

FE DOCKET NO.: 96-10-NG
APPLICANT(S): PROGAS U.S.A., INC

ITEM	PREPARED OR FILED BY	FILING TYPE	DESCRIPTION OF DOCUMENT	DATED	DATE FILED OR ISSUED
1 ✓	PROGAS U.S.A., INC.	APPLICATION	Application for Long-Term Authority to Import Natural Gas from Canada	96-03-07	96-03-07
2 ✓	DOE/FE	ORDER	Order 1156-Granting Long-Term Authority to Import Natural Gas from Canada	96-03-07	96-03-07

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

1996 MAR -7 P 4: 32

REC'D DOE/FE
OFFICE OF FOSSIL ENERGY

PROGAS U.S.A., INC.

)
)
)

FE Docket No. 96-10-NG

APPLICATION OF PROGAS U.S.A., INC. FOR LONG-TERM
AUTHORIZATION TO IMPORT NATURAL GAS

Communications with respect to this Application should
be addressed to:

Paul W. Fox, Esq.
Bracewell & Patterson, L.L.P.
A Registered Limited Liability Partnership
100 Congress Avenue, Suite 1900
Austin, Texas 78701-4052
(512) 472-7800

Sarah G. Novosel, Esq.
Bracewell & Patterson, L.L.P.
A Registered Limited Liability Partnership
2000 K Street, N.W., Suite 500
Washington, D.C. 20006
(202) 828-5800

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

1996 MAR -7 P 4: 32

PROGAS U.S.A., INC.

)
)
)

FE Docket No. 96-13
NG

APPLICATION OF PROGAS U.S.A., INC. FOR LONG-TERM
AUTHORIZATION TO IMPORT NATURAL GAS FROM CANADA

Pursuant to Section 3 of the Natural Gas Act ("NGA"), 15 U.S.C. Section 717b, as amended by section 201 of the Energy Policy Act of 1992 ("Energy Policy Act") (P.L. 102-486), ProGas U.S.A., Inc. ("ProGas U.S.A.") hereby submits the instant application for long-term authorization to import natural gas from Canada. In support of this application, ProGas U.S.A. respectfully shows as follows:

I.
GENERAL

The exact legal name of ProGas U.S.A. is ProGas U.S.A., Inc. Correspondence concerning this application should be addressed to:

Paul W. Fox, Esq.
Bracewell & Patterson, L.L.P.
A Registered Limited Liability Partnership
100 Congress Avenue, Suite 1900
Austin, TX 78701-4052
(512) 472-7800

Sarah G. Novosel, Esq.
Bracewell & Patterson, L.L.P.
A Registered Limited Liability Partnership
2000 K Street, N.W., Suite 500
Washington, D.C. 20006
(202) 828-5800

II.
BACKGROUND

ProGas U.S.A. is a corporation organized under the laws of the State of Delaware, with its principal place of business at 400 Third Avenue, S.W., Suite 3300, Calgary, Alberta, Canada. ProGas U.S.A. is beneficially owned by ProGas Limited, a private corporation organized under the laws of the Province of Alberta, Canada, with its principal place of business in Calgary, Alberta. ProGas U.S.A. is actively engaged in the business of purchasing and reselling natural gas throughout the United States. In general, ProGas U.S.A. purchases natural gas supplies primarily from ProGas Limited and resells such supplies directly to end-users and in "first sale" transactions. ProGas Limited is engaged in the business of buying and selling natural gas to purchasers located in Canada and the United States, including ProGas U.S.A.

III.
AUTHORIZATION REQUESTED

ProGas U.S.A. requests authorization to import up to 15,000 MMBtu per day of natural gas on a long-term basis from the date of authorization through October 31, 2000. As discussed in the attached Exhibit "A", importation of natural gas from Canada is within ProGas U.S.A.'s corporate powers.

ProGas U.S.A. entered into a natural gas supply agreement with AIG Trading Corporation ("AIG") dated October 16, 1995 which permits AIG and ProGas U.S.A. to enter into firm gas sales arrangements which are documented by schedules to the agreement. On October 24, 1995, in a Schedule "A" to that agreement, ProGas U.S.A. and AIG entered into a firm sales arrangement which obligates ProGas U.S.A. to sell 15,000 MMBtu to AIG for a 5-year period commencing on November 1, 1995, subject to certain termination rights enumerated in Schedule "A". Redacted

versions of the October 16 Agreement and the October 24 Schedule "A" are attached as Exhibit "B" and collectively are referred to as the "Agreement".

ProGas U.S.A. will purchase the gas to be sold to AIG from ProGas Limited at the U.S./Canadian international boundary at Noyes, Minnesota. A copy of the sales agreement between ProGas Limited and ProGas U.S.A. is attached as Exhibit "C". ProGas Limited will ship the gas through Canada on the NOVA Gas Transmission Ltd. pipeline to its interconnection with TransCanada PipeLines Ltd. ("TransCanada") at Empress, Alberta. From Empress, ProGas Limited will ship the gas on TransCanada to Noyes at the international boundary. At Noyes, ProGas Limited will sell the gas to ProGas U.S.A. From Noyes, ProGas U.S.A. will import the gas and ship it on the Great Lakes Gas Transmission Limited Partnership ("GLGT") system for delivery to AIG at any point on the GLGT system.

Under the terms of the Agreement, the price of the gas sold by ProGas U.S.A. to AIG consists of a monthly demand charge, plus a monthly commodity charge for volumes of gas delivered. The Agreement provides for a fixed monthly demand charge which is the product of the number of days in a month times a multiplier. The monthly commodity charge for each MMBtu of gas delivered by ProGas U.S.A. to AIG shall be calculated by taking the average of certain daily prices, adding a fixed charge, and removing a per unit demand charge.

Gas began flowing under the terms of the Agreement on November 1, 1995. ProGas U.S.A. is currently importing the gas sold under the Agreement through its short-term blanket import authorization.¹

¹ *Pro Gas U.S.A., Inc.* 1 FE ¶ 71,104 (1995).

IV.
PUBLIC INTEREST

The Energy Policy Act provides that the importation of natural gas from a nation with which there is in effect a free trade agreement shall be deemed to be within the public interest, and that applications for such importation shall be granted without modification or delay.² Because ProGas U.S.A.'s application is for the importation of natural gas from Canada, a nation with which the United States has a free trade agreement, ProGas U.S.A. submits that its application is within the public interest.

V.
REPORTING REQUIREMENTS

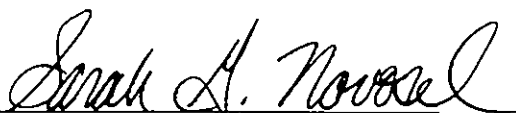
With respect to the imports made pursuant to the long-term authorization requested herein, within two weeks after deliveries begin under the long-term authorization, ProGas U.S.A. will notify the Office of Fuels Programs ("OFP") in writing of the date that the first import of natural gas occurred. Additionally, ProGas U.S.A. will file with the OFP within 30 days following each calendar quarter, a quarterly report showing by month the total volume imported and the average purchase price per MMBtu of gas paid at the international border. The price information for a particular month will include the gas commodity charge, the Canadian pipeline demand charges, and the pipeline fuel and commodity charges.

² Energy Policy Act of 1992, Title II - Natural Gas, Pub. L. No. 102-486 (1992).

VI.
CONCLUSION

WHEREFORE, for the foregoing reasons ProGas U.S.A. respectfully requests that the OFP expeditiously consider the instant application and, pursuant to section 3 of the NGA, as amended by section 201 of the Energy Policy Act, grant the requested long-term import authorization. ProGas U.S.A. submits that a grant of such authorization would be consistent with the public interest.

Respectfully submitted,



Paul W. Fox, Esq.
Bracewell & Patterson, L.L.P.
A Registered Limited Liability Partnership
100 Congress Avenue, Suite 1900
Austin, Texas 78701-4052
(512) 472-7800

Sarah G. Novosel, Esq.
Bracewell & Patterson, L.L.P.
A Registered Limited Liability Partnership
2000 K Street, N.W., Suite 500
Washington, D.C. 20006
(202) 828-5800

ATTORNEYS FOR PROGAS U.S.A., INC.

March 7, 1996

53744 01

VERIFICATION

Magdalena A.K. Muir, being first duly sworn, deposes and says that she is a duly authorized representative of the Applicant; that she has read the foregoing document; that she is familiar with the contents thereof; that the statements contained therein are true and correct to the best of her knowledge, information and belief; that she is authorized to file the same with the Office of Fossil Energy; and that, to the best of her knowledge, information and belief, the same or a 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.

Magdalena A.K. Muir
Magdalena A.K. Muir

SUBSCRIBED AND SWORN TO before me this 4 day of March, 1996.

J. Jay Park
Notary Public in and for the
Province of Alberta

J. JAY PARK
BARRISTER & SOLICITOR

My Commission expires at
the Lieutenant-Governor's
pleasure

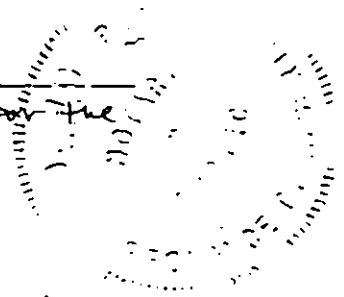


EXHIBIT "A"



ProGas U.S.A., Inc.

3300, 400 Third Avenue S.W.
Calgary, Alberta
Canada T2P 4H2
Telephone: (403) 296-0600
Telecopier: (403) 266-0354

February 21, 1996

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

Re: Application of ProGas U.S.A., Inc. For Long-term
Authorization to Import Natural Gas from Canada
FE Docket No. 95- -NG

Dear Mr. Tomaszewski:

As counsel for ProGas U.S.A., Inc. ("the Company"), Applicant in the above referenced proceeding, I have reviewed the Certificate of Incorporation and Bylaws of the Company, and such other documents as I have deemed necessary in order to advise you that:

1. The Company 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. The Company has the requisite corporate authority to import natural gas from Canada.

Yours truly,

Magdalena A.K. Muir

Attorney for
ProGas U.S.A., Inc.

MAKM/jes25

EXHIBIT "B"



PROGAS COPY

NATURAL GAS PURCHASE AND SALE AGREEMENT

AGREEMENT made as of October 16, 1995, between AIG Trading Corporation, a Delaware corporation ("AIG"), and each of ProGas Limited, an Alberta corporation, ProGas Enterprises Limited, an Alberta corporation, and ProGas U.S.A., Inc. a Delaware corporation (each a "Counterpart"). The parties agree as follows:

1. Definitions

"Affiliate" of any person means a person which controls, is controlled by, or is under common control with, such person; without limiting the term control, more than 50% ownership (voting or equity) is control for this purpose.

"Banking Day" means a day (other than a Saturday or Sunday) on which commercial banks in New York City are not authorized or required to close.

"Buyer" means the party receiving Gas under any Transaction.

"Business Day" means a Banking Day on which the New York Mercantile Exchange, Inc. ("NYMEX") is open for business.

"Contract Price" means the price per Unit agreed to be paid for Gas by Buyer to Seller pursuant to a Transaction.

"Contract Quantity" means the total quantity of Gas agreed to be sold and delivered pursuant to a Transaction.

"Daily Contract Quantity" means the Contract Quantity under any Transaction divided by the number of Gas Days in the Delivery Period.

"Delivery Point" means the agreed point or points where Seller delivers and Buyer receives Gas under any Transaction.

"Delivery Period" means the agreed calendar period during which deliveries shall be made pursuant to a Transaction.

"Gas" means merchantable natural gas that meets the specifications of the relevant Transporters in effect at the time the gas is delivered, including, but not limited to, quality, temperature and pressure. To the extent additional specifications apply to a Transaction, they shall be agreed at the time the Transaction is entered into and included in the relevant Confirmation.

"Gas Day" means a period of 24 consecutive hours, coextensive with a "day" as defined in the tariff of the Transporter receiving Gas at the Delivery Point in a particular Transaction.

"Guarantor" means in the case of AIG, American International Group, Inc., and in the case of Counterpart, ProGas Limited.

"LIBOR Rate" means the London Interbank Offered Rate for the applicable currency and period (interpolated between dates, if necessary), as from time to time in effect.

"Penalties" mean Scheduling, imbalance or similar penalties, fees, forfeitures or charges imposed by a Transporter under its tariff.

"Prime Rate" means (a) with respect to obligations owing in US Dollars, the Prime Rate as published in The Wall Street Journal under Money Rates, and (b) with respect to obligations in other currencies, the comparable rate for loans in the relevant currency, as determined by AIG in any commercially reasonable manner, in each case as from time to time in effect.

"Schedule" or "Scheduled" means the act of Seller, Buyer and Transporter of notifying, requesting and confirming to each other the quantity of Gas to be delivered on any given Gas Day or Days during a Delivery Period.

"Seller" means the party delivering Gas under any Transaction.

"Transaction" means a particular agreed purchase and sale of Gas between the parties.

"Transporter" or "Transporters" mean the natural gas pipeline company or companies through the facilities of which Gas is delivered and received pursuant to a Transaction.

"Unit" means MMBTU, MCF or such other unit for measuring quantities of Gas as the parties shall mutually agree for any Transaction.

2. Transactions

2.1 From time to time the parties hereto may enter into one or more Transactions. Nothing in this Agreement shall require either party to enter into any Transaction, but all Transactions entered into shall be subject to the terms and conditions of this Agreement; provided, however, that those provisions designated "FIRM ONLY" shall apply only to the respective type of Transaction. These types of Transactions are defined as follows:

"Firm" means an absolute obligation to sell and purchase the Gas specified in a Transaction unless the obligation is canceled by a force majeure event as provided in the applicable provisions of paragraph 6.

2.2 Any Transaction may be entered into orally (which oral agreement shall be binding and enforceable). AIG shall promptly confirm each Transaction in substantially the form annexed hereto as Schedule A (each a "Confirmation"). Unless objected to in writing within two Business Days, a Confirmation shall be final and binding on the parties, absent manifest error. The failure to send or agree upon a Confirmation for any Transaction shall not affect the enforceability of any Transaction actually entered into. If a Confirmation conflicts with this Agreement, the Confirmation shall govern with respect to that Transaction (except with respect to paragraph 7).

3. Delivery; Transportation

3.1 Seller shall sell and deliver or cause to be delivered, and Buyer shall purchase and receive or cause to be received, the Contract Quantity for a particular Transaction. Seller shall arrange and pay for transportation to the Delivery Point and Buyer shall arrange and pay for transportation from the Delivery Point.

3.2 (a) The Contract Price includes full reimbursement for and Seller shall reimburse Buyer if Buyer shall have paid, all production, severance, excise, sales, value added, energy, Btu, gross receipts and similar or different taxes or governmental impositions or surcharges (collectively, together with GST (as defined below), if applicable, "Gas Taxes") imposed on or in respect of the Gas prior to delivery of the Gas to Buyer at the Delivery Point. The Contract Price does not include reimbursement for and Buyer is liable for and shall pay or cause to be paid, or reimburse Seller if Seller shall have paid, all Gas Taxes imposed on or in respect of the Gas at or after delivery of the Gas to Buyer at the Delivery Point. Each party agrees to cooperate in obtaining any exemption from or reduction of any Gas Tax upon reasonable request by the other party.

(b) If any Transaction provides for a Delivery Point in Canada, the Contract Price is exclusive of the Goods and Services Tax which is or may be imposed in respect of the Gas under Part IX of the Excise Tax Act (Canada), as amended, or any successor or parallel legislation (including provincial legislation) (the "GST"), that is intended to impose a tax on Buyer in respect of the Gas. Seller shall hold the GST paid by Buyer and shall remit such GST as required by law.

3.3 Gas will be delivered at a constant daily rate throughout the Delivery Period, subject to normal pipeline operating procedures.

3.4 (a) FIRM Subject to the tolerances set forth in Transporters' tariffs, Seller is obligated daily to Schedule and to cause its Transporter to deliver to the Delivery Point, and Buyer is obligated to Schedule and to cause its Transporter to receive at the Delivery Point, the Daily Contract Quantity during each Gas Day, unless performance is excused under paragraph 6.

3.5 If Buyer at any time exceeds the delivery credit line then in effect as from time to time established by Seller, Seller may, not later than the second Business Day before the last day on which Gas deliveries for that delivery month or Delivery Period, as applicable, can be nominated on Seller's Transporter (the "Last Nomination Day"), require Buyer, to the extent of such excess, to prepay for that Transaction or to provide an irrevocable letter of credit in Seller's favor in a form and substance and having such terms and conditions as Seller shall reasonably specify, issued by a major bank which is and remains acceptable to Seller; such prepayment will be made to, or such letter of credit received by, Seller within two Business Days after Seller's request (but no later than the Business Day before the relevant Last Nomination Day). All charges at Buyer's bank relating to any letter of credit are for Buyer's account. This paragraph 3.5 does not apply to Transactions under which AIG is Buyer as long as the guarantee of American International Group, Inc. remains in effect.

4. Title and Risk; Certain Warranties

4.1 Unless otherwise agreed, title to and risk of loss of Gas shall pass from Seller to Buyer at the Delivery Point.

4.2 As between Buyer and Seller, Seller, before the Delivery Point, and Buyer, after the Delivery Point, shall have exclusive control and possession of the Gas and be responsible for any injury or damage caused thereby.

4.3 Seller represents and warrants with respect to each Transaction that (a) the Gas meets the requirements of that term as defined herein, (b) its sale is in compliance with all applicable laws and regulations, and (c) except as the result of an Event of Change, such Gas is not subject to any federal or provincial regulation (other than with respect to import/export regulations, transportation or pipeline operation). EXCEPT AS PROVIDED IN THIS PARAGRAPH 4.3 AND IN PARAGRAPHS 4.4 AND 11.3, SELLER DOES NOT MAKE ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO GAS DELIVERED UNDER A TRANSACTION (INCLUDING, WITHOUT LIMITATION, ANY WARRANTY AS TO FITNESS FOR A PARTICULAR PURPOSE).

4.4 Seller warrants good title to the Gas delivered to Buyer in any Transaction, free from all liens, encumbrances and adverse claims, and is responsible for all losses, liabilities, damages, costs and expenses (including attorneys' fees and expenses) arising from or out of any adverse claim to or against the Gas arising or attaching prior to delivery of the Gas to Buyer. Seller agrees to pay, cause to be paid or delivered in kind to the parties entitled thereto, and indemnify Buyer against all third party claims relating to, all royalties, overriding royalties or like charges against the Gas or the value thereof. In the event any adverse claim is asserted in respect of any Gas delivered under any Transaction, Buyer, in addition to all other rights and remedies available to it, may suspend its obligation to pay for such Gas and suspend other payments hereunder or under other Transactions up to the amount of such claim, without interest, until such claim has been finally determined or until Seller shall have furnished a bond to Buyer, in an amount, issued by a surety and in form and substance reasonably acceptable to Buyer, to protect Buyer with respect to such claim.

5. Billing; Payment of Purchase Price

5.1 Seller's invoice (which may be sent by fax) shall set forth the quantity of Gas which was Scheduled, the Contract Price and the total amount due from Buyer. Each party shall promptly obtain from applicable Transporters and provide to the other party statements of actual meter allocations or gas volume transportation statements evidencing the quantities of Gas delivered at the Delivery Point. Each party shall use reasonable commercial efforts to make such statements available as promptly as reasonably practicable.

5.2 If the necessary Transporter statements are not available by the day an invoice is to be rendered, such invoice may be prepared based on the Scheduled quantity of Gas, subject to adjustment once Transporter statements are available; however, no payment shall be subject to adjustment unless the party requesting the same does so by notice given within two years after such payment was originally due or after receipt of the original invoice for that payment (if later). Should Transporter statements disagree, the parties shall promptly seek resolution from the relevant Transporters and, in the interim, shall effect adjustments based on the smaller indicated delivered quantity.

5.3 Buyer shall remit the amount due for any Gas by the 25th day of the month following the month in which delivery occurs, provided that if such day is not a Banking Day, payment is due on the preceding Banking Day. Upon request, each party shall supply to the other all relevant documentation supporting any amounts claimed to be owing to such party by the other (but the outstanding request from a party for, or failure of the other party to provide, documentation does not excuse such party from making payment when due hereunder).

6. Force Majeure

6.1 Except with regard to a party's obligation to make payments due under a Transaction in accordance with paragraph 5 for Gas actually delivered and received and a party's obligations under

paragraph 8, in the event either party hereto fails to perform, wholly or in part, as a consequence of force majeure, its obligations under a Transaction or this Agreement, it is agreed that, upon such party's giving notice and full particulars of such force majeure as promptly as reasonably practicable after the occurrence of the event relied on, the obligations of the parties insofar as they are affected by such force majeure shall be canceled during the continuance of any inability so caused from its inception but for no longer period and only to the extent such obligations were to be performed during the continuance of such force majeure.

6.2 The term "force majeure" means (except as otherwise provided in paragraph 6.3 or 6.4) acts of God, strikes, lockouts, or industrial disputes or disturbances, riot, civil disturbances, interruptions by government or court orders, necessity for compliance with any court order, law, statute, ordinance or regulation promulgated by a governmental authority having jurisdiction, failure of transportation or of a supplier or purchaser to perform, or any other cause not reasonably within the control of the party claiming force majeure and which by the exercise of due diligence of such party could not have been prevented or is unable to be overcome.

(b) For Firm Transactions, the term force majeure specifically excludes (i) the events described in Section 6.3(a), (ii) the loss, interruption, or curtailment of interruptible transportation on any Transporter necessary to effect receipt or delivery of Gas hereunder, unless the same event also curtails firm transportation on the affected pipeline segment; (iii) increases or decreases in natural gas supply due to allocation or reallocation of production by well operators, pipelines or other parties; (iv) failure of specific, individual wells or appurtenant facilities in the absence of a force majeure event broadly affecting other wells in the same geographic area and (v) any other failure of a supplier or purchaser to perform except, in the case of Counterpart, to the extent that failure of supply from producers can be conclusively demonstrated to affect Counterpart's ability to obtain supply from its contracted supply sources in Western Canada above the level of its then existing Firm sales obligations.

(c) Upon the occurrence of an event of force majeure, to the extent applicable, the affected party shall allocate to the extent reasonably practicable its Gas supply or markets pro rata among all of the persons supplying Gas to it or purchasing Gas from it during the relevant period, but the affected party can give preference to Firm Transactions over Interruptible Transactions.

6.4 It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the party having the difficulty, and that the above requirement of the use of diligence in restoring normal operating conditions shall not require the settlement of strikes or lockouts by acceding to the terms of the opposing party when such course is inadvisable in the discretion of the party having the difficulty.

7. Non-Performance; Limitation on Damages

7.1 Notwithstanding any other provision hereof or of any other agreement between the parties, in the event (each a "default") AIG or a Counterpart or its respective Guarantor (the "Defaulting Party") shall (a) become bankrupt or insolvent, however evidenced, or be unable to pay its debts as they fall due, (b) file a petition or otherwise commence a proceeding under any bankruptcy, insolvency, reorganization or similar law, or have any such petition filed or proceeding commenced against it, (c) have a liquidator, administrator, receiver, conservator or trustee appointed with respect to it or any substantial portion of its property or assets, or (d) fail to pay or perform, when due, any obligation to the other party (the "Performing Party") (including, without limitation, to prepay or provide a letter of credit under the credit terms of a Transaction or paragraph

3.5). whether under this Agreement or otherwise (subject to paragraphs 7.4 and 7.5, but such paragraphs shall not excuse any default hereunder except as, and to the extent, expressly provided therein); then in any such event the Performing Party shall have the right on prior notice to the Defaulting Party (except in the case of a default specified in clause (b) above, in which case no notice is required) to liquidate any or all Forward Contracts (as defined below) then outstanding at any time or from time to time thereafter by:

- (i) Closing out each priced Forward Contract being liquidated at its Market Value (as defined below) at the time of liquidation, so that each such Forward Contract is canceled and a settlement payment in an amount equal to the difference between such Market Value and the Contract Value (as defined below) of such Forward Contract shall be due to Buyer under the Forward Contract if such Market Value exceeds such Contract Value and to Seller under such Contract if the opposite is the case; and
- (ii) Discounting each amount then due under clause (i) above to present value as at the time of liquidation (to take account of the period between the date of liquidation and the date on which such amount would have otherwise been due pursuant to the relevant Forward Contract); and
- (iii) Setting off or aggregating, as appropriate, any or all settlement payments (discounted as appropriate) and (at the election of the Performing Party) any or all other amounts owing between the parties hereunder or under any Forward Contract so that all such amounts are aggregated and/or netted to a single liquidated amount payable by one party to the other.

The net amount due after any such liquidation shall be paid by the close of business on the next Business Day. A default by an Affiliate of Counterpart under any other agreement with AIG shall be treated as a default by Counterpart under this Agreement. A Forward Contract under which part of the Gas has been delivered may be liquidated as two separate Forward Contracts for the delivered and undelivered quantities. A Forward Contract is priced if a Contract Price (including, without limitation, a formula or pricing basis with respect to a published or publicly announced price) has been agreed to by the parties for that Forward Contract. An unpriced Forward Contract is liquidated by canceling the same.

7.2 The Performing Party's rights under this paragraph 7 are in addition to, and not in limitation or exclusion of, any other rights which the Performing Party may have (whether by agreement, operation of law, in equity or otherwise). If a default occurs, the Performing Party may (at its election) from time to time set off any or all amounts which the Defaulting Party owes to it (whether under this Agreement or otherwise and whether or not then due) against any or all amounts which it owes to the Defaulting Party (whether under this Agreement or otherwise and whether or not then due), provided that (a) any amount not then due which is included in such setoff shall be discounted to present value as at the time of setoff (to take account of the period between the date of setoff and the date on which such amount would have otherwise been due), and (b) if Counterpart is the Defaulting Party, any such setoff may (at AIG's election) include amounts owing by or to Affiliates of the parties. After a default, the Defaulting Party shall be responsible for all costs and expenses incurred by the Performing Party as a result of that default (including, without limitation, reasonable attorneys' fees and disbursements).

7.3 For purposes of this Agreement, (a) "Forward Contract" means a Transaction with a Delivery Period which begins more than two days after that Transaction is entered into; (b) "Contract Value" of any Forward Contract means the product of (i) the number of Units of Gas covered by that Forward Contract multiplied by (ii) the Contract Price for that Gas, provided that if the Contract Price is not in US Dollars, the Contract Value shall be such product converted to US Dollars at the then current open market exchange rate for delivery on the relevant Payment Date at which such currency can be converted into US Dollars, as determined by the Performing Party in any commercially reasonable manner; and (c) "Market Value" of any Forward Contract at any time means the product of (i) the number of Units covered by that Forward Contract multiplied by (ii) the then current market price per Unit in US Dollars for the type of Gas covered thereby for delivery in

the Delivery Period and at the Delivery Point and with the Payment Date specified in that Forward Contract, as determined by the Performing Party in any commercially reasonable manner. The rate of interest to be used under this paragraph 7 for purposes of calculating present value shall be the LIBOR Rate for the relevant period, as determined by the Performing Party in any commercially reasonable manner.

7.4 (a) If either party (the "Non-Performing Party") fails to deliver or receive, as the case may be, the Daily Contract Quantity (within applicable tolerances) because its supplier or purchaser, respectively, fails to perform its obligation to the Non-Performing Party (including, without limitation, when such failure is due to a Transporter's failure to perform) and (in the case of a Firm or Interruptible-Baseload Transaction) such supplier's or purchaser's obligations are (i) if the Transaction is a Firm Transaction, Firm obligations, and (ii) if the Transaction is a Firm or Interruptible-Baseload Transaction, Firm or Interruptible-Baseload (or comparable) obligations, the Non-Performing Party shall not be in default solely by reason of its failure to so deliver or receive the Daily Contract Quantity if it complies with its obligations under this paragraph 7.4.

(b) Within two Business Days after notice from the Performing Party, the Non-Performing Party will either (i) if mutually agreed by the parties (each acting in its discretion), gross up deliveries during the remaining portion of the Delivery Period, or (ii) pay an amount determined under paragraph 7.4(c).

(c) If and to the extent the Non-Performing Party's failure to deliver or receive Gas is not cured by a gross up under paragraph 7.4(b), the Non-Performing Party will pay an amount to the Performing Party, within one Business Day after written demand from the Performing Party, calculated as follows:

(i) If Buyer is the Non-Performing Party, then Buyer shall be liable for (x) the amount equal to any demand charges which Seller has incurred on the Transporter immediately upstream of the Delivery Point pursuant to firm transportation agreements for the transportation of Gas which Buyer has failed to receive and which Seller has not otherwise utilized or assigned to a third party and (y) if the Sales Price (as defined below) is less than the Contract Price, the product of the amount, if any, by which the Contract Price exceeds the Sales Price multiplied by the amount by which the quantity received by Buyer was less than the quantity Buyer was required to receive.

(ii) If Seller is the Non-Performing Party, then Seller shall be liable for (x) the amount of any demand charges which Buyer has incurred on the Transporter immediately downstream of the Delivery Point pursuant to firm transportation agreements for the Transportation of Gas which Seller has failed to deliver and which Buyer has not otherwise utilized or assigned to a third party and (y) if the Replacement Price (as defined below) is greater than the Contract Price, the product of the amount, if any, by which the Replacement Price exceeded the Contract Price multiplied by the amount by which the quantity delivered by Seller was less than the quantity Seller was required to deliver.

(iii) The "Sales Price" shall be the price at which Seller, acting in any commercially reasonable manner, effects a resale of the Gas not received by Buyer or, absent such a resale, the market price for such quantity and Delivery Point, as determined by Seller in any commercially reasonable manner. The "Replacement Price" shall be the price at which Buyer, acting in any commercially reasonable manner, effects a purchase of the Gas not delivered by Seller or, absent such a purchase, the market price for such quantity and Delivery Point, as determined by Buyer in any commercially reasonable manner.

7.5 If, after the month in which payment is due for a Transaction, it is determined that Seller (without Buyer's agreement) delivered less Gas than previously advised, or that Buyer (without Seller's agreement) took more Gas than previously advised, in each case within pipeline tolerances, (Seller and Buyer, respectively, being the "Affected Party"), the shortfall or excess shall be cured in Gas or its equivalent as follows:

(a) Within two Business Days after such determination, the Affected Party will either (i) if mutually agreed by the parties (each acting in its discretion), deliver the relevant amount of Gas during the following month, or (ii) pay an amount determined under paragraph 7.5(b).

(b) If and to the extent the shortfall or excess is not cured under paragraph 7.5(a)(i), the Affected Party will pay an amount to the other party, within one Business Day after written demand from the other party, equal to the product of (i) the amount of Gas in question (expressed in the same Units as the original Transaction), multiplied by (ii) the then current price per Unit for Gas for delivery at the relevant Delivery Location during the following month, as determined by the other party in any commercially reasonable manner, based on either (x) the price at which the other party hedges or covers the shortfall or excess, or (y) the NYMEX settlement price per Unit of natural gas on the third Business Day after such determination, but adjusted in each case to reflect (A) the type of Gas covered by that Transaction, (B) the Delivery Point and (C) the earlier payment date.

(c) This paragraph 7.5 only applies if the Affected Party acted in good faith and in a commercially reasonable manner in attempting to comply with its obligation under the relevant Transaction. The Affected Party shall not be in default solely by reason of a failure to perform covered by this paragraph 7.5 if it complies with its obligations under this paragraph 7.5.

7.6 In no event shall either party be liable for incidental or consequential damages.

8. Imbalances; Penalties

8.1 Each party shall notify the other party as promptly as reasonably practicable of any change in the rate at which such party will be able to deliver or receive Gas hereunder. The parties agree to cooperate immediately to adjust their Gas nominations as necessary to bring deliveries and receipts into balance so that Penalties are avoided or minimized as much as possible. Any imbalance between the quantity of Gas Scheduled for delivery and received on any Gas Day and the quantity actually delivered and received on that Gas Day shall be corrected as promptly as reasonably practicable, but in no event later than the time required by Seller's or Buyer's Transporter's tariff, as applicable. Each party shall promptly notify the other of any notice it receives from a Transporter of any imbalance or Penalty.

8.2 Buyer shall be responsible and shall reimburse Seller for any Penalties resulting from Buyer's receipt of more or less Gas than Scheduled for that Gas Day at that Delivery Point (unless within the tolerances, or corrected within the time, permitted by Seller's Transporter's tariff), and Seller shall be responsible and shall reimburse Buyer for any Penalties resulting from Seller's delivery of more or less Gas than Scheduled for that Gas Day at that Delivery Point (unless within the tolerances, or corrected within the time, permitted by Buyer's Transporter's tariff); provided in each case that a party receiving reimbursement for a Penalty has given timely notice, if required, under paragraph 8.1. This paragraph 8 shall apply even if the relevant obligation to deliver or receive Gas was excused under paragraph 6, 7.4 or 7.5. Any payment due under this paragraph 8.2 shall be made within five Business Days after presentation of an invoice accompanied by supporting documentation.

9. Events of Change

9.1 An "Event of Change" shall occur with respect to a Transaction if, after the date such Transaction is entered into, (a) a Federal, State, provincial or local law or regulation is enacted or promulgated which imposes a Gas Tax on the sale or purchase of Gas under that Transaction, or (b) a Federal or provincial law or regulation is enacted or promulgated which subjects the Gas delivered under that Transaction to price controls or restrictions on the quantity which can be resold or the manner in which or to whom such Gas can be resold, except that Federal or provincial regulations pertaining to transportation of Gas or operation of pipelines shall not be an Event of Change.

9.2 If one party notifies the other that an Event of Change has occurred, the parties will make reasonable efforts to make arrangements to avoid the imposition of any such tax or such price controls or resale restrictions, provided that this paragraph 9.2 will not impose on either party any obligation other than to negotiate in good faith to make arrangements as will not adversely affect such party.

9.3 If an Event of Change occurs and an arrangement is not made pursuant to paragraph 9.2 within two Business Days after notice is given under that paragraph then, if the parties mutually agree, the parties shall liquidate all affected Transactions in the manner provided in paragraph 7.1. Each party shall calculate a net settlement payment for all such Transactions as of a mutually agreed time within one Business Day after such request; such net settlement payment shall be determined based on open market prices for delivery and payment at the agreed times for each affected Transaction, but without taking into account the effect of any such changes in Gas Taxes. To the extent that the parties cannot agree on the net settlement payment due, the settlement payment for each affected Transaction shall be determined based on the unweighted arithmetic average of quotations for the relevant delivery month from at least two, but not more than five, leading dealers in natural gas (selected by mutual agreement of the parties).

10. Notices; Payments; Netting

10.1 All invoices, notices, requests and other communications given pursuant to this Agreement shall be in writing or by telecopier (except for notices with respect to Scheduling or which the parties agree in writing can be given verbally, which may be given by telephone) and shall be deemed given when received at the respective party's address set forth below, except when sent by telecopier in which case the same shall be deemed given when sent to the number of the respective party set forth below:

If to AIG:

AIG Trading Corporation
One Greenwich Plaza
Greenwich, CT 06830
Attention: Energy Department
Telecopier: 203-861-3827

If to Counterpart, in each case:

ProGas Limited
3300, 400 Third Avenue S.W.
Calgary, Alberta
Canada T2P 4H2
Telecopier: 403-266-0354

provided that either party may change its notice information by notice to the other party which notice shall be effective only upon receipt.

10.2 All payments under this Agreement or under a Transaction (a) if of US Dollars, shall be paid by wire transfer of immediately available US Dollars to the bank account in a major US financial center designated by the party receiving payment, and (b) if of another currency, by wire transfer of immediately available funds to the bank account in the major financial center in the country in which that currency is legal tender designated by the party receiving payment, provided that each such bank designated by a party must be reasonably acceptable to the other party. Each party shall promptly advise the other of the appropriate bank account whenever it is to receive payment, but each party may in lieu thereof designate standing payment instructions from time to time.

10.3 If on any day payments are due from AIG and Counterpart to each other under this Agreement or one or more Transactions, then (subject to paragraph 7) the amount owing shall be offset so that only the net amount owing on that day shall be paid by the party owing the larger amount to the other party.

10.4 Any payment not made when due shall bear interest on the unpaid portion from (and including) the date payment was due through (and excluding) the date of payment (a) if the amount is owed by the Defaulting Party, at the Prime Rate plus five percent per annum, and (b) otherwise, at the Prime Rate (but in each case not to exceed the maximum rate permitted by law); provided that adjustments under paragraph 5.2 due to differences between Scheduled and delivered quantities of Gas shall only bear interest if not (i) finalized and paid within sixty days after the relevant original Payment Date and (ii) settled under paragraph 7.5.

10.5 If, at the time the parties enter into a Transaction under which one party is to sell Gas to the other, one or more other Transactions are outstanding under which such other party is to sell Gas to such first party for delivery during the same Delivery Period and at the same Delivery Point for payment on the same Payment Date, then (subject to paragraph 7) all such offsetting Transactions shall be netted into a single Transaction under which (a) the party required to deliver the larger amount of Gas shall deliver to the other party the difference between the amount of Gas it is to deliver and the amount it is to receive under such offsetting Transactions, and (b) the party owing the greater purchase price under such offsetting Transactions shall pay to the other party the difference between the amount it owes and the amount owed to it under such offsetting Transactions. The single resulting Transaction shall be deemed entered into automatically and, once entered into, outstanding obligations under the offsetting Transactions shall terminate. Such netting shall not affect that Transaction's status as a Forward Contract based on the date it was originally entered into.

11. Representations and Warranties

11.1 Each party represents and warrants to the other party that, on the date hereof and at the time it enters into a Transaction: (a) it possesses all power, authority and applicable approvals (if any) necessary for it to enter into this Agreement and each Transaction, (b) this Agreement and each Transaction constitute the valid and binding obligation of such party enforceable against it in accordance with the respective terms thereof, (c) the execution, delivery and performance hereof or thereof will not cause such party to be in violation of any other agreement or law, regulation, order or court process or decision to which it is a party or by which it or its properties are bound or affected, (d) it has and will maintain all regulatory authorizations, certificates and documentation as may be necessary and legally required for it to transport, buy, sell or make sales for resale of Gas sold or purchased under a Transaction in interstate commerce, (e) it is a producer, processor or commercial user of, or a merchant handling, Gas and will enter into each Transaction solely for purposes related to its business as such, (f) it is not relying upon any representations (whether written or oral) of the other party other than the representations expressly set forth in this Agreement and each Transaction, (g) it has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisors to the extent it has deemed necessary, and it has made its own investment, hedging and trading decisions (including decisions regarding the suitability of any Transaction pursuant to this Agreement) based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by the other party, (h) it understands the terms, conditions and risks of the Agreement and each Transaction and is capable of assuming and willing to assume (financially and otherwise) those risks, (i) it is acting as principal, and not as agent, fiduciary or any other capacity, and (j) the other party is not acting as a fiduciary or financial, investment or commodity trading advisor for it.

11.2 Each representation and warranty under this Agreement shall survive any delivery and payment under and termination of this Agreement and any Transaction.

12. Miscellaneous

12.1 This Agreement and all Transactions, together with any other agreements (including, without limitation, master agreements) for the purchase and sale of, swaps with respect to, or options on, natural gas, crude oil, oil products or other energy products, are one integrated contract between the parties. All Transactions in effect on the date hereof, and all Transactions entered into between the parties hereto on or after the date hereof shall be governed by this Agreement. This Agreement and all Transactions supersede (a) all prior agreements between the parties relating to the Transactions (other than confirmations of specific Transaction terms) and (b) the standard terms and conditions of trading of both parties (regardless of how denominated and whether or not the same are printed on one or more confirmations or purchase or sale orders). In the event that any provision (or portion of a provision) of this Agreement is declared to be illegal, invalid or otherwise unenforceable by a court of competent jurisdiction, the remainder of this Agreement (and of such provision) shall not be affected except to the extent necessary to delete such illegal, invalid or unenforceable provision (or portion thereof), unless the deletion of such provision (or portion thereof) shall substantially impair the benefits of the remaining portions of this Agreement. Paragraph headings contained herein are for convenience of reference only and shall not affect the interpretation hereof. Time is of the essence in all aspects of each party's performance hereunder and under any Transaction, subject to the express provisions of paragraphs 6, 7.4 and 7.5.

12.2 This Agreement and each Transaction are for the benefit of the parties hereto and their respective successors and permitted assigns. No other person or entity (including, without limitation, any customer of either party) shall have any rights hereunder or thereunder. Neither party may assign this Agreement or any Transaction without the other party's prior written consent; neither party shall make an assignment of, or grant any security interest in, any account receivable due from the other party under this Agreement or a Transaction unless the assignee's or secured party's rights are subject (either as a matter of law or, if not, by assignment or notice) to all of the other party's rights and defenses (whether arising under this Agreement or any Transaction).

12.3 This Agreement and the Transactions may not be amended, modified or supplemented, except by a writing signed by both parties or by telecopies evidencing mutual agreement sent by each party to the other. No delay on the part of either party in exercising any right or remedy hereunder or under a Transaction shall operate as a waiver thereof, nor shall any waiver on the part of either party, nor any single or partial exercise of any right hereunder or under a Transaction, preclude any other or further exercise thereof or any other right hereunder or under a Transaction. Each party's rights and remedies hereunder and thereunder are cumulative and are not exclusive of any rights and remedies provided for by law, in equity or otherwise.

12.4 Each party may record all telephone conversations between them and any tape recordings may be submitted in evidence to any court or in any legal proceeding for the purpose of establishing any matter relating to this Agreement or any Transaction.

12.5 THIS AGREEMENT AND THE TRANSACTIONS SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE PROVINCE OF ONTARIO, WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAW. THE UNITED NATIONS CONVENTION ON CONTRACTS FOR THE INTERNATIONAL SALE OF GOODS SHALL NOT APPLY HERETO OR TO ANY TRANSACTIONS. EACH PARTY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS LOCATED IN NEW YORK CITY, BOROUGH OF MANHATTAN, AND THE ONTARIO COURT OF JUSTICE (GENERAL DIVISION, COMMERCIAL COURT) SITTING IN TORONTO, FOR ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY TRANSACTION, AND EXPRESSLY WAIVES ANY OBJECTION IT MAY HAVE TO SUCH JURISDICTION OR THE CONVENIENCE OF SUCH FORUM.


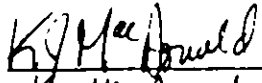
12.6 This Agreement may be terminated on five Business Days' prior written notice by one party to the other, but such termination shall not affect any Transaction outstanding at the time such termination is effective, which shall remain subject to the terms and conditions of this Agreement until all outstanding obligations are performed or liquidated.

This Agreement is binding when signed by both parties; execution may be in counterparts.

AIG TRADING CORPORATION


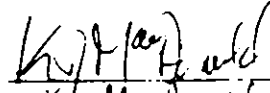
By: 
 Steven Prince
 Chairman & Chief
 Executive Officer

PROGAS LIMITED

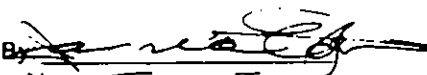
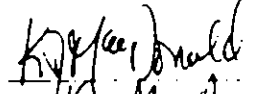
By:  Name: JAN VAN EGTEREN
 Title: Vice-President Marketing
 By:  Name: Ken Mac Donald
 Title: U.P., Legal

DEPT	INIT
Res	
Opr	
Mkt	
Leg	KJM
Act	

PROGAS ENTERPRISES LIMITED

By:  Name: JAN VAN EGTEREN
 Title: Vice-President, Marketing
 By:  Name: Ken Mac Donald
 Title: U.P., Legal

PROGAS U.S.A., INC.

By:  Name: JAN VAN EGTEREN
 Title: Vice-President, Marketing
 By:  Name: Ken Mac Donald
 Title: U.P., Legal

FORM OF CONFIRMATION

To:

Confirming the following business done [date] between _____ ("Counterpart") and AIG Trading Corporation ("AIG"), subject to the terms and conditions of the Natural Gas Purchase and Sale Agreement ("Master Agreement"), dated _____, 199_, between AIG and Counterpart:

AIG Contract No. _____

Buyer:

Seller:

Type of Transaction: (Firm/Interruptible-Baseload/Interruptible-Swing)

Contract Quantity: _____ [MMBTU/MCF/Other] (dry) [per day/per month]

Contract Price: _____ per _____ (dry)

[Complete only if different from the date stated in the Master Agreement:]

Payment Date of Purchase Price: _____, 199_]

Delivery Point(s):

Delivery Period:

[Credit Terms: Specify Letter of Credit/Prepayment/Margin/Other, and time to be posted/delivered.]

Special Terms:

For Interruptible-Swing Transactions Only:

If the notice period before stopping supply or receipt of Gas is to be other than forty-eight hours (but at least one Business Day), so state here.

Also Add Any Other Special Terms.]

[Appropriate provisions will be added for EFP or ADP Transactions.]

[If Seller will not represent that Buyer is not the first purchaser of the Gas, this should be stated here.]

[Add the following if there is a broker for the Transaction:

For good order's sake, please note that the Confirmation for this Transaction will be issued solely by AIG in accordance with the Master Agreement. Any correspondence regarding this Transaction initiated by the broker is purely for the sake of confirming involvement in the Transaction and their commission rate.]

AIG Trading Corporation
Greenwich, Connecticut

AGREED:

[COUNTERPART]

Schedule A: October 24, 1995

PROGAS COPY

FORM OF CONFIRMATION

Confirming the following business done between ProGas U.S.A., Inc. ("Counterpart") and AIG Trading Corporation ("AIG"), subject to the terms and conditions of the Natural Gas Purchase and Sale Agreement ("Master Agreement"), dated October 16, 1995 between AIG and Counterpart:

AIG Contract No. 807047

Buyer: AIG Trading Corporation ("AIG")

Seller: ProGas U.S.A., Inc.

Type of Transaction: Firm Only

Contract Quantity: 15,000 MMBtu (dry) per day.

Contract Price: Seller will invoice Buyer each month for a fixed Demand Charge based on the DCQ and for a Commodity Charge for the volume of gas delivered in the month. The Contract Price for each MMBtu of gas delivered each month shall equal the average

In no event shall the sum of the Demand Charge and the Commodity Charge exceed the Contract Price for the volume delivered in the month.

Demand Charge: It is understood that the Demand Charge reflects all of Seller's fixed transportation costs upstream of the Point of Delivery.

multiplied by the number of days in the month, and shall be billed monthly. Seller shall have the right to revise the Demand Charge if the fixed transportation costs exceed this amount.

Commodity Charge: The Commodity Charge shall be calculated each month ("Delivery Month") on the quantity delivered and shall equal the average

less the per unit Demand Charge specified above.

Delivery Point: Any point on the Great Lakes Gas Transmission ("GLGT") System.

Delivery Period: 5 years commencing November 1, 1995.

Special Terms:

Take Obligation: Buyer will nominate and take the full DCQ at the Delivery Point each day during the Delivery Period. Buyer's nomination must be placed with reasonable notice prior to the nomination deadlines imposed by the upstream pipelines.

Delivery Obligation: Seller shall deliver the volume nominated at the Delivery Point. Seller shall have the right to recall and shall be relieved of the obligation to deliver any volume up to the DCQ on any number of days per month up to:

April through January	days per month.
February and March	days per month.

The recall rights are subject to the nomination deadlines imposed by the downstream pipelines. Buyer is relieved of Demand Charges and Commodity Charges on the volume recalled and not delivered by Seller. Seller shall deliver to Buyer and Buyer shall take any volume up to the DCQ that is not recalled by Seller.

Segmentation Rights: If Buyer elects a Delivery Point that is upstream of St. Clair on GLGT then Seller will grant segmentation rights to Buyer on the unutilized downstream capacity from the Delivery Point to St. Clair, subject to the segmentation restrictions placed by GLGT ("Segmented Capacity"). Seller agrees to ship gas on the Segmented Capacity when requested by Buyer, prior to nomination deadlines and when agreed to by GLGT. Buyer will supply fuel and be responsible for any balancing required for the use of the Segmented Capacity. Buyer agrees to reimburse Seller for any incremental costs incurred by the use of the Segmented Capacity and in addition, Buyer will pay Seller one half of the transportation rate (excluding fuel rates) published by GLGT in its most recent Tariff for the Segmented Capacity unless Buyer and Seller agree upon a lower transportation rate.

Renegotiation: During the first 15 days of April, 1998, either party may serve notice to renegotiate the price stated in this agreement. If no notice is served during this period then the contract will continue unchanged for the full term.

The parties may renegotiate up to June 15, 1998. If the parties acting in their sole judgment have not reached an agreement on pricing prior to June 15, 1998 then the contract will terminate on July 31, 1998. If the parties reach an agreement on pricing then the new terms will take effect on July 1, 1998, and the right to terminate described in the next paragraph will be cancelled.

Termination: At any time between April 1, 1998 and June 15, 1998 either party may serve notice to terminate this agreement, effective on July 31, 1998.

Other: Each party shall provide the other with audited financial statements each year and Buyer agrees to keep Seller's statements confidential. Buyer's financial statements will be the annual report of American International Group, Inc.

Seller agrees to provide Buyer with a copy of Seller's proforma Producer Supply Contract and will allow Buyer to review Seller's existing Producer Contracts on a confidential basis.

Agreed to this 2nd day of November, 1995.

AIG TRADING CORPORATION

PROGAS U.S.A., INC.

Per: [Signature]

Per: [Signature]

Per: KJ MacDonald

DEPT	INIT
Res	/
Opr	/
Mkt	/
Leg	KJM
Act	/

EXHIBIT "C"

THIS GAS PURCHASE CONTRACT made as of the 1st day of July, 1990

BETWEEN:

PROGAS LIMITED,
a body corporate, having an office in the
City of Calgary, in the Province of Alberta
(hereinafter referred to as "Seller")

OF THE FIRST PART

- and -

PROGAS U.S.A. Inc.,
a Delaware corporation, having an office in the
City of Calgary, in the Province of Alberta
(hereinafter referred to as "Buyer")

OF THE SECOND PART

WHEREAS, Seller has contracted to purchase natural gas from producers in the Province of Alberta and desires to sell certain quantities of such gas on behalf of such producers on a firm or interruptible basis to buyers in the United States and Canada; and

WHEREAS, Buyer is a wholly-owned subsidiary of Seller incorporated for the purpose of increasing the ability of Seller to access natural gas markets in the United States; and

WHEREAS, it is anticipated that, from time to time, occasions may arise in which Seller can access interruptible gas markets in the United States by selling gas to Buyer for resale into such markets; and

MICROFILMED

WHEREAS, pursuant to the terms of this Agreement, Seller wishes to sell to Buyer and Buyer wishes to purchase from Seller volumes of gas on an interruptible basis as herein provided;

NOW THEREFORE THIS AGREEMENT WITNESSETH THAT, in consideration of the covenants and agreements herein contained, the parties hereto covenant and agree as follows:

ARTICLE I

QUANTITY

1.01 Subject to the conditions herein contained, Seller agrees to sell and deliver to Buyer, and Buyer agrees to purchase and receive from Seller, all on an interruptible basis, such volumes of natural gas as Buyer from time to time requests out of the volumes of gas made available by Seller, up to a daily volume of gas as agreed upon from time to time pursuant to Schedule "A" attached hereto. Neither Seller nor Buyer have any firm obligation to sell and deliver or purchase any specific minimum quantity of gas on any day or during any month.

ARTICLE II

POINT OF DELIVERY AND TITLE

2.01 The Point of Delivery for all gas delivered and purchased under this Agreement shall be as agreed upon from time to time pursuant to Schedule "A" attached hereto. Seller

shall be responsible for ensuring that all necessary Canadian regulatory authorizations are in effect to enable Seller to sell and deliver to Buyer the volumes hereunder. Buyer shall be responsible for ensuring that all necessary United States regulatory authorizations are in effect to enable Buyer to purchase and receive the volumes hereunder.

2.02 Possession of and title to all gas delivered hereunder shall pass from Seller to Buyer at the Point of Delivery. Until title to the gas is passed to Buyer, Seller shall be deemed to be in control and possession of, and be responsible for such gas, and thereafter Buyer shall be deemed to be in control and possession of, and be responsible for such gas.

2.03 Seller agrees to indemnify Buyer and save it harmless from all suits, actions, debts, accounts, damages, costs, losses, liabilities and expenses arising from or out of claims of any or all persons to said gas or other charges thereon which attach while title remains with Buyer.

ARTICLE III

QUALITY, PRESSURE, TEMPERATURE AND MEASUREMENT

3.01 The quality, pressure and temperature shall be of the quality, pressure and temperature standards utilized by the First Transporter (the initial pipeline transporting gas hereunder from Seller at the point of delivery). The gas to be delivered hereunder shall be measured at the Point of Delivery in compliance with the provisions contained in the First Transporter's tariff. The parties acknowledge that the standards respecting quality, pressure, temperature, measurement, corrections of metering errors and remedies respecting same set

(iii) any taxes, levies, or charges prescribed by law, or any government body, in respect of the subject sales. To the extent that any new taxes are recoverable from Buyer's customers or are eligible for refund on the export of gas purchases hereunder from Canada, Buyer shall use its best efforts to recover such taxes, or apply for such refund, as the case may be, so as to minimize the effect of such new taxes on the netback price hereunder as far as reasonably possible.

4.02 The monthly gas sales revenue received by Buyer from its customers shall be as a result of each of its sales arrangements downstream of the Point of Delivery. Each downstream sales arrangement shall be identified on the Schedule "A" attached hereto.

4.03 (a) On or before the twentieth (20th) day of each month following a month in which deliveries have been made pursuant to this Agreement, Seller shall render to Buyer a statement setting forth the quantity of gas delivered by Seller for the immediately preceding month, the heat content thereof and the amount payable by Buyer to Seller.

(b) Buyer shall make payment to Seller, according to the aforementioned invoice, in United States dollars, by wire transfer, to Seller's bank as designated by Seller from time to time. Buyer shall pay to Seller any amounts received by Buyer for gas sales to Buyer's customers, less the items specified in paragraph 4.01 (i), (ii), and (iii), within one (1) business day of Buyer's receipt of such payments.

by the First Transporter may change from time to time. In that event, the standards, as changed, shall be incorporated in this contract, as same become effective in the First Transporter's tariff.

ARTICLE IV

PRICE, BILLINGS AND PAYMENTS

4.01 Subject to the other provisions of this Article IV, Buyer shall pay Seller monthly during such period a unit price resulting from the total monthly gas sales revenue, expressed in United States dollars, received by Buyer from its customers, less the sum of the items listed in Sub-Subsections (i), (ii) and (iii) below, with the difference divided by the total quantity of gas delivered by Seller to Buyer. The unit price as determined herein, shall hereinafter be referred to as the "netback price".

The items to be deducted are:

- (i) the monthly transportation charges of United States transporters applicable to Buyers' sales, in addition to any cost of pipeline fuel and losses, taxes on the use of fuel, the carrying cost of line pack in such systems, and other transportation related charges as they apply to the subject sales; and
- (ii) Buyer's monthly cost of service which shall consist of any general and administrative costs incurred directly by Buyer; and

- (c) Without prejudice to any remedies available to Seller for nonpayment of monies due hereunder, should Buyer fail to pay any amount due to Seller by the due date, then interest thereon shall accrue at an annual rate of interest equal to the U.S. Base Lending Rate then charged by the main branch of the Canadian Imperial Bank of Calgary, Alberta, plus one percent (1%) per annum from the due date until the date of payment.
- (d) Unless objected to by either party within one hundred and twenty (120) days after the receipt by Buyer of the said invoice, the said invoice shall be accepted by both parties as correct. In the event either party takes objection to the said invoice within the said one hundred and twenty (120) day period, any adjustment required as a result of the settlement of the matter or matters giving rise to such objection shall be made in the month next following the month in which such settlement is made. Any unresolved disputes shall be referred by the parties to arbitration, unless otherwise mutually agreed.

ARTICLE V

TERM OF AGREEMENT

5.01 The term of this Agreement shall be from July 1, 1990 to October 31, 1990, and shall continue on a month by month basis thereafter, unless terminated by either party upon thirty (30) days prior written notice.

ARTICLE VI

MISCELLANEOUS PROVISIONS

6.01 This Agreement shall be conditional on both parties receiving, and the continuing existence of, any authorizations required to permit the sale and delivery of the volumes of gas hereunder.

6.02 Seller shall not be obligated to deliver gas hereunder where such delivery would cause Seller to be in breach of any of the obligations of Seller to its firm customers.

6.03 Except with respect to the obligation to pay amounts due hereunder, failure of either party to perform any obligation herein imposed upon it shall be deemed not to be a breach of such obligation if performance thereof is rendered impossible by a cause, other than lack of funds or inability to pay money when due, beyond the control of the party so failing to perform.

6.04 This Agreement and the rights and obligations of the parties hereto are subject to all present and future laws, rules, regulations and orders of any legislative body or duly constituted authority now or hereafter having jurisdiction.

6.05 This Agreement and the rights and obligations of the parties hereto shall be interpreted and construed according to the laws of Alberta.

6.06 (a) Every notice, statement or bill provided for in this Agreement shall be in writing directed to the party to whom given, made or delivered at such party's address as follows:

Seller: ProGas Limited
4100, 400 Third Avenue S.W.
Calgary, Alberta
T2P 4H2

Telephone: (403) 266-0300
Telecopier: (403) 266-0354

Buyer: ProGas U.S.A., Inc.
4100, 400 Third Avenue S.W.
Calgary, Alberta
T2P 4H2

Telephone: (403) 266-0300
Telecopier: (403) 266-0354

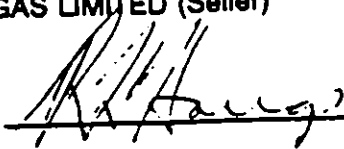
(b) All notices, statements or bills provided for herein shall be delivered in person or by telecopier or similar type of telecommunication, to the recipient party at its most recent address. Any such notice, statement, bill or other document delivered by hand or by telecommunication to the addressee shall be deemed to have been received at the time of delivery or at the time of transmission in the case of telecommunication, during normal office hours of the recipient party. All notices, statements, bills or other documents delivered by telecommunication shall be followed by delivery of same by mail.

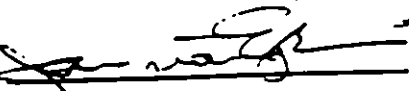
- (c) In the event that any such notices, statements or bills cannot be delivered by telecommunication then same shall be delivered by means of mail and same shall be deemed to have been received at the end of the third (3rd) business day after such notice has been deposited in a post office with requisite postage thereon, excluding Saturdays, Sundays and statutory holidays. Either party may change its address by giving notice to the other party.

6.07 This Agreement shall not be assigned by either party without the prior written consent of the other party, which consent shall not be unreasonably withheld.

IN WITNESS WHEREOF this Agreement has been executed by the duly authorized representatives of each of the parties hereto.

PROGAS LIMITED (Seller)

Per: 

Per: 

PROGAS U.S.A., Inc. (Buyer)

Per: 

Per: 

THIS AMENDING AGREEMENT made as of the 2nd day of July, 1990

BETWEEN:

PROGAS LIMITED,
a body corporate, having an office in the
City of Calgary, in the Province of Alberta
(hereinafter referred to as "Seller")

- and -

PROGAS U.S.A. Inc.,
a Delaware corporation, having an office in the
City of Calgary, in the Province of Alberta
(hereinafter referred to as "Buyer")

WHEREAS, Seller and Buyer have entered into a Gas Purchase Contract made as of the 1st day of July, 1990 ("Gas Purchase Contract") and Seller and Buyer wish to amend certain provisions of Article IV of the Gas Purchase Contract;

In consideration of the covenant and agreements herein contained the parties hereto agree to as follows:

1. Section 4.01 of the Gas Purchase Contract shall be deleted and substituted with the following:

"(a) "Subject to the other provisions of this Article IV, Buyer shall pay Seller monthly during such period a unit price resulting from the total monthly gas sales revenue, expressed in United States dollars, received by Buyer from its customers, less the sum of the items listed in Sub-

Subsections (i) through (iii), with the difference divided by the total quantity of gas delivered by Seller to Buyer. The unit price as determined herein, shall hereinafter be referred to as the "netback price".

The items to be deducted are:

- (i) the monthly transportation charges of United States transporters applicable to Buyers' sales, in addition to any cost of pipeline fuel and losses, taxes on the use of fuel, the carrying cost of line pack in such systems, and other transportation related charges as they apply to the subject sales;
- (ii) Buyer's monthly cost of service which shall consist of:
 - (A) any general and administrative costs incurred directly by or allocated to Buyer as they apply to the subject sales;
 - (B) an amount determined by multiplying Seller's return on rate base for the month by a fraction, the numerator of which is the ^{1.0}project of Buyer's accounts receivable times the average noon spot foreign exchange rate for the month, and the denominator of which is the sum of consolidated accounts receivable of Buyer and Seller plus the consolidated rate base of Buyer and Seller, all

divided by the average noon spot foreign exchange rate for the month;

(C) the tax adjustment factor;

(D) such adjustments to the amounts calculated in subparagraphs (ii)(A), (ii)(B), and (ii)(C) for previous months in the fiscal year as are necessary due to revisions, adjustments or charges determined subsequent to the month end; and

(iii) any taxes, levies, or charges prescribed by law, or any government body, in respect of the subject sales. To the extent that any new taxes are recoverable from Buyer's customers or are eligible for refund on the gas purchases hereunder from Canada, Buyer shall use its best efforts to recover such taxes, or apply for such refund, as the case may be, so as to minimize the effect of such new taxes on the netback price hereunder as far as reasonable possible.

(b) For purposes of determining the netback price, the following terms shall have the meanings set out below:

(i) "Seller's return on rate base for the month" shall be ProGas Limited's monthly allowable amount of return on regulated

activities, as approved by the Alberta Petroleum Marketing Commission;

- (ii) "Buyer's accounts receivable" shall be the sum of Buyer's accounts receivable determined as at the month end;
- (iii) "Consolidated accounts receivable of Buyer and Seller" shall be the sum of Buyer's accounts receivable determined as at the month end times the average noon spot foreign exchange rate for month and the Seller's accounts receivable associated with regulated natural gas marketing activities, excluding G.S.T. receivables, determined as at the month end;
- (iv) "Consolidated rate base of Buyer and Seller" shall be the sum of Buyer's rate base determined as at the month end times the average noon spot foreign exchange rate for the month and Seller's rate base determined as at the month end;
- (v) "Average noon spot foreign exchange rate" shall be the monthly average noon spot foreign exchange rate as quoted by the Bank of Canada; and
- (vi) "Tax adjustment factor" shall be the amount of United States taxes which Buyer is subject to on account of its regulated

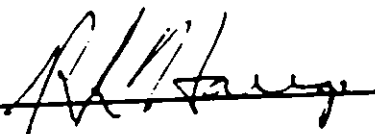
activities within the U.S., divided by the result of one minus the Buyer's effective tax rate."

2. Lines 4 and 5 of Section 4.03 (c) shall be amended by substituting the words "main branch of the Canadian Imperial Bank of Calgary, Alberta" with "the main branch of the Bank of Montreal, Calgary, Alberta".
3. This Amending Agreement shall be effective as of July 1st, 1990.
4. The Gas Purchase Contract as herein amended is ratified and confirmed.

IN WITNESS WHEREOF this Amending Agreement has been executed by the duly authorized representatives of each of the parties hereto.

PROGAS LIMITED (Seller)

Per: 

Per: 

PROGAS U.S.A., Inc. (Buyer)

Per: 

Per: 

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

1996 MAR 29 A 11:57

REC'D DOE/FE

PROGAS U.S.A., INC.)
_____)

FE DOCKET NO. 96-10-NG

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

DOE/FE ORDER NO. 1156

MARCH 29, 1996

I. DESCRIPTION OF REQUEST

On March 7, 1996, ProGas U.S.A., Inc. (ProGas) filed an application with the Office of Fossil Energy (FE) of the Department of Energy (DOE), under section 3 of the Natural Gas Act (NGA) ^{1/} and DOE Delegation Order Nos. 0204-111 and 0204-127, requesting long-term authorization to import from Canada up to 15,000 MMBtu^{2/} per day of natural gas. ProGas is a corporation under the laws of the State of Delaware with its principal place of business in Calgary, Alberta, Canada, and is beneficially owned by ProGas Limited.

ProGas will purchase the natural gas to be imported from ProGas Limited under a netback arrangement, and resell the supplies to AIG Trading Corporation (AIG) under the terms of an October 16, 1995, gas purchase and sales agreement, and an October 24, 1995, schedule to that agreement. The October 24 schedule provides for the firm sale of 15,000 MMBtu for a five-year term beginning on November 1, 1995, through October 31, 2000.^{3/} Under the terms of the agreement, the price of gas sold by ProGas to AIG consists of a fixed monthly demand charge subject to revision by ProGas, plus a monthly commodity charge.

ProGas states that the imported natural gas will enter the United States at the interconnection of TransCanada PipeLines

^{1/} 15 U.S.C. § 717b.

^{2/} This volume is equivalent to 15,000 Mcf of natural gas.

^{3/} ProGas is currently importing this gas under blanket authority, 1 FE ¶ 71,104.

Ltd. and Great Lakes Transmission Limited Partnership at Noyes, Minnesota, for delivery to AIG.

II. FINDING

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

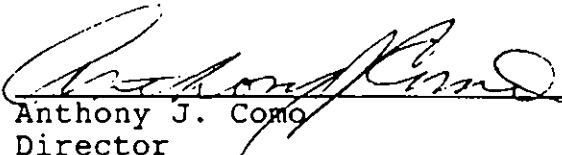
A. ProGas U.S.A., Inc. (ProGas) is authorized to import from Canada up to 15,000 Mcf per day of natural gas, effective the date of this Order through October 31, 2000, under the terms and conditions of: (1) the gas purchase contract between ProGas and ProGas Limited dated July 1, 1990; (2) the October 16, 1995, gas purchase and sales agreement among ProGas, ProGas Limited, ProGas Enterprises Limited, and AIG Trading Corporation (AIG);

and (3) Schedule A to the October 16 agreement between ProGas and AIG dated October 24, 1995. This natural gas may be imported at the interconnect of TransCanada PipeLines Ltd. and Great Lakes Transmission Limited Partnership (Great Lakes) at the international border at Noyes, Minnesota.

B. With respect to the natural gas imports authorized by this Order, ProGas shall file with the Office of Fuels Programs, 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, ProGas must report total monthly volumes in Mcf and the average purchase price of gas per MMBtu delivered at the international border. The monthly price information shall itemize separately the monthly demand and commodity charges, fuel charges, and, if applicable, reservation fees. Further, ProGas shall list by month the volumes (in Mcf) by State in which AIG took delivery for this natural gas off the Great Lakes transmission system.

C. The first quarterly report required by Ordering Paragraph B of this Order is due not later than April 30, 1996, and should cover the period from the date of this Order through the end of the first calendar quarter, March 31, 1996.

Issued in Washington, D.C., on March 29, 1996.



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

UNITED STATES OF AMERICA

[6450-01-P]

DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

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

ORDERS GRANTING AUTHORIZATION
TO IMPORT AND/OR EXPORT NATURAL GAS

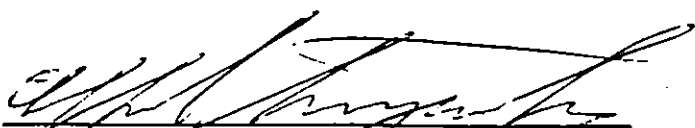
AGENCY: Office of Fossil Energy, DOE.

ACTION: Notice of Orders.

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

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

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


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

APPENDIX

IMPORT/EXPORT AUTHORIZATIONS GRANTED

DOE/FE
Authority

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

Long Term Authorization

Quarterly Sales and Price Report

IMPORTER PROGAS U.S.A. INC.

ADDRESS: 3300, 400 - Third Avenue SW, Calgary, Alberta T2P 4H2 CANADA

Preparer of Report: Julie Tang

Telephone No: (403) 298-0817

FAX No: (403) 288-0386

Gas Sales Made Pursuant to DOE Opinion and Order No. 1158, under FE Docket 96-10-NG

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Month	Supplier	Monthly Quantity in Physical Units	Inter-national Point of Entry	Commodity Price	Demand Charge	Reservation Fee, If Applicable	Special Purchase/Interruptible Supplies, If Applicable	Special Purchase/Interruptible Supplies, If Applicable	Foreign/US, Transporter or Interstate Pipeline	State of Delivery	Volume Delivered
		Mcf		\$/S/M/Wh	\$/S/M/Wh	\$/S/M/Wh	MCF	MCF			M/Wh
Mar/96	ProGas U.S.A. Inc	603,047	Noyes, MN	\$1.95	\$0.85				Great Lakes Gas Trans	Michigan Wisconsin Minnesota Michigan	3997 13546 8497 4501

Send to: The Office of Fuels Programs, U.S. Dept. of Energy, FE-50, Room 3H-087, Forrestal Bldg, Washington, D.C. 20585
 Attention: Thomas Dukes, Telephone No. (202) 586-9590, FAX No. (202) 586-8050

Note: This order was effective for March 30 & 31, 1996

Note: Per John Flynn report, with first rate, services as program 1st rate participation.

Flanery

6/4/96

ProGas

ProGas U.S.A., Inc.

3300, 400 Third Avenue S.W.
Calgary, Alberta
Canada T2P 4H2
Telephone: (403) 296-0600
Telecopier: (403) 266-0354

REC'D DOE/FE

1999 MAR 10 A 10:03

21-Jan-99

Department of Energy
Office of Fuels Programs
U.S. Department of Energy
FE-50, Room 3H-087
Forrestall Building
1000 Independence Avenue S.W.
Washington, D.C. 20585
U.S.A.

Via FACSIMILE
(202) 586-6050

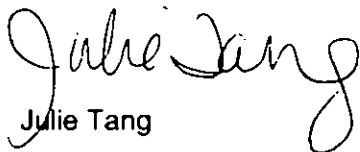
Dear Sirs:

Re: ProGas U.S.A., Inc.
U.S. Department of Energy
Order No. 1156 and FE Docket No.
96-10-NG
Termination of Long Term Contract.

This letter is to confirm that deliveries stopped flowing under this authorization on June 11, 1998.

We trust this satisfies your reporting requirements. Please feel free to contact me if you have further questions or concerns at (403) 296-0617.

Yours truly,


Julie Tang

cc: M. Voinorosky