

FE DOCKET NO.: 95-104-NG

APPLICANT(S): ENGAGE ENERGY AMERICA L.L.C.

ITEM	PREPARED OR FILED BY	FILING TYPE	DESCRIPTION OF DOCUMENT	DATED	DATE FILED OR ISSUED
1	COASTAL GAS MARKETING COMPANY	APPLICATION	Application for an Order Authorizing Long Term Import of Natural Gas	95-11-01	95-11-01
2	DOE/FE	ORDER	Order 1128--Granting Long-Term Authorization to Import Natural Gas	95-11-14	95-11-14
3	WESTCOAST GAS SERVICES DELAWARE	CORRESPONDENCE	Letter Requesting DOE Transfer Existing Authority to Import Long Term Authorization from Coastal Gas Marketing Co and Engage Energy US, L.P.	00-09-21	00-09-21
4	DOE/FE	ORDER	Order 1128-A Transferring Long-Term Authority to Import Natural Gas from Canada	00-09-29	00-09-29
5	ENGAGE ENERGY AMERICA CORP.	AMENDMENT	Requesting Transfer of Import Authority from Westcoast Gas Services Inc	00-11-09	00-11-09
6	DOE/FE	ORDER	Order 1128-B Transferring Long-Term Authority to Import Natural Gas from Canada	00-11-20	00-11-20
7	ENGAGE ENERGY AMERICA L.L.C.	AMENDMENT	Requesting Transfer of Import Authority from Engage Energy America Corp.	01-04-05	01-04-05
8	DOE/FE	ORDER	Order 1128-C Transferring Long-Term Authority to Import Natural Gas from Canada	01-04-19	01-04-19

95-104-NG



**Coastal**  
The Energy People

November 1, 1995

1995 NOV -1 10 3:37  
PTON NGF/FE

Mr. John Glynn  
U.S. Department of Energy  
Office of Fuels Programs  
Natural Gas Import/Export Authorizations  
1000 Independence Avenue, S.W.  
FE-53, Room 3H-087  
Washington, D.C. 20587

Dear Mr. Glynn:

Pursuant to 10 C.F.R. 590.103(a), enclosed are an original and fifteen (15) copies of the Application of Coastal Gas Marketing Company for an Order Authorizing the Long-Term Importation of Natural Gas from Canada. Also enclosed are three (3) additional copies to be date stamped and returned, and a check in the amount of \$50.00 to cover the filing fee.

Although the commencement date for the requested authorization is April 1, 1996, the corresponding long-term export authorization from Canada's National Energy Board ("NEB") is pending, with the hearing scheduled for November 14, 1995. Given the rigorous review given long-term export applications in Canada today, Coastal Gas Marketing is hoping to have the U.S. permitting process well under way when the hearing begins.

If you have any questions regarding the enclosed application, please contact me at (202) 331-4665.

Sincerely,

Susan W. Ginsberg  
Manager, Regulatory Affairs

Enclosures

**Coastal Gas Marketing Company**

A SUBSIDIARY OF THE COASTAL CORPORATION  
2000 M ST NW • SUITE 300 • WASHINGTON DC 20036 • 202-466-7130

ORIGINAL

UNITED STATES OF AMERICA  
BEFORE THE DEPARTMENT OF ENERGY  
OFFICE OF FUELS PROGRAM  
FOSSIL ENERGY

Coastal Gas Marketing Company )

Docket No. FE95-104 NG

APPLICATION OF COASTAL GAS MARKETING COMPANY  
FOR AN ORDER AUTHORIZING  
THE LONG-TERM IMPORTATION  
OF NATURAL GAS FROM CANADA

Pursuant to Section 3 of the Natural Gas Act (15 U.S.C. & 717b), as amended by Section 201 of the Energy Policy Act of 1992 (P.L. 102-486), and the rules and procedures of 10 C.F.R. Part 590, Coastal Gas Marketing Company ("CGM", or "Applicant") submits this application for an order authorizing CGM to import natural gas from Canada for its overall supply pool to supply markets in the U.S. Northeast. CGM requests that this authorization be granted for a term of ten years and seven months, commencing April 1, 1996. In support hereof, CGM submits the following:

I.

The exact legal name of Applicant is Coastal Gas Marketing Company. CGM is a corporation organized and existing under the laws of the State of Delaware, and has its principal place of business at 9 Greenway Plaza, Houston, Texas 77046. CGM is engaged in the business of buying and selling natural gas.

II.

All communications concerning this Application should be addressed to:

W.O. Strong III, Esquire  
Coastal Gas Marketing Company  
9 Greenway Plaza  
Houston, Texas 77046-0995

Attorney for Coastal Gas  
Marketing Company

Tel: (713) 877-1400  
Fax: (713) 877-6714

Susan W. Ginsberg  
Manager, Regulatory Affairs  
Coastal Gas Marketing Company  
2000 M Street, N.W.  
Suite 300  
Washington, D.C. 20036

Tel: (202) 331-4665  
Fax: (202) 331-4617

III.

CGM requests authorization from the Office of Fuels Programs, Fossil Energy to import up to 10 MMcf per day of Canadian natural gas for a period of ten years and seven months, commencing on April 1, 1996. The imported gas will be part of the pool of gas from which CGM supplies its East Coast markets.

IV.

The gas to be imported will be produced in the Province of Alberta, Canada and supplied by Morgan Hydrocarbons Inc. ("Morgan"). The gas will be received into the NOVA Gas Transmission Ltd. ("NOVA") pipeline system and transported to Empress, Alberta, and NOVA's interconnect with TransCanada Pipelines Limited ("TCPL"). TCPL will transport the gas to Iroquois, Ontario, where the gas will move on Iroquois Gas Transmission System ("Iroquois"). CGM has a primary delivery point on Iroquois of South Comack, New York, but may use secondary

delivery points upstream of South Comack. CGM has existing arrangements on several pipeline systems interconnected with Iroquois which will allow CGM to transport the gas to Coastal's U.S. Northeast markets. Morgan has existing transportation contracts with NOVA for the transportation to the TCPL receipt point at Empress. CGM will hold firm transportation on TCPL and Iroquois.

While Iroquois, Ontario will be the primary export point for the Morgan gas, CGM wishes to retain the flexibility to export at other export points should this become desirable from time to time.

V.

The natural gas to be imported under the subject long-term authorization will be used by CGM to serve markets in the U.S. Northeast, which consist primarily of local distribution companies, as well as electric generation companies and industrial end users. The natural gas will essentially form part of CGM's portfolio of supply available to serve all of CGM's existing and new markets. At the present time, CGM markets in excess of 500 MMcf/d of natural gas in the U.S. Northeast alone.

A component of the demand can be attributed to Coastal's Eagle Point Oil Company's refinery in Westville, New Jersey. The Eagle Point refinery's average daily consumption is 15,000 dth. While the volumes to be imported under the requested authorization may not directly serve Eagle Point, CGM anticipates using the long-term

Canadian supplies, via displacement, to satisfy some of its supply obligations to Eagle Point.

VI.

The Energy Policy Act states that the importation and exportation of natural gas from or to "a nation with which there is in effect a free trade agreement requiring national treatment for trade in natural gas, shall be deemed to be consistent with the public interest, and applications for importation and exportation shall be granted without modification or delay." Because CGM's application is for the importation of natural gas from Canada, with which the United States has in effect a free trade agreement, CGM submits that its application meets the public interest.

VII.

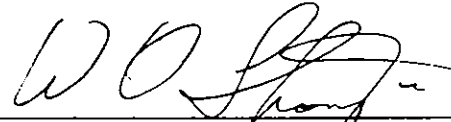
CGM confirms its obligation to file with the Office of Fuels Program, Fossil Energy, within thirty (30) days following each calendar quarter, quarterly reports indicating the volumes sold and sales price at the International Border of any imports made.

CGM submits the following Exhibits in support of this application:

- Exhibit A: Opinion of Counsel
- Exhibit B: Canadian Gas Supply Contract between Morgan Hydrocarbons Inc. and CGM, dated October 14, 1994; Letter Amending Agreement between Morgan and CGM, dated August 21, 1995
- Exhibit C: Verification

WHEREFORE, CGM submits that, for the reasons set forth above, its Application for authorization to import natural gas from Canada is consistent with the public interest, CGM respectfully requests authorization from the Department of Energy to import natural gas from Canada pursuant to the terms and conditions stipulated herein for a period of ten (10) years and seven (7) months commencing on April 1, 1996.

Respectfully submitted,  
COASTAL GAS MARKETING COMPANY



---

W.O. Strong III, Esquire  
Attorney for Coastal Gas  
Marketing Company  
9 Greenway Plaza  
Houston, Texas 77046-0995  
Tel: (713) 877-1400

Dated at Houston, Texas,  
this 27th day of October, 1995

EXHIBIT A





**Coastal**  
The Energy People

W. O. STRONG III  
SENIOR STAFF ATTORNEY  
COASTAL GAS SERVICES COMPANY

October 27, 1995

Mr. Clifford Tomaszewski  
U.S. Department of Energy  
Office of Fossil Fuels  
1000 Independence Avenue, S.W.  
Room 3H087  
Washington, D.C. 20001

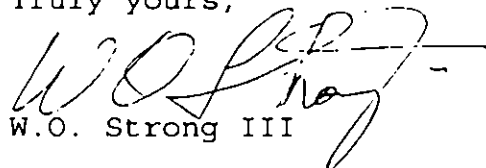
Re: Long-Term Importation of Natural Gas from Canada by  
Coastal Gas Marketing Company, Docket No. FE96-\_\_-NG

Dear Mr. Tomaszewski:

As counsel for Coastal Gas Marketing Company ("CGM"), Applicant in the above-referenced proceeding, I have reviewed the Certificate of Incorporation and Bylaws of CGM, and such other documents as I have deemed necessary in order to advise you that:

1. CGM is a corporation duly incorporated and validly existing in good standing under the laws of the State of Delaware, and has all requisite corporate power and authority to own and operate its properties and to carry on its business; and
2. CGM has the requisite corporate authority to import natural gas from Canada.

Truly yours,

  
W.O. Strong III

Attorney for Coastal Gas  
Marketing Company

**Coastal Gas Services Company**

A SUBSIDIARY OF THE COASTAL CORPORATION  
COASTAL TOWER • NINE GREENWAY PLAZA • HOUSTON TX 77046-0995 • 713/877 1400

EXHIBIT B



**Coastal**  
The Energy People

Morgan Hydrocarbons Inc  
Letter Agreement on Iroquois Project  
October 14, 1994

October 14, 1994

Mr. Allen Knight  
Vice President Marketing  
Morgan Hydrocarbons Inc.  
2200, 205 5th Ave. SW  
Calgary, Alberta T2P 2V7

**RE: GAS PURCHASE ARRANGEMENT FOR THE U.S. NORTHEAST AT  
WADDINGTON, BETWEEN COASTAL GAS MARKETING COMPANY  
("Buyer") AND MORGAN HYDROCARBONS INC. ("Seller")**

Further to our recent discussions, this letter ("Letter") outlines the general terms and conditions to which our companies have agreed with respect to the subject arrangement. The overall nature of the arrangement is that Buyer shall market certain volumes of Seller's gas, under a netback arrangement, in the U.S. Northeast to various "Customers" of Buyer. The arrangement is associated with "TCPL" capacity (from Empress to Waddington) which Buyer is acquiring.

**1. Conditions Precedent**

Prior to "Date of First Delivery", Buyer or Seller, as the case may be, shall have obtained all regulatory licenses, removal permits and the applicable TCPL firm service.

**2. Term**

The "Term" shall be approximately 10 years commencing on the Date of First Delivery which is expected to be either November 1, 1995 or November 1, 1996, and terminating with the expiry date of the subject TCPL service. "Contract Years" shall be for 12 month periods commencing each November 1st.

**3. Volume**

The MDQ shall be approximately 11,900 Gjs/d (the exact number shall be based on the TCPL transportation volume of  $290.7 \times 10^3 \text{ m}^3/\text{day}$  at the inlet to TCPL, plus associated TCPL fuel which is currently estimated at 8% on an annual basis). Gas volumes resold by Buyer shall be sold as either "Spot Gas" (short term sales to Customers) or as "Term Gas" (term arrangements with Customers). For Term Gas, the specific terms and conditions of each Term Gas arrangement must be explicitly approved by Seller prior to the commencement of the subject Term Gas arrangement.

**Coastal Gas Marketing-Canada**

A DIVISION OF COASTAL CANADA PETROLEUM INC  
ROYAL BANK BUILDING • SUITE 1850 • 335 8TH AVE. S.W. • CALGARY, AB T2P 1C9 • 403-750-2600 • FAX 403-750-2627

#### 4. Seller's Right to Sell to Third Parties

For any Spot Gas volumes which have not been committed to a Term Gas arrangement, Seller may solicit offers from a "Third Party Purchaser". Subject to Buyer declining to match such offer, Seller may sell such gas to the Third Party Purchaser, in which case Buyer shall either use the subject TCPL capacity to transport such gas on behalf of Seller, or assign the associated TCPL capacity to Seller. In the event Buyer elects to transport such volumes, Seller shall pay Buyer all associated transportation and related charges and the Operations Fee outlined in section 6 of this Letter. Once a Third Party Purchaser arrangement expires, the subject gas shall revert back to Spot Gas. For greater certainty, the MDQ hereunder shall be reduced by volumes contracted to a Third Party Purchaser.

#### 5. Delivery Point

The "Delivery Point" shall be at the inlet to TCPL, or through a NOVA inventory transfer (based on Seller's election prior to November 1, 1994).

#### 6. Netback Revenues

Buyer shall pay Seller "Netback Revenues" which are determined through a netback calculation back to the Delivery Point. Such calculation shall be based on the volume weighted average revenue per GJ received from Customers for both Spot Gas and Term Gas (the "Waddington Price"), MINUS all transportation (fixed and variable charges) and related charges from Waddington back to the Delivery Point; MINUS the Operations Fee, the Price Incentive Fee, and all reasonable third party expenses to deliver gas at Waddington.

The Operations Fee and Price Incentive Fee are as follows:

- An "Operations Fee" of \$0.03/GJ (escalated annually on a compounded basis at 5%);  
and
- A "Price Incentive Fee" based on the following table.

Waddington Price as a % of Waddington Index (Monthly Index)		Price Incentive Fee as a % of Netback Revenue
Equal to or Greater than	100%	0.00%
	101%	0.50%
	102%	1.00%
	103%	1.50%
	104%	2.00%
	105%	2.50%
	106%	3.00%

If Buyer does not achieve a 100% load factor during a month, then the unutilized transportation charges paid by Seller will be deducted from any Price Incentive Fee which would otherwise be due to Buyer for the subject Month. However, for greater certainty, the Price Incentive Fee, after deducting the unutilized transportation charges, shall never be less than zero.

#### 7. Transportation

Buyer and Seller shall operate this arrangement utilizing firm transportation to the Delivery Point and from the Delivery Point to Waddington.

#### 8. Supply Assurances

Seller shall deliver the daily quantity nominated by Buyer up to the MDQ. In the event Seller fails to deliver the quantity requested by Buyer (a "Delivery Default"), Seller shall indemnify Buyer for all incremental costs in acquiring replacement volumes ("Replacement Gas").

#### 9. Buyer's Take Commitment

Subject to any particulars associated with a Term Gas arrangement, Buyer shall purchase a minimum annual contract quantity ("MACQ") equal to 95% of the annualized MDQ. In the event Buyer fails to request the MACQ, then for each unit of the shortfall (the "Shortfall Volume") Buyer shall pay Seller a non-recoverable amount equal to 10% of the weighted average per unit netback price for the subject Contract Year.

If Buyer does not achieve a 75% load factor over any 3 month period, or 90% load factor over any Contract year, then Seller may reduce the MDQ and take permanent assignment and responsibility for the associated transportation from the Delivery Point to Waddington. Such reduction of the MDQ shall be up to a volume equal to the then current level of Spot Gas. For greater certainty, any such reduction in MDQ shall not conflict with, or frustrate, Buyer's right to nominate and purchase Term Gas (previously approved by Seller).

**10. Force Majeure**

Events beyond the reasonable control of either party shall constitute "Force Majeure". However, in the event of Force Majeure, pursuant to the nature of this netback arrangement, Seller shall indemnify Buyer for all costs associated with any unutilized capacity from the Delivery Point to Waddington.

**11. Other**

This Letter outlines the general terms of our agreement. The Parties agree to negotiate in good faith to replace this Letter with a more comprehensive agreement ("Formal Contract").

The Formal Contract will contain other standard terms and conditions commonly found in long term gas supply arrangements.



Mike Broadfoot  
MB/gk

Agreed to by Morgan Hydrocarbons Inc. this 14<sup>th</sup> day of October, 1994.

Per: MORGAN HYDROCARBONS INC

Name: John D. Wright

Title: JOHN D. WRIGHT  
EXECUTIVE VP & CHIEF OPERATING OFFICER

Per: MORGAN HYDROCARBONS INC.

Name: Clive Hampton

Title: CLIVE HAMPTON  
VICE PRESIDENT, PRODUCTION



August 21, 1995

Mr. Allen Knight  
Vice President Marketing  
Morgan Hydrocarbons Inc.  
2200, 205 5th Ave. SW  
Calgary, Alberta T2P 2V7

RE: AMENDMENT #1 TO A GAS PURCHASE ARRANGEMENT FOR THE U.S.  
NORTHEAST AT WADDINGTON, BETWEEN COASTAL GAS MARKETING  
COMPANY ("BUYER") AND MORGAN HYDROCARBONS INC. ("SELLER")  
DATED OCTOBER 14, 1994

The parties to the referenced Gas Purchase Arrangement hereby agree to amend section 3. as follows:

The MDQ shall be amended to "approximately 10,730 GJs/day", and,

The TCPL transportation volume shall be amended to "283.3 10<sup>3</sup>m<sup>3</sup>/d".

*for M. Broadfoot*  
Miles Broadfoot  
MB/gk

Agreed to by Morgan Hydrocarbons Inc. this 21st day of August, 1995.

Per: MORGAN HYDROCARBONS INC.  
Name: *Allen Knight*  
Title: Allen E. Knight  
Vice President, Marketing

Per: MORGAN HYDROCARBONS INC.  
Name: *Clive Hampton*  
Title: Clive Hampton  
Vice President, Production

~~Coastal Gas Marketing Company~~  
A SUBSIDIARY OF THE CENTRAL CORPORATION  
SALFAL POWER - 4000 SANDHILL PLACE - HOUSTON TX 77066-0001 - 713/677-1000

EXHIBIT C




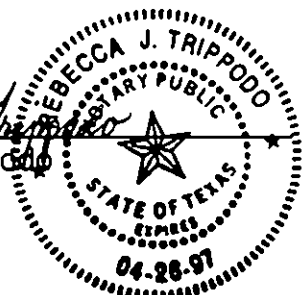
**VERIFICATION**

Timothy J. Janisse, being duly sworn, deposes and says that he is a duly authorized representative of the Applicant; that he has read the foregoing document; that he is familiar with the contents thereof; that the statements contained therein are true and correct to the best of his knowledge; that he is authorized to file the same with the Office of Fossil Energy; and that, to the best of his knowledge, information, and belief, the same or related matter is not being considered by any other part of the Department of Energy, including the Federal Energy Regulatory Commission, or any federal agency or department.

  
\_\_\_\_\_  
**Timothy J. Janisse**  
**Vice President**  
COASTAL GAS MARKETING COMPANY

SUBSCRIBED AND SWORN TO at Houston, Texas, before me this 31<sup>st</sup>  
day of October, 1995.

  
\_\_\_\_\_  
Rebecca J. Trippodo



UNITED STATES OF AMERICA

[6450-01-P]

DEPARTMENT OF ENERGY  
OFFICE OF FOSSIL ENERGY

[FE DOCKET NO 95-104-NG]

COASTAL GAS MARKETING COMPANY

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

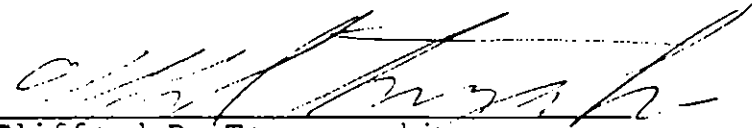
AGENCY: Office of Fossil Energy, DOE.

ACTION: Notice of Order.

SUMMARY: The Office of Fossil Energy of the Department of Energy gives notice that it has issued an order granting Coastal Gas Marketing Company authorization to import up to 10 MMcf of natural gas per day from Canada for a period of ten years and seven months, beginning April 1, 1996, under the terms and conditions of the letter agreements with Morgan Hydrocarbons Inc.

This order is available for inspection and copying in the Office of Fuels Programs Docket Room, 3F-056, 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., November 30, 1995.

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

UNITED STATES OF AMERICA  
DEPARTMENT OF ENERGY  
OFFICE OF FOSSIL ENERGY

NOV 11 1995

\_\_\_\_\_  
COASTAL GAS MARKETING COMPANY )  
\_\_\_\_\_)

FE DOCKET NO. 95-104-NG

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

DOE/FE ORDER NO. 1128

DECEMBER 14, 1995

I. DESCRIPTION OF REQUEST

On November 1, 1995, Coastal Gas Marketing Company (CGM) filed an application with the Office of Fossil Energy of the Department of Energy (DOE), under section 3 of the Natural Gas Act (NGA)<sup>1/</sup> and DOE Delegation Order Nos. 0204-111 and 0204-127, for authorization to import up to 10 MMcf per day of Canadian natural gas for a period of ten years and seven months commencing on April 1, 1996. CGM, a Delaware corporation with its principal place of business in Houston, Texas, intends to purchase the imported natural gas from Morgan Hydrocarbons Inc. (Morgan) pursuant to the terms of letter agreements, dated October 14, 1994,<sup>2/</sup> and (as amended) August 21, 1995 (Letter Agreement). The Letter Agreement between CGM and Morgan provides for a netback pricing arrangement under which CGM pays Morgan a price based on average revenues minus transportation charges and other fees/expenses. The imported natural gas will become part of CGM's supply portfolio to serve CGM's markets in the U.S. Northeast. These markets consist principally of local distribution companies, electric generation companies, and industrial end-users. In addition, CGM anticipates using the imported gas, via displacement, to satisfy some of its supply obligations to its Eagle point refinery in Westville, New Jersey.

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<sup>1/</sup> 15 U.S.C. § 717b.

<sup>2/</sup> CGM and Morgan have agreed in this letter agreement to negotiate in good faith to replace the letter agreement with a formal contract.

The gas to be imported will be produced in the Province of Alberta, Canada, and transported by the NOVA Gas Transmission Ltd. (NOVA) pipeline system to Empress, Alberta, where NOVA interconnects with TransCanada PipeLines Limited (TCPL). TCPL will transport the gas to Iroquois Gas Transmission System (Iroquois). Iroquois will deliver the gas to CGM at South Comack, New York, or at some other pipeline interconnection which would allow CGM to reach its U.S. Northeast markets.

## II. FINDING

The application filed by CGM has been evaluated to determine if the proposed import arrangement meets the public interest requirements 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 importation 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 CGM 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. Coastal Gas Marketing Company (CGM) is authorized to import up to 10 MMcf per day of Canadian natural gas for a period

of ten years and seven months, beginning on April 1, 1996, under the terms and conditions of the letter agreements dated October 14, 1994, and August 21, 1995, with Morgan Hydrocarbons Inc. This natural gas may be imported at Waddington, New York, or at alternative border points with transportation facilities accessible by CGM.

B. CGM shall file with the Office of Fuels Programs all executed natural gas supply contracts pertaining to the natural gas to be imported within 30 days of their execution.

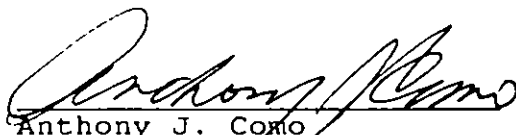
C. Within two weeks after deliveries begin, CGM shall provide written notification to the Office of Fuels Programs (OFP), Fossil Energy, Room 3F-056, FE-50, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, of the date that the first import delivery of natural gas authorized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

D. With respect to the natural gas imports authorized by this Order, CGM shall file with OFP, within 30 days following each calendar quarter, a quarterly report indicating by month the volumes and prices of natural gas imported pursuant to this Order. If no imports have been made, a report of "no activity" for that calendar quarter must be filed. If imports have occurred, CGM must report total monthly volumes in Mcf and the average purchase price of gas per MMBtu delivered at the international border and paid to Morgan Hydrocarbons Inc. Whenever imports have occurred at an entry point other than Waddington, New York, these volumes and prices must be reported

separately. The monthly price information shall itemize separately the demand and commodity charges, fuel charges, and, if applicable, reservation fees. In addition, CGM shall provide to the extent possible, a breakdown of the import volume showing the amount sold in each State and to each of its customers.

E. The first quarterly report required by Ordering Paragraph D of this Order is due not later than July 30, 1996, and should cover the period from April 1, 1996, until the end of the second calendar quarter, June 30, 1996.

Issued in Washington, D.C. on December 14, 1995.



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



**Coastal**  
The Energy People

February 22, 1996

Mr. John Glynn  
Office of Fuels Programs  
U.S. Department of Energy  
FE-53, Room 3H-087  
1000 Independence Avenue, S.W.  
Washington, D.C. 20585

RE: Order No. 1128 and FE Docket No. 95-104-NG

Dear Mr. Glynn:

In accordance with the Order Granting Long-Term Authorization to Import Natural Gas from Canada, issued December 14, 1995, Coastal Gas Marketing Company ("CGM") hereby submits a copy of the executed natural gas supply contract for the gas supplies to be imported under the above-referenced authorization. Deliveries of the gas supplies are not scheduled to commence until April 1, 1996. CGM will provide notice to the Office of Fuels Programs within two weeks of commencement of deliveries.

Should you have any questions, please contact me at (202) 331-4665.

Truly yours,

Susan W. Ginsberg  
Manager, Regulatory Affairs

Attachment

**Coastal Gas Marketing Company**

A SUBSIDIARY OF THE COASTAL CORPORATION  
2900 M ST NW • SUITE 300 • WASHINGTON DC 20036 • 202/466-7430

1995 FEB 22 P 1:55

REGISTRATION



Morgan  
Coastal  
Iroquois as  
signed

**NATURAL GAS PURCHASE  
AND SALE AGREEMENT  
(IROQUOIS)**

REC'D DEC 22 P 1:55

REC'D DEC 22 P 1:55

**BETWEEN**

**COASTAL GAS MARKETING COMPANY**  
as Buyer

- and -

**MORGAN HYDROCARBONS INC.**  
as Seller

*Dated as of October 14, 1994*

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**NATURAL GAS PURCHASE AND SALE AGREEMENT (IROQUOIS)**

THIS AGREEMENT made as of the 14th day of October, 1994,

BETWEEN:

**MORGAN HYDROCARBONS INC.**, a Canadian federal corporation (hereinafter referred to as "Seller")

OF THE FIRST PART

- and -

**COASTAL GAS MARKETING COMPANY**, a Delaware corporation (hereinafter referred to as "Buyer")

OF THE SECOND PART

WHEREAS Buyer has made arrangements to acquire transportation service for the transportation of natural gas on TransCanada PipeLines Limited's pipeline system from Empress, Alberta to Waddington, New York; and

WHEREAS Buyer has made arrangements to acquire transportation service on the pipeline system of Iroquois Gas Transmission Systems L.P., in conjunction with the subject TransCanada transportation service, from Waddington, New York to South Commack, New York; and

WHEREAS Buyer and the Seller have agreed that Seller will deliver natural gas to Buyer which will be transported on the systems of TransCanada and Iroquois and then marketed by Buyer to Customers at Commack, New York, or other points in the Northeast, under a netback basis for Seller;

NOW THEREFORE in consideration of the mutual covenants herein contained, the Parties agree as follows:

**ARTICLE I  
INTERPRETATION**

**1.1 Definitions**

"AEUB" means the Alberta Energy and Utilities Board;

"British Thermal Unit" or "Btu" means the amount of heat required to raise the temperature of one (1) pound of distilled water from fifty-nine degrees Fahrenheit (59°F) to sixty degrees Fahrenheit (60°F) at a constant pressure of fourteen and seventy-three hundredths pounds per square inch absolute (14.73 psia);

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"**Business Day**" means any Day other than a Saturday, a Sunday or a day which is a statutory holiday in Calgary, Alberta or Houston, Texas;

"**Buyer's Regulatory Authorizations**" means the Regulatory Authorizations required to be obtained by the Buyer in order to receive and purchase the DCQ from the Seller at the Delivery Point in accordance herewith and transport the DCQ to the Point of Resale using the TCPL Service and Iroquois Service and resell the Gas to Customers;

"**Commodity Value**" means, for a Contract Year, the total Netback Revenues for the subject Contract Year divided by the Delivered Quantity for the subject Contract Year;

"**Contract Year**" means a period of twelve (12) consecutive Months beginning at 8:00 a.m. on the first day of November in any calendar year and ending at the 8:00 a.m. on the first day of November in the next succeeding calendar year;

"**Customers**" means various customers of Buyer, including affiliates of Buyer to whom Buyer sells the Gas purchased hereunder;

"**Daily Contract Quantity**" or "DCQ" means the quantity of Gas, inclusive of fuel Gas, which the Parties anticipate will be required by Buyer pursuant hereto on each Day during the Delivery Term, which will be approximately 11,535 GJ's (based on the volume of TCPL Service hereunder, and on 1995 estimates for energy content and fuel Gas), but is subject to the then current energy content of the Gas at the Delivery Point and the then current fuel Gas requirements associated with the TCPL Service hereunder;

"**Daily Nomination**" means the volume of Gas, up to but which shall not exceed the DCQ, which Buyer or its authorized agent or representative requests Seller to deliver on a particular Day in accordance with Section 3.2;

"**Day**" means a period of twenty-four (24) consecutive hours beginning at 8:00 A.M. on one day and ending at 8:00 A.M. on the next day, and the reference date for any Day shall be the calendar date upon which such twenty-four (24) hour period begins;

"**Deficiency Quantity**" means the quantity which Seller failed to deliver to Buyer pursuant to a Delivery Default;

"**Delivered Quantity**" means, in respect of any period of time, the total quantity of Gas, expressed in GJ's, delivered by Seller to Buyer at the Delivery Point pursuant hereto during such period of time;

"**Delivery Default**" means a failure by the Seller to deliver the full amount of a Daily Nomination pursuant hereto which does not result from a Force Majeure;

"**Delivery Point**" means the point of interconnection between NOVA's natural gas pipeline system and TCPL's natural gas pipeline system at the Alberta - Saskatchewan border near Empress, Alberta or such other point as the Parties may agree upon;

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"Delivery Term" means the period of time commencing at 8:00 A.M. on November 1, 1995 and ending at the earlier of: (i) at 8:00 A.M. on November 1, 2006; or (ii) the time at which both the TCPL Service and Iroquois Service have terminated in their entirety, subject to earlier termination as hereinafter provided;

"Excess Sales Quantity" means, in respect of any Day, that portion of the difference between the DCQ and the Daily Nomination which Seller sells to a third party;

"F.E.R.C." means the Federal Energy Regulatory Commission of the United States;

"Force Majeure" has the meaning specified in Section 14.1;

"Gas" means a gaseous mixture consisting primarily of methane, and includes natural gas, solution gas and any primarily methane gas mix derived through the processing of natural gas, solution gas, crude oil or condensate;

"GJ" means a gigajoule, being one billion (1,000,000,000) Joules;

"Iroquois" means Iroquois Gas Transmission System L.P.;

"Iroquois Service" means the transportation service associated with (i) the "Gas Transportation Contract for Firm Reserved Service" dated March 24, 1995 for one year of firm service commencing November 1, 1995 and (ii) the transportation contract which is associated with the "Precedent Agreement" dated May 2, 1995, both of which are between Buyer and Iroquois, and which provide for the transportation of 10,000 Mcf/d from Waddington, New York to the Point of Resale;

"Joule" or "J" means the work done when the point of application of a force of one (1) newton is displaced a distance of one (1) meter in the direction of the force;

"mcf" means the quantity of Gas which occupies one-thousand (1,000) cubic feet at a temperature of 60 degrees Fahrenheit and a pressure of 14.73 pounds per square inch absolute;

"MACQ Deficiency Payment" has the meaning specified in Section 3.5;

"Minimum Annual Contract Quantity" or "MACQ" means, with respect to any Contract Year, ninety-five percent (95%) of the sum of the DCQ's for each Day during such Contract Year MINUS any quantities not delivered or requested due to Force Majeure;

"Month" means the period beginning at 8:00 A.M. on the first day of a calendar month and ending at 8:00 A.M. on the first day of the next succeeding calendar month;

"NEB" means the National Energy Board of Canada;



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"Netback Price" means, in relation to a quantity of Gas which is sold pursuant hereto, the Netback Revenues for such quantity of Gas **DIVIDED BY** the subject quantity;

"Netback Revenues" means, for a Month, the Resale Price multiplied by the monthly total of Seller's Gas resold by Buyer at the Point of Resale (including both Spot Gas and Term Gas, but excluding Third Party Gas); **MINUS** the Transportation Charges for the Month; **MINUS** the Operations Fee for such Gas; **MINUS** the Price Incentive Fee for such Gas; **MINUS** any applicable taxes and levies deductible in computation of Netback Revenues for such Month in accordance with Section 11.3; **MINUS** any other expenses deductible in the computation of Netback Revenues for such Month pursuant to Article 13;

"New York City-Gate Index" means, in relation to a Month, the monthly index price for Gas purchases and sales at or near the Point of Resale. For the purposes of determining a monthly price index (for the Price Incentive Fee), the Parties shall use the "City-Gate Prices" for "Iroquois, Zone 2, IT" (unless an FT number is published, in which use the FT number shall be used) as published by Pasha Publications Inc.'s "Gas Daily" for the subject Month. For the purposes hereunder, if a monthly index price is not identified in the subject Section of the subject publication, then the monthly index shall be deemed to be the arithmetic average for the range of prices published for the subject Section. If Gas Daily ceases to be published or ceases to publish such index price, then the Parties shall endeavour to agree on a replacement monthly price index effective with date of such cessation which reflects the value of Gas at the Point of Resale, provided that prior to agreement by the parties on such index, either Party may refer the determination thereof to arbitration by a single arbitrator to which the *Arbitrations Act* (Alberta) in effect at the time shall be applicable;

"Nominated Quantity" means, in relation to a period of time, the aggregate of the Daily Nominations for each Day during such period of time;

"NOVA" means NOVA Gas Transmission Ltd., or any successor thereto;

"Operations Fee" means, in relation to a quantity of Gas delivered by Seller to Buyer pursuant hereto (including Transport Service), the quantity of such Gas expressed in GJ's multiplied by the Operations Fee Rate in effect for the Month when such Gas is delivered to Buyer pursuant hereto;

"Operations Fee Rate" shall be \$0.030 per GJ during the first Contract Year (being the Contract Year commencing on November 1, 1995) and shall be escalated on a compounded basis by five (5%) percent on the first day of each Contract Year thereafter, with the result that the Operations Fee Rate during the second Contract Year or any subsequent Contract Year shall be five (5%) percent greater than the Operations Fee Rate which was in effect during the immediately preceding Contract Year;

"Party" means Buyer or Seller and "Parties" means both of them;

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"Point of Resale" means the point at or near South Commack, New York at the terminus of the Iroquois system and other pipeline interconnect points off of the Iroquois system at which Buyer resells Seller's Gas to Customers;

"Price Incentive Fee" means, in relation to a Delivered Quantity of Gas which is sold by Seller to Buyer pursuant hereto, a percentage of the Netback Revenues (calculated prior to deduction of the Price Incentive Fee and any hedging gains or reductions pursuant to Section 8.2) for such quantity of Gas, such percentage to be determined from the following schedule:

<u>Resale Price as a % of New York City-Gate Index</u>	<u>Price Incentive Fee Percentage</u>
≤ 100 %	0 %
> 100 % < 101 %	0 %
≥ 101 % < 102 %	0.50 %
≥ 102 % < 103 %	1.00 %
≥ 103 % < 104 %	1.50 %
≥ 104 % < 105 %	2.00 %
≥ 105 < 106 %	2.50 %
≥ 106	3.00 %

where: "≤" means equal to or less than  
 "<" means less than;  
 "≥" means greater than or equal to; and  
 ">" means greater than;

provided that if there is unutilized TCPL Service or Iroquois Service for a given Month due to Buyer's lack of market (not due to Force Majeure), then the Price Incentive Fee for the subject Month shall be reduced by the unmitigated charges associated with such unutilized service, provided however that the Price Incentive Fee, after deducting the unmitigated transportation charges, shall never be less than zero;

"Prime Rate" means an annual rate of interest equal to the annual rate of interest set by The Bank of Nova Scotia from time to time as the reference rate used by it to determine rates of interest charged on Canadian dollar commercial loans made by it to customers in Canada, being the rate from time to time quoted as its prime rate by the main branch of the said bank in Calgary, Alberta; provided, however, that if at any time the said bank ceases to exist or quote a prime rate as aforesaid, the applicable rate of interest shall be the rate quoted as the prime rate of the largest Canadian chartered bank (determined on the basis of total assets) quoting such a rate at the relevant time of consideration;

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"Purchase Default" means a failure by the Buyer or its agent to accept delivery of the full amount of a Daily Nomination pursuant hereto which does not result from a Force Majeure;

"Regulatory Authorization" means any authorization, permit, licence or approval of the NEB, the AEUB, F.E.R.C. or other regulatory authority;

"Replacement Gas" means Gas which Buyer acquires to replace Gas which Seller does not deliver pursuant hereto because of a Delivery Default or a Force Majeure;

"Replacement Gas Costs" means, in relation to a Delivery Default, the amount by which the aggregate of the reasonable costs incurred by the Buyer in acquiring Replacement Gas in connection therewith and transporting it to the Point of Resale exceeds the aggregate of the price which would have been payable by the Buyer pursuant hereto for the Gas replaced if it had been delivered hereunder;

"Resale Price" means, for a Month, the total amount, calculated at the Point of Resale, payable to the Buyer by its Customers for the Gas delivered to the Buyer pursuant hereto during such Month (including Seller's Pro Rata Share of take or pay and similar items) divided by the total energy quantity of such Gas;

"Seller's Account" means Account No. 03-0917 maintained by Seller at the CIBC Place Transit # 0009 branch of the Canadian Imperial Bank of Commerce in Calgary, Alberta, or such other account with a branch of a Canadian chartered bank in Calgary, Alberta as Seller may from time to time designate;

"Seller Initiated Gas Contract" means a contract for the sale of Gas by Seller to a person, firm or corporation other than Buyer;

"Seller's Pro Rata Share" means, in relation to an item, the share of such item which is attributable or allocable to the Seller's rights, obligations or interests under this Agreement, as determined by the Buyer, acting reasonably and in good faith, provided that in making such determination the Buyer shall attribute or allocate the item between this Agreement and other contracts pursuant to which it markets Gas (whether on a netback basis or otherwise) in a fair and reasonable manner, having regard to the rights and obligations of the Seller under this Agreement and of the parties on whose behalf Buyer markets Gas under the other contracts and having regard to the extent to which such item is relevant to this Agreement and to such other contracts, but without regard to benefits or profits which may accrue to the Buyer;

"Seller's Regulatory Authorization" means Regulatory Authorizations required to be obtained by the Seller to remove the DCQ from the Province in which it produced and to deliver and sell the DCQ to the Buyer at the Delivery Point pursuant hereto on each Day during the Delivery Term;

"Spot Exchange Rate" means, for any Month, the average noon spot exchange rate applicable to the exchange of Canadian dollars for U.S. dollars during such Month, as quoted by the Bank of Canada following the end of such Month;

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"Spot Gas" means Gas which is delivered by Seller pursuant hereto and then sold by Buyer at the Point of Resale pursuant to an obligation for the sale of Gas having a term of less than five Months or which can be terminated without penalty on notice of five Months or less;

"Sustained Delivery Failure" means that the Delivered Quantity for a period of three consecutive Months is less than 75% of the Nominated Quantity for such period (whether as a result of Force Majeure or otherwise), provided that for purposes of determining if a Sustained Delivery Failure has occurred, any portion of a Daily Nomination which the Seller would have been ready, willing and able to deliver but for a Purchase Default shall be deemed to have been delivered;

"Sustained Purchase Failure" means that the Delivered Quantity for a period of three consecutive Months is less than 75% of the DCQ multiplied by the number of Days in such three Month period (whether as a result of Force Majeure or otherwise), provided that for purposes of determining if a Sustained Purchase Failure has occurred, any portion of the DCQ which the Buyer would have been ready, willing and able to purchase but for a Delivery Default shall be deemed to have been delivered;

"TCPL" means TransCanada PipeLines Limited or any successor thereto;

"TCPL Service" means the firm transportation service associated with (i) the "Short Term Firm" Contract dated June 6, 1995 and (ii) the "Precedent Agreement" dated May 19, 1995 related to long term firm transportation associated with TCPL's 1996/97 facilities application, both of which are between TCPL and Buyer, and which provide for the transportation of 283.3  $10^3\text{m}^3$  per day of Gas on the natural gas pipeline transportation facilities of TCPL from the Delivery Point to Waddington, New York;

"Term Gas" means the Gas which is delivered by Seller hereunder and then sold by Buyer at the Point of Resale pursuant to a Term Gas Confirmation;

"Term Gas Confirmation" means a confirmation which has been executed by Buyer and Seller and which confirms that they have agreed that the quantity of Gas specified therein will be delivered by Seller to Buyer pursuant hereto and be sold by Buyer pursuant to the Term Gas Contract described therein;

"Term Gas Contract" means a contract for the sale of Gas by the Buyer to a Customer at the Point of Resale which provides that daily deliveries will be made thereunder for a term of five Months or more;

"Transportation Charges" means, in relation to a Month, (i) the demand charges under the TCPL Service and the Iroquois Service on account of the DCQ for such Month and (ii) the commodity and pressure charges, fuel and use volumes, and credit, taxes and levies retained or charged by TCPL or Iroquois in respect of the Delivered Quantity for such Month;

"Transport Service" has the meaning specified in subsection 2.4 (a);

"Uncommitted DCQ" means, at any time, that portion of the DCQ which is not committed to resale pursuant to Term Gas Contracts by virtue of Term Gas Confirmations.

"10<sup>3</sup>m<sup>3</sup>" means the quantity of Gas which occupies one thousand (1,000) cubic metres at a temperature of fifteen degrees Celsius (15°C) and a pressure of one hundred and one and three hundred and twenty-five one thousandths kilopascals absolute (101.325 kpa); and

1.2 **Currency.** All references to dollars (\$) and cents in this Agreement shall be references to Canadian dollars and cents unless otherwise specified. Any amounts required to be converted from Canadian dollar amounts to U.S. dollar amounts, and vice versa, for purposes of determining payment obligations hereunder shall be converted using the Spot Exchange Rate for the Month immediately preceding the date on which the amount to be converted first becomes due hereunder.

1.3 **Conversions.** The conversion of any quantity of value referred to below shall be determined on the following basis:

1 GJ	=	1.054615 MMBtu
1 M <sup>3</sup>	=	28.32784 mcf
1 kPa	=	6.894757 psi
°C	=	(°F - 32) x 5/9

1.4 **Energy Content.** For purposes of this Agreement, the energy content of a quantity of Gas shall be expressed in GJs or MMBtus and the volume of a quantity of Gas shall be expressed in 10<sup>3</sup>m<sup>3</sup> or MCF.

1.5 **References.** In this Agreement: words importing gender shall include the masculine, feminine and neuter genders; references to a "person" or "persons" shall include individuals, corporations, partnerships, associations, bodies politic and other entities, all as the context may require; references to "herein", "hereby", "hereunder", "hereof" and similar expressions are references to this Agreement and not to any particular article, section, subsection or schedule and references hereunder to a Section or Subsection is a reference to the specified Section or Subsection of this Agreement, unless otherwise specified.

1.6 **Standard Meanings.** Words and phrases which are not defined herein but which have an accepted meaning in the general custom and usage in the oil and gas industry in Western Canada, as at the date hereof, shall have such accepted meaning herein.

1.7 **Headings.** The use of headings in the Agreement is for convenience of reference only and shall not affect the construction or interpretation hereof.

1.8 **Times.** A reference to a time of day in this Agreement is a reference to Mountain Standard Time or Mountain Standard Daylight Savings Time, whichever is in effect in Calgary, Alberta at the relevant time.

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**ARTICLE 2**  
**CONFIRMATIONS AND SELLER INITIATED SALE NOTICES**

2.1 **Term Gas Confirmations.** From time to time between the date hereof and the end of the Delivery Term, the Buyer may propose to the Seller that Gas be sold pursuant hereto for resale by the Buyer at the Point of Resale pursuant to a Term Gas Contract. Each such proposal shall specify at least the following information:

- (i) the name of the Customer to which the Gas is to be sold;
- (ii) the price per MMBtu Buyer is to receive for the Gas, calculated at the Point of Resale (which may be a formula or subject to an index);
- (iii) the daily quantity of Gas to be sold and purchased pursuant to the Term Gas Contract including any maximum daily quantity obligations and related load factor and the portion thereof that Buyer proposes to purchase from Seller pursuant hereto;
- (iv) the term of the resale arrangement which shall in no case exceed the Term of this Agreement;
- (v) any other material provisions.

Not later than five (5) Business Days after its receipt of such a proposal, the Seller shall either accept or reject it, failing which the Seller shall be deemed to have rejected it. If the Seller accepts the proposal, it shall be a Term Gas Confirmation and, subject to the other provisions of this Agreement, the Seller shall sell Gas to the Buyer in accordance therewith for resale pursuant to the Term Gas Contract specified therein. The Parties acknowledge that there may be more than one Term Gas Confirmation in effect at any given time during the Delivery Term relating to more than one Term Gas Contract. The Buyer shall make a proposal to the Seller in accordance with this section 2.1 in respect of each Term Gas Contract it enters into during the Delivery Term.

2.2 **Seller Initiated Sales Notices.** From time to time during the Delivery Term, the Seller may give a written proposal to Buyer to resell Gas at the Point of Resale pursuant to a Seller Initiated Gas Contract. Each such proposal must be submitted to Buyer no later thirty-five (35) Days prior to the commencement of the proposed Seller Initiated Gas Contract term and shall specify at least the following information:

- (a) the quantity of Gas which the Seller proposes to sell at the Point of Resale pursuant to the Seller Initiated Gas Contract, which will not in any event exceed the Uncommitted DCQ;
- (b) the portions of the TCPL Service and Iroquois Service corresponding to the quantity of Gas identified in (a) above;

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- (c) the term during which Gas is to be sold pursuant to the Seller Initiated Gas Contract;
- (d) the price to be paid by the purchaser under the Seller Initiated Gas Contract for the Gas sold at the Point of Resale pursuant thereto;
- (e) a copy of a written offer by the purchaser under the Seller Initiated Gas Contract to purchase such quantity of Gas on such terms; and
- (f) any other provisions which may be relevant to the decision of the Buyer to accept such proposal.

Within five (5) Business Days of its receipt of such proposal, the Buyer shall either match or reject it, failing which it will be deemed to have rejected it. If the Buyer matches such proposal, the Buyer shall assume the obligations of the Seller under the Seller Initiated Gas Contract specified therein for the term thereof or the remainder of the Delivery Term, whichever is shorter and the proposal shall be a Term Gas Confirmation. If the Buyer rejects the proposal, the Seller shall notify the Buyer within five (5) Business Days thereof whether the Seller proposes to sell Gas pursuant to the Seller Initiated Gas Contract specified therein, failing which the Seller will be deemed to have advised the Buyer that it intends to sell Gas pursuant thereto. If the Seller advises or is deemed to have advised the Buyer that the Seller intends to sell Gas pursuant to the Seller Initiated Gas Contract, the DCQ shall be reduced for the duration of the Seller Initiated Gas Contract by the maximum daily contract quantity of Gas deliverable thereunder.

2.3 **Buyer's Covenant to Market.** The Buyer covenants with the Seller that:

- (a) during the Delivery Term, the Buyer will make diligent efforts, using good Gas marketing business practices, to ensure that as much as is reasonably possible of the DCQ is nominated by it pursuant hereto and resold at the Point of Resale on each Day during the Delivery Term, having regard to prevailing market conditions and to the provisions of this contract;
- (b) the Buyer will offer to the Seller pursuant to Section 2.1 not less than the Seller's Pro Rata Share of each Term Gas Contract which the Buyer proposes to enter into during the Delivery Term which has a term ending on or before the end of the Delivery Term, except to the extent that it is not reasonably practicable for the Buyer to do so;
- (c) in each Month during the Delivery Term, the quantity of Gas nominated by the Buyer pursuant hereto and resold pursuant to Term Gas Contracts governed by Term Gas Confirmations accepted by the Seller pursuant to Section 2.1 will be approximately equal to the share of such Term Gas Contract allocated to this contract pursuant to the Term Gas Confirmation, except where it is not reasonably practicable to do so;

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- (d) in each Month during the Delivery Term, the portion of the Delivered Quantity for the Month which is not resold by Buyer pursuant to Term Gas Confirmations will be marketed as Spot Gas; and
- (e) in the event that a portion of the TCPL Service or the Iroquois Service, or both, is expected to become unutilized for whatever reasons, then Buyer shall use reasonable efforts to: (i) arrange for third parties to utilize the TCPL Service and Iroquois Service, and (ii) receive fair market value from such third parties therefor. Upon receipt of such revenues, if any, Buyer shall credit such revenues to Seller in calculation of the Transportation Charges. If the TCPL Service or the Iroquois Service is used by the Buyer or an affiliate other than in respect of Gas delivered to the Buyer pursuant hereto, then Buyer shall be deemed to have received revenues for such utilization equal to the amount that would have been paid by an arm's length third party therefor.

For purposes of the foregoing, the Parties acknowledge that the Buyer intends to engage in the business of marketing Gas on behalf of the Seller and other parties during the Delivery Term under netback arrangements similar to this Agreement and the Buyer may also market Gas on behalf of parties during the Delivery Term under other types of marketing arrangements and that in resolving conflicts between the rights and interests of the Seller under this Agreement and of such other parties under such other marketing arrangements, the Buyer will act in good faith and in a manner which is as fair as is reasonably possible to the Seller and such other parties in the circumstances.

**2.4 Buyer's Right to Provide Transportation Service for Seller Initiated Gas Contracts for Gas to be Delivered to a Seller Initiated Gas Contract.**

- (a) For Gas allocated to a Seller Initiated Gas Contract, Buyer may elect to provide transportation service from the Delivery Point to the Point of Resale utilizing a portion of the TCPL Service and Iroquois Service, and to provide the nominations on Seller's behalf at the Point of Resale to such pipelines into which such Gas is to be delivered (the "Transport Service"). Such Transport Service shall be for the duration of the subject Seller Initiated Gas Contract, but not beyond the expiration date of this Agreement.
- (b) Buyer's election of whether or not to provide Transport Service shall be made coincident with Buyer's election of whether or not to match the offer from the subject third party purchaser pursuant to Section 2.2 above, failing which Buyer will be deemed to have elected not to provide the Transport Service;
- (c) Seller agrees to pay to Buyer the Operations Fee per MMBtu, for each MMBtu of Transport Service;



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- (d) Seller agrees to reimburse Buyer for all transportation charges for Transport Service from the Delivery Point hereunder to the Point of Resale which are not reimbursed from Seller to Buyer under a separate section of this Agreement.

**2.5 Seller's Nomination Notices for Transport Service.**

- (a) In the event that Buyer elects to provide Transport Service on behalf of Seller, Seller agrees to notify Buyer, each Month in writing, of its nomination of Seller Initiated Gas Contracts and the pipeline(s) to which such nominations should be given at the Point of Resale hereunder. Seller agrees to furnish such notice to Buyer at least two (2) Business Days prior to the earliest day that nominations must be submitted to any of the transporting pipeline(s) identified by Seller. Seller's notice shall include any and all information necessary for Buyer to furnish such nomination(s) to the subject pipeline (s).
- (b) During a Month, if Seller requests a change in the nominated quantity of Transport Service, each such request shall be in writing and shall include any and all information necessary for Buyer to furnish such change in nomination(s) to the subject pipeline(s). Buyer agrees to furnish such nomination to the pipeline(s) in question within one (1) Business Day of Buyer's receipt of Seller's written request for a change in the nomination (s).

- 2.6 Buyer's Right to Terminate Transport Service for Seller Initiated Gas Contracts.** If Buyer elects to provide Transport Service on Seller's behalf, Buyer may, at any time, terminate Buyer's obligation to provide Transport Service upon not less than one Month's prior written notice of termination, and subject to all necessary transportation assignments as outlined in Section 2.7.

- 2.7 Assignment of Transportation Capacity When Buyer Elects not to provide Transport Service for Seller Initiated Gas Contracts.** In the event that Buyer elects not to provide Transport Service or terminates Transport Service, then Buyer shall forthwith assign and Seller shall accept the assignment of a portion of the TCPL Service and Iroquois Service from the Delivery Point hereunder to the Point of Resale hereunder to effect the transport of the Gas associated with the Seller Initiated Gas Contracts. In such event, Buyer and Seller shall do all things necessary to expedite such assignments in a quantity equal to the DCQ reduction and for a term equal to the subject Seller Initiated Gas Contracts.

- 2.8 Reversion of Seller Initiated Gas Contracts Gas Back to Spot Gas.** In the event that a Seller Initiated Gas Contract terminates prior to the expiration of this Agreement, then effective upon termination of such contract, the DCQ hereunder shall be increased by the amount that it was previously decreased under Section 2.2 pursuant to the subject Seller Initiated Gas Contract and any associated transportation assigned from Buyer to Seller pursuant to Section 2.7 shall be reassigned back to Buyer. Seller agrees to provide Buyer with as much prior written notice as feasible of the termination of any such Seller Initiated Gas Contract, but in any event, Seller shall provide Buyer with not less than one Month prior notice of such termination.

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**ARTICLE 3  
QUANTITY**

- 3.1 **Delivery Obligation.** On each Day during the Delivery Term, Seller shall deliver to Buyer and Buyer shall receive from Seller the Daily Nomination for such Day.
- 3.2 **Nominations.** Buyer shall notify Seller of the Daily Nomination in accordance with the nomination deadlines of NOVA and TCPL. A Daily Nomination shall remain the standing nomination for each ensuing Day until changed by notice given to Seller as aforesaid. The Daily Nomination for a Day shall not exceed the DCQ;
- 3.3 **DCQ Reduction - Sustained Delivery Failure.** If there is a Sustained Delivery Failure and the Buyer reasonably believes that the Seller will be unable to deliver the DCQ on a sustained basis during the remainder of the Delivery Term, the Buyer shall have the right, but not the obligation for a period of forty-five (45) days following the end of the three (3) consecutive Month period, exercisable by written notice to the Seller, to permanently reduce the DCQ, effective on a Day specified in the notice (which will be the first Day of a Month within ninety (90) Days of the notice), to the daily volume of Gas which the Buyer reasonably estimates that the Seller will be able to deliver on a sustained basis during the remainder of the Delivery Term which, in any event, shall not be less than the average daily quantity of Gas which the Seller delivered during that three Month period on each Day in which it did not deliver the Daily Nomination.
- 3.4 **DCQ Reduction - Sustained Purchase Failure.** If a Sustained Purchase Failure occurs and the Seller reasonably believes that the Buyer will be unable to purchase the DCQ on a sustained basis during the remainder of the Delivery Term, the Seller shall have the right, but not the obligation, for a period of forty-five (45) days after the end of the three Month period, exercisable by written notice to the Buyer, to permanently reduce the DCQ, effective on a Day specified in the notice (which will be the first Day of a Month within ninety (90) Days of the notice), to the daily volume of Gas which the Seller reasonably estimates that the Buyer will be ready, willing and able to purchase on a sustained basis during the remainder of the Delivery Term which, in any event, shall not be less than the average Daily Nomination during such three Month period. Seller shall take assignment of that portion of the TCPL Service and Iroquois Service attributable to the reduction in DCQ pursuant to Section 4.4.
- 3.5 **Failure to Purchase Minimum Annual Contract Quantity.** If, in any Contract Year, the sum of (i) the Nominated Quantity for such Contract Year PLUS (ii) the quantity of Gas which would have been nominated for purchase hereunder during such Contract Year but for Force Majeure is less than the Minimum Annual Contract Quantity for such Contract Year (the shortfall being referred in this Section as the "Shortfall Volume"), the Buyer shall make a payment (a "MACQ Deficiency Payment") to the Seller equal to 10% of the Commodity Value for such Contract Year multiplied by the Shortfall Volume. The MACQ Deficiency Payment for a Contract Year shall be paid by the Buyer to the Seller at the time that the Buyer is required to pay Seller for Gas delivered pursuant hereto during the last Month of such Contract Year. The occurrence of a Shortfall Volume shall not constitute a breach or default by the Buyer of its obligations hereunder. Except for Buyer's obligation to pay an MACQ

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Deficiency Payment, if applicable, Buyer shall not be liable to the Seller for, or obligated to indemnify and save the Seller harmless against, any losses, costs, claims or damages which the Seller may suffer, sustain, pay or incur as a consequence of the occurrence of a Shortfall Volume.

- 3.6 **Non-Displacement Warranties.** Seller acknowledges that Buyer is commercially reliant on the Gas which Seller has agreed to sell pursuant hereto and Buyer acknowledges that Seller is commercially reliant on the purchases of Gas which Seller has agreed to make pursuant hereto. Subject to the terms and conditions hereof, including Seller's right to sell Gas pursuant to Seller Initiated Gas Contracts, Seller warrants that it shall not divert Gas which would otherwise be available for delivery pursuant hereto to other purchasers or other uses, except as permitted hereby. Subject to the terms and conditions hereof, including, without limitation, Buyer's right to purchase Replacement Gas in the event of a Delivery Default or a Force Majeure, Buyer warrants that it will not displace Seller's Gas which would otherwise use the TCPL Service and Iroquois Service, with Gas which Buyer acquires from other suppliers or other sources for use in conjunction with the TCPL Service and Iroquois Service, except as permitted by the terms of this Agreement.
- 3.7 **Buyer's Forecasts.** At the request of Seller just prior to a Month or a Contract Year, Buyer shall use reasonable efforts to inform Seller of Buyer's estimate of its Daily Nominations for such Month and such Contract Year prior to the beginning of the subject Month or subject Contract Year in question.
- 3.8 **Seller's Failure to Deliver the Daily Nomination.**
- (a) Subject to Force Majeure, in the event of a Delivery Default, then for the resulting Deficiency Quantity, Seller shall indemnify Buyer and pay to Buyer as liquidated damages those gas costs for Replacement Gas Costs and transportation penalty costs attributable to the Delivery Default;
  - (b) The higher of the volume initially requested by Buyer and the volume actually delivered pursuant to that request shall be used in determining whether Buyer has satisfied its MACQ obligations.
  - (c) Except for Seller's obligation to indemnify and pay Buyer for any applicable Replacement Gas Costs, Transportation Charges and any other specific charges under this Agreement which would otherwise be due but for a Delivery Default, Seller shall not be liable to the Buyer for, or obligated to indemnify and save the Buyer harmless against, any other losses, costs, claims or damages which the Buyer may suffer, sustain, pay or incur as a consequence of the occurrence of a Deficiency Quantity.

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**ARTICLE 4**  
**DELIVERY AND TRANSPORTATION ARRANGEMENTS**

- 4.1 **Delivery Point.** All Gas to be supplied by Seller to Buyer under this Agreement shall be delivered to, and received by, Buyer at the Delivery Point.
- 4.2 **NOVA Service.** Seller shall obtain and maintain in good standing firm NOVA Service on NOVA's natural gas pipeline system for receipt of the DCQ on that system and delivery of the DCQ from that system at the Delivery Point during the Delivery Term. Except as otherwise provided herein, Seller shall be responsible for the payment of all NOVA charges.
- 4.3 **TCPL Service and Iroquois Service.** The Buyer represents that Buyer is diligently pursuing acquisition of the TCPL Service and Iroquois Service for use herein, and the Buyer covenants to maintain the TCPL Service and Iroquois Service in good standing until the end of the Delivery Term. Except as otherwise provided herein, the Seller shall bear all Transportation Charges, (including Transportation Charges in respect of Gas which is not delivered due to Force Majeure) either by the Transportation Charges being deducted in the calculation of Net Revenues or by the Seller reimbursing the Buyer for the Transportation Charges, to the extent that they are not so deducted. The Seller shall provide, at no additional charge, the fuel gas requirements under the TCPL Service and Iroquois Service for the Gas delivered by the Seller pursuant hereto.
- 4.4 **Assignment of TCPL Service and Iroquois Service following a Sustained Delivery Failure.**
- (a) In the event that Buyer reduces the DCQ pursuant to Section 3.3 above, then Buyer shall have the right but not the obligation to assign to Seller the associated portion of both the TCPL Service and the Iroquois Service. In such event, Buyer and Seller shall do all things necessary to expedite such assignment(s) in a quantity equal to the DCQ reduction.
  - (b) In the event that the DCQ is reduced pursuant to Section 3.3 above, but transportation is not assigned to Seller pursuant to (a) immediately above, then Seller shall have no further rights or obligations associated with that portion of transportation related to the reduction quantity.
  - (c) Any transportation assignments pursuant to Subsection (a) above, shall be effective on the same Day as the effective date of DCQ reduction.
- 4.5 **Assignment of TCPL Service and Iroquois Service following a Sustained Purchase Failure.**
- (a) In the event that Seller reduces the DCQ pursuant to Section 3.4 above, then Seller shall take assignment from Buyer of the associated portion of both the TCPL Service and the Iroquois Service. In such event, Buyer and Seller shall

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do all things necessary to expedite such assignment(s) in a quantity equal to the DCQ reduction;

- (b) Any transportation assignments pursuant to Subsection (a) above, shall be effective on the same Day as the effective date of the DCQ reduction.

- 4.6 **Pipeline Imbalances.** If a Party fails to deliver or accept a quantity of Gas which it is required to accept or deliver pursuant hereto, it shall reimburse to the other Party all imbalance penalties and charges (including, but not limited to, cash outs) imposed upon it by NOVA or TCPL or Iroquois or any other downstream pipeline affected by the failure as a consequence thereof in accordance with its applicable transportation tariff. Such reimbursement shall be made within thirty (30) days of the Party obligated to make the reimbursement receiving an invoice therefor from the other Party.
- 4.7 **Transportation Downstream of Iroquois PipeLine.** The Parties acknowledge that the Customers or Buyer is contracting the requisite transportation on the receiving pipeline(s) downstream of the Point of Resale. The Customers or Buyer shall be responsible for all transportation costs and charges downstream of the Point of Resale.
- 4.8 **Acknowledgment of the TCPL Service and Iroquois Service Contractual Structures.**
- (a) It is recognized that both Parties' ability to perform under this Agreement, may be subject to interruption if either the TCPL Service or the Iroquois Service is not available for any reason. In that regard, it is further understood that the necessary TCPL Service is being provided through at least two (2) agreements, one being a Short Term Transportation Service Contract commencing November 1, 1995 ("TCPL-ST Agreement") and terminating March 31, 1996, and the second being a Firm Transportation Service Contract ("TCPL-LT Agreement"), commencing with the later of approval by applicable regulatory authorities or the installation of needed facilities. The TCPL LT Agreement is expected to commence April 1, 1996. In the event such commencement is delayed, TCPL has agreed to use its reasonable efforts to extend the TCPL-ST Agreement until the TCPL-LT Agreement commences.
- (b) Likewise the Iroquois Service is being provided through two (2) agreements, one being a Gas Transportation Contract For Firm Reserved Capacity dated March 24, 1995 with a term commencing November 1, 1995 and ending approximately one (1) year later ("Iro-ST Agreement"), and the second being a Gas Transportation Contract For Firm Reserved Capacity to commence on the latest of November 1, 1996, approval by all applicable regulatory authorities or the installation of needed facilities ("Iro-LT Agreement").

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**4.9 Potential Interim Suspension of TCPL Service.**

- (a) In the event the TCPL-ST Agreement expires prior to the commencement of the TCPL-LT Agreement, both Parties' obligations, as contemplated herein, to deliver, market, sell and pay for Gas hereunder will be suspended until the necessary transportation service to Buyer under the TCPL-LT Agreement is available.
- (b) Buyer and Seller agree, that during any interruption of transportation service under, or during any suspension period between, the TCPL-ST Agreement and the TCPL-LT Agreement, both Parties will use all reasonable efforts to mitigate any costs or expenses incurred as a result of any such transportation service interruption and shall use all reasonable means to facilitate the resumption of such interrupted transportation service. Furthermore, if the Iro-ST Agreement or the Iro-LT Agreement remain in effect, then Buyer shall use all reasonable efforts to mitigate any transportation costs associated with the Iro-ST Agreement or the Iro-LT Agreement, as the case may be.

**4.10 Potential Interim Suspension of Iroquois Service.**

- (a) In the event that the Iro-ST Agreement expires prior to the commencement of the Iro-LT Agreement, both Parties' obligations, as contemplated herein will continue, with the Point of Resale moved upstream to Waddington. However, with respect to the Iroquois Service, both Parties' obligations associated with the Iroquois Service will be suspended until the commencement of necessary transportation service to Buyer under the Iro-LT Agreement is available.
- (b) Buyer and Seller agree, that during any interruption of transportation service under, or during any suspension period between, the Iro-ST Agreement and the Iro-LT Agreement, both Parties will use all reasonable efforts to mitigate any costs or expenses incurred as a result of any such transportation service interruption and shall use all reasonable means to facilitate the resumption of such interrupted transportation service.

**ARTICLE 5  
MEASUREMENT AND TESTING**

- 5.1 **Measurement Units.** The unit of measurement of Gas for the purposes of billing shall be GJ's. The unit of measurement of Gas for all other purposes under this Agreement shall be  $10^3\text{m}^3$ . Where required, standards of measurement shall be converted in accordance with the provisions of Section 1.3.
- 5.2 **Measurement and Testing.** The measurement of both the volume and the energy content of all Gas delivered hereunder shall be conducted at both the Delivery Point and the Point of Resale, and all measurement and testing of Gas delivered hereunder shall be carried out

by Iroquois at or near the Point of Resale and TCPL at the Delivery Point in accordance with the normal and authorized standards and procedures used by those pipelines for carrying out such activities. The results of such measurements and tests shall be accepted and relied upon by the Parties for all purposes of this Agreement, subject only to the right of any Party to audit and verify any of such measurements and tests with TCPL and Iroquois.

**ARTICLE 6  
QUALITY**

6.1 **Quality.** Gas delivered under this Agreement shall satisfy the specifications from time to time prescribed by TCPL for Gas delivered and received at the Delivery Point and Iroquois at the Point of Resale.

**ARTICLE 7  
POSSESSION, TITLE AND WARRANTIES**

- 7.1 **Control & Possession.** As between the Parties hereto, Seller shall be in control and possession of, and bear responsibility for the Gas deliverable hereunder until same shall have been delivered to Buyer at the Delivery Point, after which delivery Buyer shall be in control and possession of and bear the responsibility for such Gas.
- 7.2 **Seller's Warranty.** Seller warrants that it will have good title to and the full right and authority to deliver the Gas to Buyer under this Agreement, free and clear of all liens, encumbrances, and claims whatsoever and that it will indemnify and save Buyer harmless against and from all suits, actions, debts, damages, claims, costs, losses and expenses (including, without limitation, legal costs on a solicitor/client basis) arising from or out of any adverse claims to such Gas or to royalties, taxes, fees or charges accruing thereon or in respect thereof before possession of and title to such Gas passes from Seller to Buyer under this Agreement.

**ARTICLE 8  
PRICE**

- 8.1 **Price.** The price to be paid per GJ by Buyer to Seller for all Gas purchased each Month under this Agreement shall be the Netback Price for the Month in which the Gas is delivered.
- 8.2 **Financial Price Hedging.** In the event that Seller desires to hedge a price utilizing financial derivative products, then upon such notification to Buyer, the Parties shall endeavor to (but shall not be obligated to) mutually agree upon such derivatives pricing as it applies to the Point of Resale. Upon mutual agreement and provided that Buyer can secure contracts or swap transactions to hedge such price, then the financial hedging gain or loss net of any transaction

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costs charged by Buyer, shall be used in determining the amount due hereunder pursuant to Section 9.1. Amounts due from one Party to the other Party in respect of financial hedging gains and losses shall be payable hereunder in all events including events of Force Majeure.

## ARTICLE 9 BILLING AND PAYMENT

9.1 **Statement of Delivered Quantity and Netback Revenues.** On or before the twenty-fifth (25th) Day of each Month, Buyer shall provide Seller with a statement setting forth the following items for the previous Month:

- (a) the energy quantity of the Gas delivered pursuant hereto at the Delivery Point and at the Point of Resale;
- (b) the specific stations to which Gas was redelivered as the Point of Resale;
- (c) the volume and quantity of Gas so delivered and purchased as Spot Gas and Term Gas;
- (d) the resale price of Spot Gas and Term Gas;
- (e) all charges utilized in calculating Netback Revenues;
- (f) the quantity of Gas for which Buyer has provided Transport Service and associated transportation charges;
- (g) any amounts due to Buyer payable by Seller;
- (h) any other amounts due to Seller payable by Buyer;
- (i) the net gain or reduction pursuant to financial price hedging, if any, net of any transaction costs charged by Buyer; and
- (j) the net amount due hereunder.

Notwithstanding the foregoing, if the twenty-fifth (25th) day of the calendar month is not a Business Day, the statement which would otherwise be required to be delivered on or before such day pursuant to the foregoing shall be delivered on the next following Business Day. If the Buyer does not have information from pipeline transporters required to prepare a statement required pursuant to this Section 9.1, the Buyer shall prepare the statement on the basis of its best estimates of such information and make appropriate adjustments in the next statement given pursuant to this Section 9.1.



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- 9.2 **Buyer's Payments.** On the day on which a statement is required to be delivered by the Buyer to the Seller pursuant to Section 9.1, the Buyer shall wire transfer the amount stated in U.S. dollars to be payable in such statement to Seller's Account;
- 9.3 **Other Payments.** A Party (the "Paying Party") shall pay to the other Party any amount payable by the Paying Party to the other Party hereunder which is not covered by Section 9.1 within thirty (30) days of receipt of the other Party's invoice specifying the amount.
- 9.4 **Dispute.** In the event a bona fide dispute arises as to the amount payable in any statement or invoice rendered pursuant hereto, 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. Seller shall not suspend the sale and delivery of Gas as a result of Buyer's failure to pay any of the disputed amount. If the Parties are unable to resolve the dispute within thirty (30) Days, then the matter shall be submitted to arbitration by a single arbitrator in accordance with the *Alberta Arbitrations Act*. The amount determined to be owing by the Disputing Party, if any, shall be paid by the Disputing Party, together with interest in accordance with Section 9.6, following the final arbitration award.
- 9.5 **Canadian Dollars.** All invoices and statements submitted by Buyer pursuant to this Article 9 shall be in U.S. dollars, and shall state the rate at which any applicable Canadian dollar amounts have been converted to U.S. dollar amounts, having regard to the provisions of Section 1.2.
- 9.6 **Interest.** If either Party (the "Defaulting Party") fails at any time to pay an amount payable by it under or in respect of this Agreement, the said amount shall bear interest at an annual rate equal to the Prime Rate plus two (2) percent, accruing on a daily basis and compounded monthly from the date on which said amount first becomes payable to the date on which the said amount is paid, the said interest to be payable by the Defaulting Party without demand therefor, to be payable both before and after judgment, and to be payable irrespective of any termination of this Agreement. The Defaulting Party's obligation to pay interest pursuant to this Section 9.6 shall not be construed as limiting any other rights or remedies which the other Party may have, whether under this Agreement or otherwise, as a result of the Defaulting Party's failure to pay any amount when due.

## ARTICLE 10 AUDIT RIGHTS

- 10.1 **Audit.** Each of the Parties shall keep and maintain detailed records and books of account containing accurate and complete entries in respect of all transactions and matters relative to the subject matter of this Agreement, and each of the Parties shall have the right to audit such records and books of account of the other Party, upon the following terms and conditions:

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- (a) Audits shall be performed only upon reasonable prior notice, during normal business hours, so as to cause a minimum of inconvenience to the Party whose books and records are being audited;
- (b) Unless the Party whose books and records are being audited otherwise agrees, audits shall be performed only by independent auditors who agree to maintain confidential all information of a confidential nature disclosed to them in the course of the audit, except to the extent that the disclosure of such information is reasonably required in order to effectively communicate the results of such audit to the auditing Party;
- (c) Notice of the undertaking of an audit with respect to any Month during the Term of this Agreement must be given within twenty-four (24) Months of the end of the Month to be audited (although the auditing Party may review documents prepared prior to the Month to be audited if and to the extent that they relate to such Month), and the audit must be commenced with a view to diligent pursuit within thirty (30) Days of the giving of such notice, failing which a new notice of audit must be given;
- (d) The auditing Party shall provide a copy of any audit report to the Party whose books and records have been audited within thirty (30) Days of the date of the auditing Party's receipt of the report;
- (e) Any claims or discrepancies disclosed in any audit report shall be resolved by the Parties as soon as reasonably practicable following presentation of the audit report to the Party whose books have been audited;
- (f) A Party may not be audited more than once in any Contract Year; and
- (g) The cost of any audit undertaken pursuant hereto shall be borne by the Party undertaking such audit.

10.2 **Maintenance of Records.** The books and records of account required to be kept and maintained by each Party in respect of the subject matter of this Agreement shall be preserved for a period of at least two (2) years.

## ARTICLE 11 TAXES

11.1 **Taxes.** Subject to Section 11.2 Seller shall pay or cause to be paid all taxes, royalties and other assessments and levies imposed on Seller with respect to Gas delivered hereunder prior to or on a concurrent basis with its delivery to Buyer including, but without limitation, all severance and sales taxes. Subject to Buyer's right to deduct taxes and levies exigible on the Gas hereunder from Netback Revenues, Buyer shall pay or cause to

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be paid all taxes and assessments imposed upon Buyer with respect to Gas delivered hereunder after its receipt by Buyer.

- 11.2 **Canadian GST.** A Netback Price will not include GST. Buyer shall be responsible for and pay all GST or other similar taxes or levies imposed upon Buyer in respect of its purchase of Gas from Seller pursuant hereto, or the transportation of such Gas downstream of the Delivery Point, or the resale of such Gas. Seller shall use reasonable efforts to assist Buyer in recovering any such tax or levies.
- 11.3 **Deduction of Taxes in Calculation of Netback Revenues.** All taxes and assessments payable by Buyer with respect to Gas delivered hereunder which accrue during a Month in accordance with generally accepted accounting principles, other than income taxes and refundable taxes such as GST, shall be deducted in computing the Netback Revenues for such Month. Income taxes and refundable taxes such as GST will not be deducted in the computation of Netback Revenues.

## ARTICLE 12 DEFAULT AND TERMINATION

### 12.1 Suspension/Termination for Failure to Pay.

If Buyer fails at any time to pay any undisputed amount (the "unpaid amount") payable by it under or in respect of this Agreement on the date Buyer is required to pay such amount pursuant hereto:

- (a) Seller may at any time after that date give Buyer notice of its payment delinquency (a "delinquency notice") specifying that the Seller intends to suspend its obligations to supply Gas hereunder if the unpaid amount and all interest accruing thereon in accordance with Section 9.6 is not paid to Seller within five (5) Business Days of Buyer's receipt of the notice, and if Buyer fails to pay such unpaid amount, together with all interest accruing thereon pursuant to Section 9.6, within five (5) Business Days of the day on which such delinquency notice is given, Seller may, in addition to pursuing any other rights and remedies which it may have under this Agreement or otherwise with respect to such default, suspend its Gas supply obligations under this Agreement by giving written notice (a "suspension notice") of such suspension to Buyer at any time, in which event notwithstanding any provisions to the contrary contained herein, all of Seller's obligations under this Agreement to supply Gas and reimburse Buyer for Transportation Charges shall be suspended when the suspension notice is given until Buyer has paid the unpaid amount and all interest accruing thereon in accordance with Section 9.6, or until Seller elects to lift such suspension; and
- (b) If Buyer fails to pay the unpaid amount and all interest accruing thereon in accordance with Section 9.6 within five (5) Business Days of the day on which deliveries are suspended by Seller pursuant to subsection (a), Seller may, in

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addition to pursuing any other rights and remedies which it may have under this Agreement or otherwise with respect to such default, terminate this Agreement by giving written notice of such termination (a "termination notice") to Buyer at any time at which any portion of the unpaid amount or any interest accruing thereon pursuant to Section 9.6 remains outstanding, and such termination shall be effective as of the end of the Month next following the Month in which such termination notice is given;

provided however that if Buyer is of the reasonable and bona fide belief that it is not obligated to pay all or any part of the amount claimed in any such delinquency notice, suspension notice or termination notice, and within five (5) Business Days of the date of receipt of such notice provides Seller with a written statement setting forth the facts and substantiating such belief, and within fifteen (15) Business Days of any request therefor by Seller provides a good and sufficient surety bond or other security, in a form and substance satisfactory to Seller, guaranteeing payment of the contested amount claimed by Seller, then Seller shall not have the right to suspend deliveries hereunder or terminate this Agreement until an agreed or final judicial determination is made as to whether such contested amount is in fact payable.

- 12.2 **Default.** Except as otherwise provided herein, if either Party (the "Defaulting Party") at any time is in default on any of its covenants or obligations under this Agreement, it shall be liable to the other Party for and shall indemnify and save the other Party harmless against and from all direct losses, costs (including without limitation, outside legal or court costs), damages, claims and liabilities of any nature sustained by the other Party as a result of such default, provided that the Defaulting Party shall not be liable to the other Party for, and shall not be obligated to indemnify and save the other Party harmless against, any special, punitive, consequential or indirect losses, costs, damages, claims or liabilities sustained by the other Party as a result of any such default.
- 12.3 **Mitigation.** Each Party shall be obligated to use reasonable efforts to mitigate any losses, costs, damages, claims or liabilities sustained by it as a result of a default of a covenant or obligation by the other Party.
- 12.4 **Early Termination.** A Party shall have the right to terminate this Agreement by written notice (a "Termination Notice") to the other Party (the "Insolvent Party") if there is a bankruptcy or insolvency of the Insolvent Party or its parent or a receiver, receiver/manager or similar official is appointed in respect of the Insolvent Party or its parent or a substantial portion of the assets of the Insolvent Party or its parent.

A Termination Notice pursuant to this Section shall be effective on the date specified therein which shall not be more than 30 days after the Termination Notice is given. For purposes of this section the "parent" of the Party means the corporation which, directly or indirectly through one or more other corporations or entities has the power to determine the voting of a majority of the shares of the Party which are normally entitled to vote at shareholders meetings of the Party.

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**ARTICLE 13**  
**REIMBURSEMENT OF BUYER'S COSTS**

13.1 **Deduction of Third Party Costs in Computation of Netback Revenues.** The Seller's Pro Rata Share of all reasonable third party costs incurred by Buyer in connection with the transportation of Gas from the Delivery Point to the Point of Resale and the sale of such Gas to Customers at the Point of Resale which accrue during a Month in the Delivery Term in accordance with generally accepted accounting principles shall be deducted in computing the Netback Revenues for such Month. Such costs shall include, without limitation:

- (a) costs of financial guarantees provided to TCPL or Iroquois for the TCPL Service or the Iroquois Service, or both; and
- (b) costs of obtaining and maintaining Buyer's Regulatory Authorizations for the Gas hereunder;

but shall not include:

- (c) costs of evaluations of reserves and deliverability of third parties from whom Buyer buys Gas;
- (d) salaries and benefits of Buyer's employees, Buyer's overhead or travel and accommodation expenses of Buyer's employees; or
- (e) costs incurred downstream of the Point of Resale.

13.2 **Evaluation of Seller's Reserves.** Seller shall be responsible for all costs of evaluation of Seller's reserves and deliveries required in connection with Buyer maintaining the TCPL Service, Iroquois Service or Buyer's Regulatory Authorizations.

**ARTICLE 14**  
**FORCE MAJEURE**

14.1 **Event of Force Majeure.** For purposes of this Agreement, "Force Majeure" means, subject to Sections 14.2 and 14.3, any event beyond the control of a Party the occurrence of subsistence of which causes performance by such Party of an obligation under this Agreement to be impossible or impracticable and which such Party could not reasonably have anticipated and avoided and includes without limitation:

- (a) a storm, flood, tornado, earthquake, lightning strike or other act of God;
- (b) a war, revolution, insurrection, riot, blockade or other unlawful act against public order or authority;

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- (c) a strike, lockout, shortage of labour or other labour disturbance;
- (d) a fire, explosion, or other accident or act of sabotage causing breakage of or damage to any pipeline, plant, or equipment;
- (e) an order, directive or restraint issued or imposed by any government authority, regulatory body or court having jurisdiction;
- (f) an inability to obtain or an interruption or curtailment of the provisions of a supply of electricity, water, fuel (other than Gas) or other utilities or services or of any materials, machinery or equipment;
- (g) an inability to obtain, or a revocation or adverse amendment of, any licence, permit, order, approval or authorization of any governmental authority or regulatory body having jurisdiction, provided that the Party claiming the Force Majeure has used all reasonable best efforts to obtain and maintain such governmental or regulatory licence, permit, order, approval or authorization; or
- (h) a failure of any transporter of Gas to receive, transport or deliver Gas;

but does not include:

- (i) a lack of financial resources or available funds or similar financial predicament;  
or
- (j) damage to or production problems with any Gas well or Gas reservoir or a lack of developed and tied-in Gas reserves.

14.2 **Exclusions.** An event the occurrence or subsistence of which is due in whole or in part to:

- (a) the financial inability of a Party to pay any amount which a prudent and financially sound person in similar circumstances would reasonably be expected to pay to avoid or discontinue such event, or
- (b) a negligent act or omission, breach of contract, violation of law, violation of the terms of a regulatory approval, or similar wrongful act or omission on the part of a Party,

shall not be considered to be Force Majeure which entitles such Party to the benefit of Section 14.3.

14.3 **Suspension of Obligations.** Subject to the provisions of Section 14.4, to the extent a Force Majeure causes performance of a provision, of this Agreement by a Party to be impossible or impracticable, such Party shall be relieved of its obligation to perform such provision and such non-performance shall not constitute a breach or default hereunder.

- 26 -

**14.4 Notice And Remedial Action.** Any Party seeking to rely on the provision of Section 14.3 shall:

- (a) immediately upon being made aware of the occurrence, or the impending occurrence, of the Force Majeure giving rise to the right to rely on Section 14.3, notify the other Party of such Force Majeure and of the obligations expected to be affected thereby;
- (b) immediately commence, and thereafter diligently pursue, the taking of all such steps as may be reasonable in the circumstances to cause the discontinuance of, and to minimize the effect of, the Force Majeure, provided that no Party shall be required by the provisions of this subsection 14.4(b) to settle any strike, lockout or other labour dispute on terms which it would not otherwise be willing to agree to; and
- (c) forthwith upon the occurrence of any significant development in the process of attempting to discontinue and minimize the effect of the Force Majeure, notify the other Party thereof.

**14.5 Further Conditions.** The provisions of this Article 14 shall not:

- (a) apply so as to suspend the performance of any obligation to make payment of any amount payable under or in respect of this Agreement; or
- (b) give rise to any extension of the Delivery Term.

**14.6 Pipeline Charges.**

- (a) In all events, including events of Force Majeure, Seller shall be responsible for and pay all charges associated with the arrangements made by it to deliver Gas to the Buyer pursuant hereto;
- (b) Notwithstanding an event of Force Majeure, the Seller shall reimburse the Buyer for all Transportation Charges associated with the DCQ during the Delivery Term which are not recovered by the Buyer by being deducted in the calculation of Netback Revenues for a Month;
- (c) If an event of Force Majeure results in a portion of the TCPL Service or the Iroquois Service, or both, potentially becoming unutilized, then Buyer shall use reasonable efforts to: (i) arrange for third parties to utilize the TCPL Service and Iroquois Service, and (ii) receive fair market value from such third parties therefor. Upon receipt of such revenues, Buyer shall credit such revenues to Seller in calculation of the Transportation Charges. If the TCPL Service or the Iroquois Service is used by the Buyer or an affiliate other than in respect of Gas delivered to the Buyer pursuant hereto, then Buyer shall be deemed to have received revenues

- 27 -

for such utilization equal to the amount that would have been paid by an arm's length third party therefor.

- 14.7 **Seller's Gas Supplies.** Buyer acknowledges that Seller intends to satisfy its obligations hereunder with Gas produced from reserves owned or controlled by the Seller located in Alberta and Saskatchewan. To the extent Seller has Gas available for delivery at the Delivery Point utilizing firm transportation service at the Delivery Point, but because of a Force Majeure it is impossible or impracticable for Seller to deliver such Gas to the Buyer at the Delivery Point, then Seller shall be entitled to the benefit of Section 14.3.
- 14.8 **Prorationing of Seller's Available Supply.** If, as a result of Force Majeure, it is impossible or impracticable for the Seller to satisfy all of its obligations to deliver Gas produced in Alberta or Saskatchewan to purchasers thereof, Seller shall:
- (a) first curtail deliveries pursuant to interruptible gas purchase contracts (being gas purchase contracts under which Seller has the right to suspend deliveries without being in breach thereof or being required to pay a penalty as a consequence thereof); and
  - (b) secondly, prorate deliveries under firm gas purchase contracts (including this Agreement), other than dedicated reserves contracts, in proportion to the Seller's maximum daily obligations under such firm gas purchase contracts;

For purposes of the foregoing, "dedicated reserves contracts" are gas purchase contracts under which Gas produced from specified lands is exclusively dedicated to satisfy the Seller's delivery obligations thereunder. Seller shall not be obligated to curtail deliveries under dedicated reserves gas purchase contracts pursuant to this Section 14.8.

- 14.9 **Hedging Transactions.** In all events, including events of Force Majeure, each Party shall indemnify the other Party for any amounts due associated with financial price hedging if any are undertaken pursuant to Section 8.2.

## ARTICLE 15 REGULATORY AUTHORIZATIONS

- 15.1 **Responsibility.** Seller shall be responsible for obtaining and maintaining, at its cost, Seller's Regulatory Authorizations, and Buyer shall be responsible for obtaining and maintaining, at its cost except as provided in Article 13, Buyer's Regulatory Authorizations.
- 15.2 **Cooperation.** Each Party will cooperate with the other Party in respect of the Regulatory Authorizations which the other Party is responsible to obtain and maintain, including providing information regarding its reserves and deliverability and transportation arrangements.



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## ARTICLE 16 ASSIGNMENT

- 16.1 **Assignment.** Except as otherwise provided in Section 16.2 and except as otherwise expressly provided herein, neither Party may assign any of its rights or obligations under this Agreement without the prior written consent of the other Party, which consent shall not be unreasonably withheld. This Agreement shall be binding upon and shall inure to the benefit of the Parties and their successors and assignees, as permitted under this Article 16.
- 16.2 **Assignment for Security.** Each Party shall be entitled to assign its rights and interests under and in respect of this Agreement as security for indebtedness without the prior consent of the other Party, provided that any person which succeeds to the rights of the assigning Party under this Agreement, by foreclosure or otherwise, pursuant to such assignment, shall not be entitled to exercise any of such rights without also assuming all of such assigning Party's obligations hereunder, including those previously breached.

## ARTICLE 17 COMPLIANCE WITH APPLICABLE LAW

- 17.1 **Applicable Law.** In exercising their respective rights and discharging their respective obligations under this Agreement the Parties shall comply in all material respects with all mandatorily applicable present and future statutes, regulations, rules and orders of any government or governmental agency or authority having jurisdiction over this Agreement or any portion of the subject matter hereof.

## ARTICLE 18 CONFIDENTIALITY

- 18.1 **Confidentiality.** Subject to:
- (a) the right of a Party to meet reporting obligations imposed by any government or governmental agency or authority having jurisdiction over such Party, and
  - (b) the right of a party to provide a bona fide lender with such information as such lender may reasonably request and itself agree to maintain confidential.

each of the Parties shall safeguard and maintain confidential all information of a confidential nature from time to time disclosed to it by the other Party in connection with this Agreement, provided that information which is in the public domain, and information which is obtained by a Party from any source other than the other Party, shall not for the purposes of this Agreement be considered to be information of a confidential nature.

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**ARTICLE 19  
NOTIFICATION**

19.1 **Notices.** All notices, statements, invoices and other communications to be given in connection with this Agreement shall be in writing, and shall be addressed to the intended recipient thereof at the address, and to the attention of the person, specified for such Party below:

**Seller:** Morgan Hydrocarbons Inc.  
Suite 2200, 205 - 5th Avenue S.W.  
Calgary, Alberta  
T2P 2V7

**Attention:** Vice President, Marketing

**Telephone:** (403) 298-8300  
**Facsimile:** (403) 298-8390

**Buyer:** Coastal Gas Marketing Company  
c/o Coastal Gas Marketing Canada  
Suite 1650, 335 - 8th Avenue S.W.  
Calgary, Alberta  
T2P 1C9

**Attention:** Vice President

**Telephone:** (403) 750-2600  
**Facsimile:** (403) 750-2622

Except as otherwise provided in Section 19.2, all notices and like communications to be given in connection with this Agreement shall be sufficiently given if addressed as aforesaid and either delivered by hand or by reputable courier service to the intended recipient's address for service as set forth above; or sent by direct facsimile telecommunication to such Party at its fax number as set forth above. Any notice so given shall be deemed to have been given and received on the first Business Day on which it is presented during normal business hours at the address for service of the addressee thereof, or, in the case of a direct facsimile telecommunication, on the Day on which it is transmitted if transmitted prior to or during normal business hours on a Business Day, or on the first Business Day following the Day on which it is transmitted if transmitted otherwise.

19.2 **Oral Notice.** In the case of notices to be given pursuant to Sections 3.2 and 14.4(a), the Party giving such notice shall use reasonable efforts to communicate such notice orally by telephoning the intended recipient of such notice at the telephone number therefor as set forth in Section 19.1, and shall also send such notice by direct facsimile telecommunication as soon as reasonably practicable in the circumstances. For purposes of determining periods of time

- 30 -

which are based on the giving of any such notice, and for purposes of determining whether any such notice has been given within a period of time stipulated therefor, such notices shall be considered to have been given on the Day on which the facsimile telecommunication of such notice is deemed to have been given to Buyer pursuant to Section 19.1.

- 19.3 **Change of Address.** Either Party may change its address for service, its representative for communications or its telephone or fax numbers by giving written notice of such change to the other Party.

## ARTICLE 20 MISCELLANEOUS

- 20.1 **Entire Agreement.** This Agreement sets forth the entire agreement between the Parties with respect to the subject matter hereof, and supersedes and replaces all previous discussions, negotiations and agreements between the Parties with respect to the subject matter hereof.
- 20.2 **Further Assurances.** Each of the Parties shall from time to time and at all times hereafter, without further consideration, execute and deliver such further documents and instruments, and do and perform all such further acts and things, as may reasonably be required to more fully assure the carrying out of the provisions of this Agreement. In the event any third party publication or third party information outlined in this Agreement is no longer available or valid, or a transportation tariff or government regulation is changed that affects this Agreement, then the Parties shall do all things necessary to replace such publication or third party information or incorporate changes in tariffs and regulations, to ensure this Agreement continues as to its true intent.
- 20.3 **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws in force in the Province of Alberta and the courts of Alberta shall have exclusive jurisdiction.
- 20.4 **Waiver.** No waiver by any Party shall be effective unless in writing, and a waiver shall affect only the matter, and the occurrence thereof, specifically identified in the writing granting such waiver, and shall not extend to any other matter or occurrence.
- 20.5 **Litigation.** Each Party shall in a timely manner provide the other Party with full particulars of all claims, litigation or other proceedings made, instituted or threatened against or involving such Party which may in any material way affect the performance by such Party of its obligations under this Agreement.
- 20.6 **No Partnership.** Nothing herein contained shall be read or construed as creating a partnership between the Parties, or as imposing upon either Party any partnership duty, obligation or liability of any kind.



20.7 Counterpart Execution. This Agreement may be executed in separate counterparts, and all of the executed counterparts shall together constitute one instrument and have the same force and effect as if each of the Parties executing such counterparts had executed the same instrument.

IN WITNESS WHEREOF the parties have executed and delivered this Agreement effective as of the date first above written.

MORGAN HYDROCARBONS INC.

COASTAL GAS MARKETING COMPANY

Per: *Alan E. Polge*  
Alan E. Polge  
Vice President, Marketing

Per: *[Signature]* *[Signature]*

Per: *John D. Wright*  
JOHN D. WRIGHT  
EXECUTIVE VP & CHIEF OPERATING OFFICER

Per: *Clark C. Smith*  
CLARK C. SMITH  
PRESIDENT



April 12, 1996

REC'D DOE/FE

1996 APR 17 P 4: 22

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

RE: DOE/FE Order No. 1128, FE Docket No. 95-104-NG

To whom it may concern:

Pursuant to ordering paragraph C of the Order Granting Long-Term Authorization to Import Natural Gas From Canada, issued in the above-referenced docket on December 14, 1995, Coastal Gas Marketing Company hereby reports that the first import of natural gas occurred on April 1, 1996.

Should you have any questions, please contact me at (202) 331-4665.

Sincerely,

Susan W. Ginsberg  
Manager, Regulatory Affairs

**Coastal Gas Marketing Company**

A SUBSIDIARY OF THE COASTAL CORPORATION  
2906 M ST NW • SUITE 300 • WASHINGTON DC 20036 • 202-466-7430

# ENGAGE

September 12, 2000

Mr. John Glynn  
U.S. Department of Energy  
1000 Independence Avenue, S.W.  
Washington, D.C. 20585

RE: Docket No. FE95-104-NG, Coastal Gas Marketing Company  
Docket No. FE96-52-NG, Coastal Gas Marketing Company  
Docket No. FE97-03-NG, Coastal Gas Marketing Company  
Docket No. FE97-36-NG, Coastal Gas Marketing Company  
Docket No. FE97-37-NG, Coastal Gas Marketing Company  
Docket No. FE97-48-NG, Engage Energy US, L.P.

2000 SEP 21 P 3:06  
150311 DOE/FE

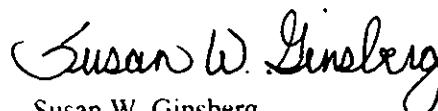
Dear Mr. Glynn:

Pursuant to 10 C.F.R., Part 590.405, Engage Energy US, L.P. ("Engage") requests that the above-referenced long-term gas import authorizations be transferred from the current holder to Westcoast Gas Services Delaware (America) Inc. ("WGSIDelaware"). The authorizations granted to Coastal Gas Marketing Company were not transferred to Engage when the limited partnership was formed. However, Engage has continued to report import volumes on a quarterly basis for these dockets.

Engage is a Delaware limited partnership owned by CGM, Inc.; WGSIDelaware; and Westcoast Delaware U.S.A. WGSIDelaware is a Delaware corporation, with its principal place of business to be located in Southfield, Michigan. WGSIDelaware is a wholly-owned subsidiary of Westcoast Gas Services (America) Inc., which ultimately is owned by Westcoast Energy Inc., a major Canadian natural gas company based in Vancouver, British Columbia. Effective October 1, 2000. Engage will be transferring some of the partnership interests to WGSIDelaware. The above-referenced authorizations are part of the assets to be transferred, subject to approval from the Department of Energy.

In accordance with 10 C.F.R., Part 590, Engage is submitting a check for \$300, which represents the \$50 fee per application. Should you have any questions regarding the requested transfer, please call me at (202) 331-4665.

Truly yours,



Susan W. Ginsberg  
Director, Regulatory Affairs

UNITED STATES OF AMERICA  
DEPARTMENT OF ENERGY  
OFFICE OF FOSSIL ENERGY

REC'D DOE/FE  
2000 SEP 29 P 4:03

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WESTCOAST GAS SERVICES )  
DELAWARE (AMERICA) INC. )  
(Successor to Coastal Gas Marketing Company )  
and Engage Energy US, L.P.)

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FE DOCKET NO. 95-104-NG

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

DOE/FE ORDER NO. 1128-A

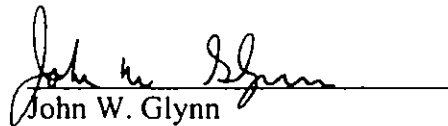
On December 14, 1995, the Office of Fossil Energy (FE) of the Department of Energy (DOE) granted long-term authorization to Coastal Gas Marketing Company (CGM) in DOE/FE Order No. 1128<sup>1/</sup> (Order 1128) to import up to 10 MMcf per day of Canadian natural gas for a period of ten years and seven months, beginning on April 1, 1996.

On September 21, 2000, the Office of Fossil Energy was notified by Engage Energy US, L.P.(Engage), (successor to CGM), a Delaware limited partnership owned by CGM, Inc., Westcoast Gas Services Delaware (America) Inc. (WGS Delaware), and Westcoast Delaware U.S.A., that effective October 1, 2000, it will be transferring some of its partnership interests to WGS Delaware. Engage is requesting that the import authorization issued in Order 1128 be transferred from CGM to WGS Delaware.



Accordingly, pursuant to section 3 of the Natural Gas Act, the import authorization granted by DOE/FE Order No. 1128 is transferred from Coastal Gas Marketing Company to Westcoast Gas Services Delaware (America) Inc. All terms and conditions in Order 1128 shall remain in full force and effect.

Issued in Washington, D.C., on September 29, 2000.

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



November 8, 2000

Via Courier

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

Attention: Mr. John Glynn, Manager, Natural Gas Regulation

Re: Name Change for the following Long-term Import Authorizations:

DOE/FE Order No. 1128 Docket No. FE 95-104 NG, WGSi Delaware  
DOE/FE Order No. 1202 Docket No. FE 96-52 NG, WGSi Delaware  
DOE/FE Order No. 1253 Docket No. FE 97-03 NG, WGSi Delaware  
DOE/FE Order No. 1275 Docket No. FE 97-36 NG, WGSi Delaware  
DOE/FE Order No. 1282 Docket No. FE 97-37 NG, WGSi Delaware  
DOE/FE Order No. 1332 Docket No. FE 97-48 NG, WGSi Delaware

REC'D DOE/FE  
2000 NOV -9 A 10:44

Dear Mr. Glynn:

Pursuant to 10 C.F.R., Part 590.405, Engage Energy America Corp. ("Engage America") successor to Westcoast Gas Services Delaware (America) Inc. ("WGSi Delaware"), respectfully requests that the name of the current holder of the above referenced long-term Import Authorizations be changed to the new entity, Engage Energy America Corp.

Engage America is a Delaware Corporation with its principal place of business in Southfield, Michigan. All communications and correspondence concerning the above referenced authorizations should be addressed to Ms. Josie Verellen, Engage Energy America Corp, c/o Engage Energy Canada, L.P., Suite 1100, 421 - 7<sup>th</sup> Avenue SW, Calgary, Alberta, Canada, T2P 4K9. Facsimile: (403) 269-5909.

Engage America is submitting a Cheque for US\$350.00 payable to the Treasurer of the United States, which represents the \$50 filing fee per application. If further information or documentation is required in support of this request, please contact me at (403) 297-1479.

Yours truly,

**ENGAGE ENERGY AMERICA CORP.**

  
Josie M. Verellen, Engage Energy Canada, L.P.  
Regulatory Administrator

cc: Patricia French, Manager, Regulatory Affairs

Enclosure - Cheque \$350.00 US

Engage Energy America Corp. 3000 Town Center, Suite 2800, Southfield, MI 48075

Phone: (248) 304-3200 Fax: (248) 304-3242

H:\US DOE.doc\Letters\Name Change\_formerly Coastal's Orders.doc

UNITED STATES OF AMERICA  
DEPARTMENT OF ENERGY  
OFFICE OF FOSSIL ENERGY

RECD DOE/FE  
2000 11/20 A 9:39

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ENGAGE ENERGY AMERICA CORP. )  
(Successor to Westcoast Gas Services )  
Delaware (America) Inc.)

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FE DOCKET NO. 95-104-NG

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

DOE/FE ORDER NO. 1128-B

On December 14, 1995, the Office of Fossil Energy (FE) of the Department of Energy (DOE) granted long-term authorization to Coastal Gas Marketing Company (CGM) in DOE/FE Order No. 1128 <sup>1/</sup> (Order 1128) to import up to 10 MMcf per day of Canadian natural gas for a period of ten years and seven months, beginning on April 1, 1996.

On September 29, 2000, FE transferred the long-term import authorization granted in Order 1128 from CGM to Westcoast Gas Services Delaware (America) Inc. (WGSi).<sup>2/</sup>

On November 9, 2000, Engage Energy America Corp.(Engage America), a successor to WGSi and a Delaware corporation with its principal place of business in Southfield, Michigan, requested that FE change the name on the import authorization issued in DOE/FE Order No.1128-A to Engage America.

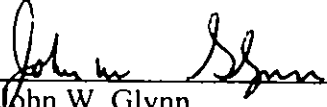
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<sup>1/</sup> 1 FE ¶ 71,212.

<sup>2/</sup> DOE/FE Order No.1128-A.

Accordingly, pursuant to section 3 of the Natural Gas Act, the long-term import authorization granted by DOE/FE Order No. 1128, as amended in DOE/FE Order No. 1128-A, is transferred from Westcoast Gas Services Delaware (America) Inc. to Engage Energy America Corp. All terms and conditions of Order 1128, as amended, shall remain in full force and effect.

Issued in Washington, D.C., on November 20, 2000.

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

# ENGAGE

March 20, 2001

Via Courier

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

REC'D DOE/FE  
2001 APR 5 P 12:19

Attention: Mr. John Glynn, Manager, Natural Gas Regulation

**Re: Name Change for the following 6 Long-term Import Authorizations & one Blanket:**

**Blanket:** DOE/FE Order No. 1128 Docket No. FE 95-104 NG, Engage Energy America Corp.  
DOE/FE Order No. 1202 Docket No. FE 96-52 NG, Engage Energy America Corp.  
DOE/FE Order No. 1253 Docket No. FE 97-03 NG, Engage Energy America Corp.  
DOE/FE Order No. 1275 Docket No. FE 97-36 NG, Engage Energy America Corp.  
DOE/FE Order No. 1282 Docket No. FE 97-37 NG, Engage Energy America Corp.  
DOE/FE Order No. 1332 Docket No. FE 97-48 NG, Engage Energy America Corp.  
DOE/FE Order No. 1622 Docket No. FE 00-58 NG, Engage Energy America Corp.

Dear Mr. Glynn:

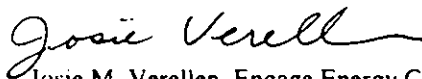
Pursuant to 10 C.F.R., Part 590.405, Engage Energy America L.L.C. ("Engage America") successor to Engage Energy America Corp. formerly Westcoast Gas Services Delaware (America) Inc., respectfully requests that the name of the current holder of the above referenced long-term Import Authorizations be changed to the new entity **Engage Energy America L.L.C.**

Engage America is a Delaware Corporation with its principal place of business in Southfield, Michigan. All communications and correspondence concerning the above referenced authorizations should be addressed to Ms. Josie Verellen, Engage Energy America L.L.C., c/o Engage Energy Canada, L.P., Suite 1100, 421 - 7<sup>th</sup> Avenue SW, Calgary, Alberta, Canada, T2P 4K9. Facsimile: (403) 269-5909.

Engage America is submitting a Cheque for US\$350.00 payable to the Treasurer of the United States, which represents the \$50 filing fee per application. If further information or documentation is required in support of this request, please contact me at (403) 297-1479.

Yours truly,

**ENGAGE ENERGY AMERICA L.L.C.**



Josie M. Verellen, Engage Energy Canada, L.P.  
Regulatory Administrator

cc: Patricia French, Manager, Regulatory Affairs

Enclosed - Cheque \$350.00 US

Engage Energy Canada, L.P. 1100, 421 7th Ave. S.W., Calgary, Alberta, Canada T2P 4K9

Phone: (403) 297-0333 Fax: (403) 269-5909

H:\US DOE.doc\Letters\Name Change\_6 Long Term\_formerly Coastal's Orders.doc

State of Delaware  
Office of the Secretary of State

PAGE 1

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE DO HEREBY CERTIFY THAT THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF CONVERSION OF A DELAWARE CORPORATION UNDER THE NAME OF "ENGAGE ENERGY AMERICA CORP." TO A DELAWARE LIMITED LIABILITY COMPANY, CHANGING ITS NAME FROM "ENGAGE ENERGY AMERICA CORP." TO "ENGAGE ENERGY AMERICA LLC", FILED IN THIS OFFICE ON THE TWENTY-SEVENTH DAY OF DECEMBER, A.D. 2000, AT 3 O'CLOCK P.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE EFFECTIVE DATE OF THE AFORESAID CERTIFICATE OF CONVERSION IS THE TWENTY-NINTH DAY OF DECEMBER, A.D. 2000.



*Edward J. Freel*  
Edward J. Freel, Secretary of State

2703410 8100V  
001652523

AUTHENTICATION: 0883657  
DATE

STATE OF DELAWARE  
SECRETARY OF STATE  
DIVISION OF CORPORATIONS  
FILED 03:00 PM 12/27/2000  
001682523 - 2703410

**CERTIFICATE OF CONVERSION**  
**OF**  
**ENGAGE ENERGY AMERICA CORP.**  
**INTO A LIMITED LIABILITY COMPANY**  
**UNDER SECTION 18-214**  
**OF THE LIMITED LIABILITY COMPANY ACT**

Engage Energy America Corp., a Delaware corporation, hereby certifies as follows:

**FIRST:** Engage Energy America Corp. was duly formed and its original certificate of incorporation was filed with the Secretary of State of Delaware on January 7, 1997.


**SECOND:** The name of the entity prior to conversion is: Engage Energy America Corp.

**THIRD:** The name of the Delaware Limited Liability Company as set forth in its Certificate of Formation is: Engage Energy America LLC.

**FOURTH:** The effective date of the conversion to a Delaware Limited Liability Company shall be at the close of business on December 29, 2000.

IN WITNESS WHEREOF, this certificate has been subscribed this 27<sup>th</sup> day of December, 2000, by the undersigned who affirms the statements made herein are true under penalties of perjury.

ENGAGE ENERGY AMERICA CORP.

By:   
Name: David G. Unruh  
Title: Director

State of Delaware  
Office of the Secretary of State

PAGE 2

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE DO HEREBY CERTIFY THAT THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF FORMATION OF "ENGAGE ENERGY AMERICA LLC" FILED IN THIS OFFICE ON THE TWENTY-SEVENTH DAY OF DECEMBER, A.D. 2000. AT 3 O'CLOCK P.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE EFFECTIVE DATE OF THE AFORESAID CERTIFICATE OF FORMATION IS THE TWENTY-NINTH DAY OF DECEMBER, A.D. 2000.



*Edward J. Freel*  
Edward J. Freel, Secretary of State

2703410 8100V  
001652523

AUTHENTICATION: 0883657



STATE OF DELAWARE  
SECRETARY OF STATE  
DIVISION OF CORPORATIONS  
FILED 03:00 PM 12/27/2000  
001652523 - 2703410

**CERTIFICATE OF FORMATION**  
**OF**  
**ENGAGE ENERGY AMERICA LLC**

This Certificate of Formation of Engage Energy America LLC (the "LLC"), dated as of December 27, 2000, is being duly executed and filed by Timothy J. McCourt, an authorized person, to form a limited liability company under the Delaware Limited Liability Company Act (6 Del. C. §18-101, et seq.).

- FIRST:** The name of the limited liability company is Engage Energy America LLC.
- SECOND:** The address of its registered office in the State of Delaware is 1209 Orange Street, Wilmington, Delaware 19801. The name of its Registered Agent at such address is The Corporation Trust Company.
- THIRD:** The effective date of this Certificate of Formation shall be at the close of business on December 29, 2000.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Formation as of the date first above written.

By: /s/ Timothy J. McCourt  
Timothy J. McCourt  
Authorized Person

UNITED STATES OF AMERICA  
DEPARTMENT OF ENERGY  
OFFICE OF FOSSIL ENERGY

APR 19 2001

\_\_\_\_\_  
ENGAGE ENERGY AMERICA L.L.C. )  
(Successor to Engage Energy America Corp.) )  
\_\_\_\_\_ )

FE DOCKET NO. 95-104-NG

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

DOE/FE ORDER NO. 1128-C

On December 14, 1995, the Office of Fossil Energy (FE) of the Department of Energy (DOE) granted long-term authorization to Coastal Gas Marketing Company (CGM) in DOE/FE Order No. 1128 <sup>1/</sup> (Order 1128) to import up to 10 MMcf per day of Canadian natural gas for a period of ten years and seven months, beginning on April 1, 1996.

On September 29, 2000, FE transferred the long-term import authorization granted in Order 1128 from CGM to Westcoast Gas Services Delaware (America) Inc. (WGSi).<sup>2/</sup>

On November 9, 2000, FE transferred the long-term import authorization granted in Order 1128 from WGSi to Engage Energy America Corp.<sup>3/</sup>

On April 5, 2001, Engage Energy America L.L.C., a successor to Engage Energy America Corp. and a Delaware corporation with its principal place of business in Southfield, Michigan, requested that FE change the name on the import authorization issued in Order

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<sup>1/</sup> 1 FE ¶ 71,212.

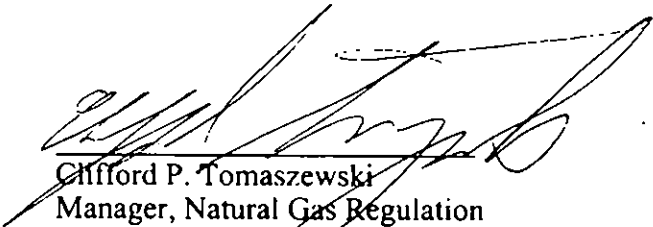
<sup>2/</sup> DOE/FE Order No.1128-A.

<sup>3/</sup> DOE/FE Order No.1128-B.

No.1128 to Engage Energy America L.L.C.

Accordingly, pursuant to section 3 of the Natural Gas Act, the long-term import authorization granted by DOE/FE Order No. 1128, as amended in DOE/FE Order No. 1128-A and DOE/FE Order No. 1128-B, is transferred from Engage Energy America Corp. to Engage Energy America L.L.C. All terms and conditions of Order 1128, as amended, shall remain in full force and effect.

Issued in Washington, D.C., on April 19, 2001.



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