVERY POINT: Interconnection of Westcoast's and NWP's pipeline facilities at Sumas, Washington.

Description of Delivery Point (Meter Number):

EXHIBIT B

Example of Calculation under Article 9.1(B):

If the quantity of Gas EEM purchases on any Day is less than the DCQ and the Sales Price is less than the Purchase Price, then EEM shall be liable for and shall pay to Seller an amount equal to the sum of the product of (i) the difference between the Purchase Price and the Sales Price the Seller receives, multiplied by (ii) the difference between the DCQ and the quantities of Gas actually taken by EEM for each such Day. EEM shall also pay a fee of \$0.05 per MMBtu for quantities of Gas less than the DCQ taken on any Day. An example of the calculation of this amount for a hypothetical Day is set forth below:

Assumptions:

Purchase Price = \$1.675 per MMBtu

Sales Price = \$1.605 per MMBtu

DCQ (Fixed Component) = 1,853 MMBtu per day

Proportionate quantity of the Fixed Component actually taken = 1,500 MMBtu per day

Calculation of Penalty for that Day:

Penalty = $(\$1.675 - \$1.605) \times (1,853 \text{ MMBtu/day} - 1,500 \text{ MMBtu/day}) + \$0.05 \times (1,853 \text{ MMBtu/day} - 1,500 \text{ MMBtu/day})$

= $\$0.07 \times 353 \text{ MMBtu/day} + \$0.05 \times 353 \text{ MMBtu/day}$

= \$42.36

EXHIBIT C

Example of Calculation of Purchase Price under Article 11.1:

EXHIBIT D

Copies of Paragraphs 21.3, 21.6 and 21.7 of the FESA, Appendix C to the FESA, and an Example Calculation of the Liquidated Damages under Appendix C to the FESA, are attached hereto.

The example of the calculation of the liquidated Damages payable under Paragraph 21.3 and Appendix C of the FESA is also labeled as Appendix C but has an additional column labeled "Total Liquidated Damages Based on Full Permanent Curtailment". The calculation of liquidated damages in this example is based on a total curtailment of electric generation at the ten (10) MW (megawatt) Facility and assumes that the Facility was operating at a 95% level of availability, resulting in the annual generation of 82,750 MWh (megawatt hours).

Exhibit "C"

Example Calculation of Contract Price

Example Calculation of "NYMEX Futures Gas Strip"

Forward Twelve Month Strip	Date																								
First of 30 Business Days	1.783	JAN6	1.936	FEB6	1.864	MAR6	1.786	APR6	1.712	MAY6	1.712	JUN6	1.713	JUL6	1.715	AUG6	1.717	SEP6	1.721	OCT6	1.744	NOV6	1.875	DEC6	1.878
Second of 30 Business Days	1.773	1.931	1.856	1.776	1.702	1.702	1.704	1.707	1.711	1.713	1.716	1.716	1.720	1.725	1.745	1.875	1.868	1.877							
Third of 30 Business Days	1.783	1.930	1.860	1.783	1.711	1.711	1.713	1.716	1.720	1.725	1.745	1.875	1.877												
Fourth of 30 Business Days	1.793	1.929	1.862	1.792	1.722	1.722	1.725	1.730	1.737	1.741	1.758	1.875	1.890												
NYMEX Futures Gas Strip	1.781 = Average of 30 Forward Twelve Month Strips																								

Example Calculation of "Basis Differential"

	Investment Grade Financial Institution # 1			Investment Grade Financial Institution # 1			Investment Grade Financial Institution # 1		
	Bid	Offer	Average	Bid	Offer	Average	Bid	Offer	Average
First of 30 Business Days	-0.350	-0.380	-0.365	-0.360	-0.390	-0.375	-0.350	-0.380	-0.365
Second of 30 Business Days	-0.360	-0.370	-0.365	-0.400	-0.410	-0.405	-0.360	-0.370	-0.365
Third of 30 Business Days	-0.340	-0.360	-0.350	-0.340	-0.360	-0.350	-0.340	-0.360	-0.350
Fourth of 30 Business Days	-0.370	-0.390	-0.380	-0.370	-0.390	-0.380	-0.370	-0.390	-0.380
30 Day Average			-0.365			-0.378			-0.365

Basis Differential = -0.369 = Average of each Financial Institutions 30 Day Average

Contract Price = 1.781 + (0.369) = 1.412

21.3 Seller Permanent Curtailment - If, at any time prior to the end of the term of the Agreement, Seller permanently curtails in whole or in part its deliveries of the Annual Net Firm Energy amount specified in paragraph 6.3, Seller shall pay to Idaho Power, as reasonable liquidated damages arising out of this permanent curtailment of Annual Net Firm Energy deliveries, the appropriate lump sum repayment amount specified in Appendix C, multiplied by the difference in megawatt-hours between the Annual Net Firm Energy amount specified in paragraph 6.3 and the reduced Annual Net

Firm Energy amount after the permanent curtailment. The lump sum repayment amount will bear interest from sixty (60) days after Idaho Power gives or receives notice of Seller's permanent reduction of the Annual Net Firm Energy amount, until paid, at a rate equal to interest rates specified in Idaho Code §28-22-104(2) or its successor Idaho Code provision in effect during each month of that period. For purposes of this paragraph, Idaho Power's voluntary termination in accordance with paragraph 5.2.2 shall not be considered a permanent curtailment. The Parties further agree that this paragraph does not constitute a waiver by Idaho Power of its right to pursue its remedies under paragraph 21.6 or by either Party of their right to an award of pre and post judgement interest, costs and attorneys fees as permitted by law in any litigation arising out of this Agreement.

21.6 Equitable Remedies - If as described in paragraph 21.3, Seller permanently curtails all or part of its deliveries of Net Firm Energy to Idaho Power; and (1) within three (3) years after said curtailment Seller or its successors or assigns sells or delivers or attempts to sell or deliver said curtailed capacity or energy to any entity other than Idaho Power without Idaho Power's prior written consent, such sale or delivery or attempted sale or delivery shall be a breach of this Agreement; or (2) if, within three (3) years after such permanent curtailment Seller or its successors or assigns attempts to require Idaho Power to purchase said permanently curtailed Net Firm Energy at a rate that exceeds the rates contained in this Agreement, such attempt will be a breach of this Agreement. The remedy at law for the above described breaches shall be inadequate and Idaho Power shall be entitled to injunctive relief and specific performance of this Agreement. The provisions of this paragraph 21.6 shall survive any termination of this Agreement (other than an optional termination under paragraph 5.2) for the periods provided for in this paragraph.

21.7 Refund of Lump Sum Repayment - If Seller has made a lump sum repayment as required by paragraph 21.3; and

- (1) Within three (3) years of said payment Seller becomes capable of resuming production of the curtailed Net Firm Energy and offers to resume sales to Idaho Power at the rates, terms and conditions contained in this Agreement for the number of Contract Years that were remaining under this Agreement at the time of the permanent curtailment; then
- (2) Idaho Power will resume its purchases from the Facility and will refund a portion of the lump sum repayment amount as follows:
 - (a) If sales resume within one (1) year of the payment of the lump sum repayment amount, Idaho Power will refund 90% of the lump sum repayment amount;
 - (b) If sales resume within two (2) years of the payment of the lump sum repayment amount, Idaho Power will refund 85% of the lump sum repayment amount;
 - (c) If sales resume within three (3) years of the payment of the lump sum repayment amount, Idaho Power will refund 85% of the lump sum repayment amount.

APPENDIX C

LUMP SUM REFUND PAYMENT FOR PERMANENT CURTAILMENT
OF PORTION OR ALL OF ANNUAL NET ENERGY AMOUNT
UNDER 20-YEAR CONTRACT

Contract Year of Curtailment Commencement	Dollars Per Annual Megawatt Hour
1	32
2	46
3	59
4	72
5	85
6	96
7	107
8	116
9	124
10	130
11	134
12	135
13	134
14	130
15	121
16	109
17	91
18	68
19	38
20	19

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

1996 MAR 27 A 11:43

REC'D DOE/FE

EASTERN ENERGY MARKETING, INC.

FE DOCKET NO. 96-03-NG

ORDER GRANTING LONG-TERM AUTHORIZATION
TO IMPORT NATURAL GAS FROM CANADA

DOE/FE ORDER NO. 1152

MARCH 27, 1996

I. DESCRIPTION OF REQUEST

On February 7, 1996, Eastern Energy Marketing, Inc. (Eastern Energy) filed an application with the Office of Fossil Energy (FE) of the Department of Energy (DOE), under section 3 of the Natural Gas Act ^{1/} and DOE Delegation Order Nos. 0204-111 and 0204-127, for authorization to import up to 2,826 MMBtu^{2/} per day of Canadian natural gas over a twenty-year term in accordance with a Gas Sales Agreement (Agreement) with Talisman Energy Inc. (Talisman) and Rupert Cogeneration Partners, Ltd. (RCP), dated December 21, 1995. Under the Agreement, Eastern Energy will purchase and import the gas for resale to RCP for use in RCP's proposed gas-fired cogeneration facility located near Rupert, Idaho. The facility will have a generating capacity of 10 megawatts and will sell its electrical output to Idaho Power Company and its steam to Magic Valley Foods, Inc. Eastern Energy, a marketer of natural gas and the gas marketing subsidiary of The Eastern Group, Inc., is a Virginia corporation with its principal place of business in Alexandria, Virginia.

Delivery to Eastern Energy would take place at an interconnection between the facilities of Westcoast Energy Inc. and Northwest PipeLine Corporation at the international border

1. 15 U.S.C. § 717b.

2. This is an amount approximately equivalent to 2,826 Mcf.

near Sumas, Washington. The pricing provisions in the Agreement with Talisman specifically divide the daily contract quantity into a "market" component and a "fixed" component. The market component is tied to Inside FERC's Gas Market Report. The fixed component is set for the first year of the Agreement and increases by an agreed-to escalator for the next four years. In contract years 6-15, the fixed component is tied to the NYMEX Futures Gas Strip and a Basis Differential and is redetermined annually.

II. FINDING

The application filed by Eastern Energy has been evaluated to determine if the proposed import arrangement meets the public interest requirement of section 3 of the NGA, as amended by section 201 of the Energy Policy Act of 1992 (Pub. L. 102-486). Under section 3(c), the import of natural gas from a nation with which there is in effect a free trade agreement requiring national treatment for trade in natural gas is deemed to be consistent with the public interest and must be granted without modification or delay. The authorization sought by Eastern Energy to import natural gas from Canada, a nation with which a free trade agreement is in effect, meets the section 3(c) criterion and, therefore, is consistent with the public interest.

ORDER

Pursuant to section 3 of the Natural Gas Act, it is ordered that:

A. Eastern Energy Marketing, Inc. (Eastern Energy) is authorized to import up to 2,826 Mcf per day of natural gas over a twenty-year term beginning on the date of first delivery, consistent with the terms and conditions of its gas sales agreement with Talisman Energy Inc. (Talisman), dated December 21, 1995. This natural gas may be imported at the point of interconnection between the pipeline facilities of Westcoast Energy, Inc. and Northwest Pipeline Corporation which are located at the United States and Canada international border near Sumas, Washington.

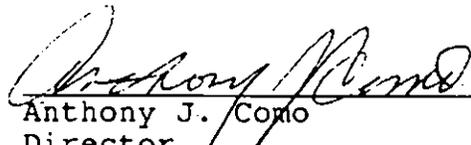
B. Within two weeks after deliveries begin, Eastern Energy shall provide written notification to the Office of Fuels Programs, Fossil Energy, Room 3F-056, FE-50, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, of the date that the first delivery of natural gas authorized in Ordering Paragraph A above occurred.

C. With respect to the natural gas imports authorized by this Order, Eastern Energy shall file with the Office of Fuels Programs, within 30 days following each calendar quarter, quarterly reports indicating whether imports of

natural gas have been made. Quarterly reports must be filed whether or not initial deliveries have begun. If no imports have been made, a report of "no activity" for that calendar quarter must be filed. If imports have occurred, Eastern Energy must report monthly total volumes in Mcf and the average purchase price per MMBtu at the international border, and paid to Talisman.

D. The first quarterly report required by Ordering Paragraph C of this Order is due not later than thirty days after the calendar quarter in which the first import takes place and should cover the period from the date of the first import until the end of the calendar quarter in which the first import takes place.

Issued in Washington, D.C., on March 27, 1996.



Anthony J. Como
Director
Office of Coal & Electricity
Office of Fuels Programs
Office of Fossil Energy

UNITED STATES OF AMERICA

[6450-01-P]

DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

EASTERN ENERGY MARKETING, INC.)	FE DOCKET NOS.	96-02-NG
EASTERN ENERGY MARKETING, INC.)		96-03-NG ✓
NORSTAR ENERGY MARKETING, INC.)		96-13-NG
MURPHY GAS GATHERING COMPANY)		96-12-NG
PROGAS U.S.A., INC.)		96-10-NG
WESTCOAST GAS SERVICES (U.S.A.) INC.))		96-14-NG

ORDERS GRANTING AUTHORIZATION
TO IMPORT AND/OR EXPORT NATURAL GAS

AGENCY: Office of Fossil Energy, DOE.

ACTION: Notice of Orders.

SUMMARY: The Office of Fossil Energy of the Department of Energy gives notice that it has issued Orders authorizing various imports and/or exports of natural gas. These Orders are summarized in the attached Appendix.

These Orders are available for inspection and copying in the Office of Fuels Programs Docket Room, 3-F056, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, (202) 586-9478. The Docket Room is open between the hours of 8:00 a.m. and 4:30 p.m., Monday through Friday, except Federal holidays.

Issued in Washington, D.C., on April 25, 1996.


Clifford P. Tomaszewski
Director, Office of Natural Gas
Office of Fuels Programs
Office of Fossil Energy

APPENDIX

IMPORT/EXPORT AUTHORIZATIONS GRANTED

DOE/FE
Authority

Order No.	Date Issued	Importer/Exporter FE Docket No.	Import Volume	Export Volume	Comments
1151	03/27/96	Eastern Energy Marketing, (96-2-NG)	2,677 Mcf/day		Long-term for 20 years from Canada
1152	03/27/96	Eastern Energy Marketing, Inc. (96-3-NG)	2,826 Mcf/day		Long-term for 20 years from Canada
1153	03/27/96	Norstar Energy Limited Partnership (96-13-NG)	73 Bcf/2-year term	73 Bcf/2-year term	Short-term for 2 years from and to Canada
1154	03/27/96	Murphy Gas Gathering Company (96-12-NG)	73 Bcf/2-year term		Short-term for 2 years from and to Canada
1156	03/29/96	ProGas U.S.A., Inc. (96-10-NG)	15,000 Mcf/day		Long-term ending 10/31/2000, from Canada
1157	04/03/96	Westcoast Gas Services (96-14-NG)	1,000 Bcf/2-year term	1,000 Bcf/2-year term	Short-term for 2 years, from and to Canada

ORIGINAL

JOHN, HENGERER & ESPOSITO

A LAW PARTNERSHIP
1200 17TH STREET, N.W.
SUITE 600
WASHINGTON, D.C. 20036-3006

February 5, 1997

DOUGLAS F. JOHN
EDWARD W. HENGERER
PETER G. ESPOSITO
KEVIN M. SWEENEY
KIM M. CLARK
GORDON J. SMITH
DANIEL A. KING
SARAH E. TOMALTY
GREGORY K. LAWRENCE
SHELBY L. PROVENCER

TELEPHONE
202/429-8816

TELECOPIER
202/429-8805

Via Hand-Delivery

Office of Natural Gas & Petroleum Import and Export Activities, Fossil Energy
United States Department of Energy
Room 3F-056, FE-50
Forrestal Building
1000 Independence Avenue, S.W.
Washington, D.C. 20585
Attn: Larine Moore

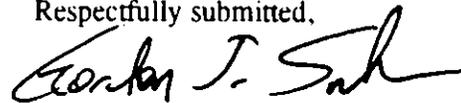
Re: Eastern Energy Marketing, Inc, Notice of Commencement of Deliveries, Docket Nos. FE96-02-NG and FE96-03-NG

Dear Ms. Moore:

Eastern Energy Marketing, Inc. (Eastern) hereby notifies the Office of Natural Gas & Petroleum Import and Export Activities of the initiation of imports under the above-referenced long-term Blanket Authorizations. Under its Docket No. FE96-02-NG Authorization,¹ Eastern began flowing gas on November 8, 1996, and under its Docket No. FE96-03-NG Authorization,² Eastern began flowing gas on November 5, 1996.

This notification is untimely due to an administrative oversight, and I apologize for any inconvenience caused by this filing delay. Please don't hesitate to call me if you have any questions.

Respectfully submitted,



Gordon J. Smith, Esq.

Counsel for Eastern Energy Marketing, Inc.

F:\WORD\316\PLEADING\FE96-03.L1

¹ See Order No. 1151, *Order Granting Long-Term Authorization to Import Natural Gas from Canada* (issued March 27, 1996).

² See Order No. 1152, *Order Granting Long-Term Authorization to Import Natural Gas from Canada* (issued March 27, 1996).



REC'D DOE/FE
1998 OCT 27 A 7:21

STATOIL ENERGY, Inc.
2800 Eisenhower Avenue
Alexandria, Virginia 22314
(703) 317-2300

October 20, 1998

Office of Natural Gas & Petroleum Import and Export Activities, Fossil Activities
United States Department of Energy
Room 3F-056, FE-50
Forrestal Building
1000 Independence Avenue, S.W.
Washington, D.C. 20585
ATTN: Ms. Allyson Riley

Dear Ms. Riley:

RE: Eastern Energy Marketing, Inc., Docket Nos. FE96-02-NG and FE96-03-NG

The purpose of this letter is to inform you that Eastern Energy Marketing has changed its name to Statoil Energy Services, Inc., effective May 20, 1998. This change will impact the above-referenced long-term Blanket Authorizations.

I am enclosing a check in the amount of \$100 to cover the \$50 fee required under each of the Blanket Authorizations.

Thank you for your assistance in this matter.

Very truly yours,

Martha A. Duggan
Director of Regulatory Affairs

Enclosure

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

REC'D DOE/FE
MAY 29 1996 P 1:26

STATOIL ENERGY, INC.)
(Formerly Eastern Energy)
Marketing, Inc.))
_____)

FE DOCKET NO. 96-03-NG

ORDER AMENDING LONG-TERM AUTHORIZATION
TO IMPORT NATURAL GAS

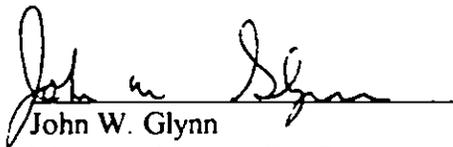
DOE/FE ORDER NO. 1152-A

On March 27, 1996, the Department of Energy (DOE) granted long-term authorization to Eastern Energy Marketing, Inc. (Eastern) in DOE/FE Order No. 1152 (Order 1152)^{1/} to import up to 2,826 MMBtu per day of natural gas over a twenty-year term beginning on the date of first delivery, consistent with its gas sales agreement with Talisman Energy Inc. and Rupert Cogeneration Partners, Ltd. Deliveries of natural gas under this authorization began on November 5, 1996, and will expire on November 4, 2016.

On October 27, 1998, the Office of Fossil Energy of DOE was notified that Eastern's name has been changed to Statoil Energy, Inc. effective May 20, 1998. Accordingly, pursuant to

section 3 of the Natural Gas Act, Order 1152 is amended to substitute Statoil Energy, Inc. as the importer of natural gas. All terms and conditions in Order 1152 remain in full force and effect.

Issued in Washington, D.C. on October 24, 1998.

A handwritten signature in cursive script, appearing to read "John W. Glynn", written over a horizontal line.

John W. Glynn
Manager, Natural Gas Regulation
Office of Natural Gas & Petroleum
Import and Export Activities
Office of Fossil Energy

AMERADA HESS CORPORATION

2800 Eisenhower Avenue, Third Floor
Alexandria, Virginia 22314

May 10, 2000

VIA OVERNIGHT MAIL

Attn: Ms. John Glynn
United States Department of Energy
Office of Fossil Energy
Natural Gas & Petroleum
Import and Export Activities
FE-34, Room 3E-042
1000 Independence Avenue, S.W.
Washington, DC 20585-0350

REC'D ODE/FE
2000 MAY 12 P 12:17

RE: Docket No. FE-96-02-NG, Order No. 1151
Docket No. FE-96-03-NG, Order No. 1152
Docket No. FE-98-95-NG, Order No. 1440

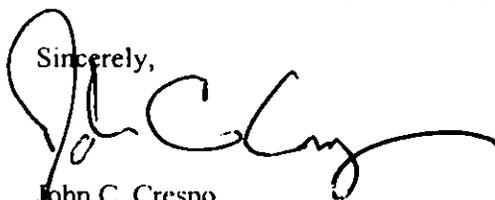
Dear Mr. Glynn:

On March 31, 2000, Amerada Hess Corporation purchased all of the issued and outstanding stock of Statoil Energy Services, Inc. ("SESI"), and changed the name of SESI to Hess Energy Inc. ("HEI") effective as of April 6, 2000. Pursuant to 10 C.F.R. §590.405, the companies hereby respectfully request that the import and/or export authorizations captioned above be transferred from SESI to HEI in order to effectuate the acquisition and change of name of SESI. Attached are a press release describing the transaction and a copy of the documents issued by SESI's state of incorporation approving the name change.

Attached is a check for \$150.00 to cover the total filing fees for effectuating this modification in each of the three captioned dockets.

Please do not hesitate to contact me at 703 317 2321 if you have any questions.

Sincerely,



John C. Crespo
General Attorney

Enclosures

CONTACT:
John Gartman
Senior Vice President, Amerada Hess Corporation
(732) 750-6446

FOR IMMEDIATE RELEASE
April 6, 2000

**Amerada Hess Expands Scale and Scope
of its Energy Marketing Business**

New York, New York . . . April 6, 2000. . . . Amerada Hess Corporation completed its acquisition of Statoil Energy Services, Inc. located in Alexandria, Virginia on March 31. Statoil Energy Services markets natural gas and electricity to industrial and commercial customers primarily in Pennsylvania, Maryland, Virginia, Washington, DC and New York. The transaction significantly expands Hess' customer base and strengthens its position as a leading independent energy marketer in the eastern United States. Hess is increasing its geographic scope, product offerings, and its overall commitment to commercial, industrial, and wholesale customers.

The combination of Statoil and Hess brings together experience in the production and delivery of all major energy commodities – natural gas, fuel oil and electricity – with the full breadth of energy management products and services including Risk and Portfolio Energy Management™.

Hess' commitment to customer service and satisfaction will remain strong as both Hess and former Statoil Energy Services staffs, office locations, and local contacts remain virtually unchanged.

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**COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION**

April 6, 2000

The State Corporation Commission has found the accompanying articles submitted on behalf of HESS ENERGY INC. (formerly STATOIL ENERGY SERVICES, INC.) to comply with the requirements of law, and confirms payment of all related fees.

Therefore, it is ORDERED that this

CERTIFICATE OF AMENDMENT

be issued and admitted to record with the articles of amendment in the Office of the Clerk of the Commission, effective April 6, 2000, at 01:14 PM.

The corporation is granted the authority conferred on it by law in accordance with the articles, subject to the conditions and restrictions imposed by law.

STATE CORPORATION COMMISSION

By



Commissioner

Commonwealth of Virginia



State Corporation Commission

I Certify the Following from the Records of the Commission:

The foregoing is a true copy of the Articles of Amendment of HESS ENERGY INC. issued April 06, 2000.

Nothing more is hereby certified.

*Signed and Sealed at Richmond on this Date:
April 12, 2000*



Joel H. Peck
Joel H. Peck, Clerk of the Commission

ARTICLES OF AMENDMENT
OF
STATOIL ENERGY SERVICES, INC.

ONE

The name of the corporation is STATOIL ENERGY SERVICES, INC.

TWO

The following amendment to the Articles of Incorporation of the Corporation has been adopted:

Paragraph 1 is amended to read as follows:

1. The name of the corporation is HESS ENERGY INC.

THREE

On March 31, 2000, the foregoing amendment (the "Amendment") was adopted by the Corporation's sole shareholder.

FOUR

The Certificate of Amendment shall become effective upon the filing thereof.

Dated this 31st day of March, 2000.

HESS ENERGY INC.
(formerly Statoil Energy Services, Inc.)

By: 
Douglas E. Friedman
Assistant Secretary

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

REC'D DOE/FE
MAY 11 11 4:00

HESS ENERGY INC.)
(Successor to Statoil Energy Services, Inc.))
_____)

FE DOCKET NO. 96-03-NG

ORDER TRANSFERRING LONG TERM AUTHORIZATION
TO IMPORT NATURAL GAS FROM CANADA

DOE/FE ORDER NO. 1152-B

On March 27, 1996, the Department of Energy (DOE) granted long-term authorization to Eastern Energy Marketing, Inc. (Eastern) in DOE/FE Order No. 1152^{1/} (Order 1152) to import up to 2,826 Mcf of natural gas per day from Canada. Order 1152 will expire on November 4, 2016.

On October 29, 1998, DOE amended Order 1152 in DOE/FE Order No. 1152-A^{2/} (Order 1152-A) to substitute Statoil Energy Services, Inc. (SESI) for Eastern as the importer of the authorized volumes in Order 1152.

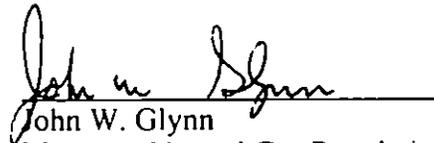
On May 12, 2000, the Office of Fossil Energy of DOE was notified that on March 31, 2000, Amerada Hess Corporation (Amerada) had purchased all of the issued and outstanding stock of SESI and changed the name of SESI to Hess Energy Inc. (HEI) effective as of April 6, 2000. Amerada is requesting that the import authorization issued in Order 1152, as amended by Order 1152-A, be transferred from SESI to HEI.

^{1/} 1 FE ¶ 71,243.

^{2/} 2 FE ¶ 70,250.

Accordingly, pursuant to section 3 of the Natural Gas Act, the import authorization conferred by DOE/FE Order No. 1152, as amended by DOE/FE Order No. 1152-A, is transferred from Statoil Energy Services, Inc. to Hess Energy Inc. All terms and condition in Order 1152 shall remain in full force and effect.

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