

OFFICE OF FOSSIL ENERGY
 NATURAL GAS DIVISION
 DOCKET INDEX

FE DOCKET NO.: 96-54-NG

APPLICANT(S): BEAR PAW ENERGY, L.L.C.

ITEM	PREPARED OR FILED BY	FILING TYPE	DESCRIPTION OF DOCUMENT	DATED	DATE FILED OR ISSUED
1 ✓	INTERENERGY SHEFFIELD PROCESSING	APPLICATION	Application for Long Term Authority to Import Natural Gas from Canada	96-07-30	96-07-30
2 ✓	DOE/FE	ORDER	Order 1195 Granting Long Term Authority to Import Natural Gas from Canada	96-09-11	96-09-11
3 ✓	BEAR PAW ENERGY, L.L.C.	AMENDMENT	Requesting Authority to Transfer Long-Term Authorization to Import Natural Gas	00-01-28	00-01-28
4 ✓	DOE/FE	ORDER	Order 1195-A Transferring Long-Term Authority to Import Natural Gas from Canada	00-02-07	00-02-07

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July 30, 1996

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

96-54-NG

Re: Application For Long-Term Authorization
To Import Natural Gas From Canada

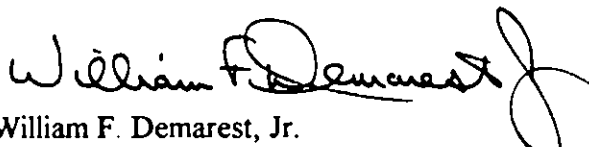
Gentlemen:

Enclosed for filing pursuant to Part 590 of the Department's regulations, 10 C.F.R. Part 590 (1996), are an original and fifteen copies of an Application of Interenergy Sheffield Processing Company for long-term authorization to import natural gas from Canada pursuant to a long-term gas supply contract of at least ten (10) years duration with Amoco Canada Resources Ltd.

Attached is a check in the amount of \$50.00 payable to the "Treasury of the United States" for the filing fee required by Section 590.207.

Please acknowledge receipt and filing of this Application by date stamping and returning the two additional copies of the Application enclosed for that purpose.

Sincerely,


William F. Demarest, Jr.

Encl.

UNITED STATES OF AMERICA
Before The
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

Interenergy Sheffield Processing Company)

FE Docket No. 96-^{15119b}2111-NG

APPLICATION FOR LONG-TERM AUTHORIZATION
TO IMPORT NATURAL GAS

Pursuant to Section 3 of the Natural Gas Act, 15 U.S.C. § 717b, the Department of Energy Organization Act, Department of Energy Delegation Order Nos. 0204-111 and 0204-127, and Part 590 of the Regulations of the Department of Energy, 10 C.F.R Part 590, Interenergy Sheffield Processing Company ("Interenergy Sheffield"), by its managing partner, Interenergy Corporation ("Interenergy"), hereby applies for long-term authorization to import specified quantities of natural gas into the United States from Canada under a long-term contract. In support of its application, Interenergy Sheffield states the following:

I.

The exact legal name of the applicant is Interenergy Sheffield Processing Company. Interenergy Sheffield is a partnership organized under the laws of the State of Colorado, with its principal place of business at 1700 Broadway, Suite 700, Denver, Colorado 80290. Interenergy Corporation is managing partner of Interenergy Sheffield. Interenergy is a corporation organized under the laws of the State of Colorado, with its principal place of business at 1700 Broadway, Suite 1150, Denver, Colorado 80290. Interenergy Sheffield is party (by assignment) to the contract for the importation of the natural gas subject to this application.

All communications concerning this application should be addressed to the following:

* James P. Rode
Executive Vice President
and General Counsel
Interenergy Corporation
2451 Frederica Street
Owensboro, Kentucky 42301
(502) 926-4185

* William F. Demarest, Jr.
Lane & Mittendorf LLP
Suite 800
919 18th Street, N.W.
Washington, D. C. 20006
(202) 785-4949

Tom Chatfield
Vice President
Interenergy Corporation
1700 Broadway Suite 1150
Denver, Colorado 80290
(303) 860-8949

- * Designated for inclusion on the official service list.

Contemporaneously with the filing of this application, Interenergy Sheffield has filed an application with the Federal Energy Regulatory Commission ("FERC") requesting a Presidential Permit and authorization under Section 3 of the Natural Gas Act to construct, connect, operate and maintain facilities at the border of the United States and Canada for the importation of natural gas from Canada. The natural gas imports for which the instant application seeks authority would utilize the facilities proposed to be constructed in the application pending before the FERC.

Interenergy currently holds a blanket authorization to import and export natural gas from and Canada and Mexico. That authorization, in FE Docket 94-70-NG, expires October 31, 1996. See *Interenergy Corporation*, DOE/FE Opinion and Order No. 999, 1 FE ¶ 71,043 (1994). This Application seeks authority in addition to the short-term blanket import authority provided in that docket.

II.

Section 3(a) of the Natural Gas Act, 15 U.S.C. § 717b(a), provides that authorization to import or export natural gas shall be granted unless the proposed importation or exportation is found not to be consistent with the public interest. Section 3(c), 15 U.S.C. § 717b(c), further provides that the importation of natural gas from Canada,^{1/} as proposed in this request for authorization, shall be deemed to be consistent with the public interest.

III.

Interenergy Sheffield hereby requests authority to import into the United States from Canada up to 3,300 Mcf^{2/} of unprocessed, casinghead natural gas per day for a period that is coextensive with the term of a long-term contract with Amoco Canada Resources Ltd. ("Amoco"). The contract contemplates delivery of gas for ten contract years. However, under conditions specified in the contract, the term may be extended to as long as 14 contract years.

Reserve data published by the Department of Energy and Mines of the Province of Saskatchewan, Canada, indicate that proved reserves in the pools in the Province from which the gas supplies to satisfy the Solution Gas Purchase Contract will be delivered are exceeds 95.6 Bcf. The aggregate Contract Quantity over the term of the Contract is

^{1/} Canada is a "nation with which there is in effect a free trade agreement requiring national treatment for trade in natural gas." See 15 U.S.C. § 717b(c).

^{2/} This quantity includes the maximum average daily quantity of 1,500 Mcf per day of "incremental solution gas" that Interenergy Sheffield may be obligated to take under the Contract if Amoco elects to deliver incremental quantities over and above the base contract quantity, plus a ten percent margin for day-to-day fluctuation in deliveries.

approximately 2.4-3.6 Bcf (not including incremental solution gas). Thus, currently developed gas reserves are already more than adequate to supply the requirements of the Contract, and significant additional gas reserves are anticipated to be developed in the region as a result of ongoing drilling activities.

Interenergy Sheffield will take delivery of the unprocessed gas at a point on Amoco's gathering line in the Pinto Field near the Amoco Steelman Gas Processing Plant in Saskatchewan Canada ("Stelman Plant"). Interenergy Sheffield will be the exporter of record. Title to the gas will transfer at the point of delivery.

Interenergy Sheffield will construct an extension to the Canadian border of its existing gathering system which currently terminates approximately 1.2 miles south of the international border. The gathering facilities to be constructed will include appropriate valve and metering facilities at the interconnection with Interenergy Sheffield's existing gathering line. At the international border near Portal, N.D., the facilities of Interenergy Sheffield will interconnect (without interruption) with a Canadian gathering line to be constructed by Interenergy Sheffield (Canada) Ltd. ("Interenergy Sheffield (Canada)"), a wholly-owned subsidiary of Interenergy Sheffield.

The gathering line to be constructed in Canada by Interenergy Sheffield (Canada) will extend approximately 4.5 miles north of the U.S. border to an interconnection with Amoco's existing gathering line in the Pinto Field serving Amoco's Steelman Plant.

Interenergy Sheffield (Canada) and Interenergy Sheffield will gather the gas through the newly constructed and existing gathering systems to Interenergy Sheffield's gas processing plant at Lignite, North Dakota (the "Lignite Plant"). After processing the solution gas to remove objectionable constituents (including hydrogen sulfide) and water

and to separate and recover valuable natural gas liquids and liquefiable hydrocarbons ("NGLs"), Interenergy Sheffield will deliver the pipeline-quality residue gas at the tailgate of the Lignite Plant to the transmission system of Williston Basin Interstate Pipeline Company for transportation to United States markets.

A copy of the Solution Gas Purchase And Sale Contract between Interenergy and Amoco is attached at Exhibit A. Also attached at Exhibit A is a copy of the assignment to Interenergy Sheffield of Interenergy's rights and obligations under the Contract. The Contract provides that Amoco will deliver a minimum of 1,000 Mcf per day for the first year, and Interenergy will purchase, if delivered, up to 1,500 Mcf per day for the first year. These delivery and purchase obligations decline at the rate of 10% per year each year thereafter. However, Amoco has the right, upon notice to Interenergy Sheffield, to deliver up to 1,500 additional Mcf per day^{3/} and Interenergy Sheffield is obligated to purchase this incremental quantity. Amoco's ability to deliver incremental volumes depends on developments in the field which are impossible to predict.^{4/}

The contract establishes a two-part price for the natural gas based upon one component reflecting the value of the pipeline-quality residue gas and one component reflecting the value of the recoverable NGLs. The contract also provides that the price will be redetermined annually to reflect relative changes in natural gas and NGL prices as measured by *published market price indices*. The gas price component of the contract

^{3/} Amoco's right to deliver additional quantities up to 1,500 Mcf per day is conditioned on Amoco agreeing to deliver the incremental quantity for a minimum term of three or four years (depending on the level of the additional volumes).

^{4/} A maximum import authorization of 3,300 Mcf per day has been requested to allow for potential fluctuation in daily deliveries.

price will be adjusted to reflect the percent change in a published index price for Canadian natural gas during the preceding year as compared to the index price two years previously. The NGL price component of the contract price will be adjusted to reflect the percent change in published index prices for NGL in the United States during the preceding year as compared to the index prices two years previously.^{5/}

The first contract year commences with the initial deliveries under the contract.^{6/} The term of the contract is ten contract years. However, if Amoco exercises its right to deliver incremental volumes as previously indicated, Amoco must commit to do so for a minimum term of three or four years, depending on the level of incremental volumes Amoco elects to deliver. If Amoco exercises that right late in the contract term, the effect may be to extend the contract for a period of up to four years. The maximum life of the contract could then be up to 14 contract years.

Interenergy Sheffield intends to sell the gas purchased under the contract at market prices to any suitable U.S. purchaser, including pipelines, local distribution companies, electric utilities and commercial and industrial end-users.

IV.

Interenergy Sheffield will notify the Office of Fossil Energy in writing of the date of the first delivery of natural gas imported under this authorization within two weeks after deliveries begin. Within thirty days following each calendar quarter, Interenergy

^{5/} The index prices are weighted by the composition of the NGL components in the unprocessed gas received during the year.

^{6/} Depending on when initial deliveries commence, the initial contract year may be as long as 13 months.

Sheffield will file quarterly reports with the Office of Fossil Energy giving by month the total volumes imported and the average purchase price.

WHEREFORE, Interenergy Sheffield respectfully requests that the Department of Energy expeditiously issue an order, pursuant to Section 3 of the Natural Gas Act, finding that the proposed long-term import authorization is consistent with the public interest and approving the application in all respects.

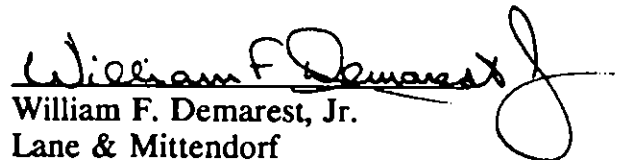
July 29, 1996

Respectfully submitted,

**INTERENERGY SHEFFIELD PROCESSING
COMPANY**

**By: INTERENERGY CORPORATION,
Managing Partner,**

By:



William F. Demarest, Jr.
Lane & Mittendorf
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919 19th Street, N.W.
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(202) 785-4949

James P. Rode
General Counsel
Interenergy Corporation
2451 Frederica Street
Owensboro, Kentucky 42301
(502) 926-4185

Attorneys for Interenergy Sheffield
Processing Company and Interenergy
Corporation

VERIFICATION

DISTRICT OF COLUMBIA) ss.

William F. Demarest, Jr., being first duly sworn, deposes and states that he is an attorney for Interenergy Sheffield Processing Company, that he has read the foregoing document and is familiar with the contents thereof; that he has executed the same for and on behalf of said company with full power and authority to do so; and that the facts set forth therein are true and correct to the best of his knowledge, information and belief.

William F. Demarest, Jr.
William F. Demarest, Jr.

Subscribed and sworn to before me this 29th day of July 1996.

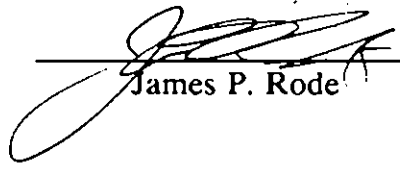
Araceli N. Cantas
Notary Public

My commission expires: 10/31/98

VERIFICATION

STATE OF KENTUCKY)
)
COUNTY OF DAVIESS) ss.

James P. Rode, being first duly sworn, deposes and states that he is General Counsel of Interenergy Corporation, managing partner of Interenergy Sheffield Processing Company, that he has read the foregoing document and is familiar with the contents thereof; that William F. Demarest, Jr. has executed the same for and on behalf of Interenergy Sheffield Processing Company with full power and authority to do so; and that the facts set forth therein are true and correct to the best of his knowledge, information and belief.



James P. Rode

Subscribed and sworn to before me this 22nd day of July 1996.

Kathy Dawn Elda ne: Pagan
Notary Public

My commission expires: 6/23/2000

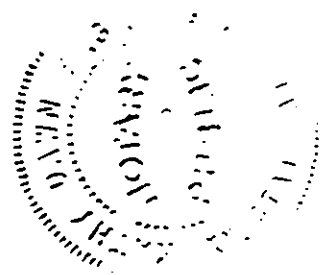


EXHIBIT A

SOLUTION GAS PURCHASE AND SALE CONTRACT

Between

Amoco Canada Resources Ltd.

And

Interenergy Corporation

SOLUTION GAS PURCHASE AND SALE CONTRACT

This Solution Gas Purchase and Sale Contract (hereinafter the "Contract") is made and entered into this ^{11th} day of ~~January~~^{February} 1996, by and between AMOCO CANADA RESOURCES LTD. ("Seller") and INTERENERGY CORPORATION ("Buyer").

RECEIVED
JUL 01 1996

WHEREAS: Seller has certain volumes of solution gas available for sale and delivery from its existing gathering system in Saskatchewan, Canada;

WHEREAS: Buyer's U.S. affiliate owns and operates certain existing gathering and processing facilities in North Dakota, United States of America, with capacity to gather and process solution gas purchased from Seller;

WHEREAS: Buyer's U.S. affiliate desires to construct an extension of an existing gathering system in the United States to the international border between the United States and Canada;

WHEREAS: Buyer desires to establish a Canadian affiliate to construct gathering facilities from the international border to connect with the existing gathering system of Seller in Canada; and

WHEREAS: Seller desires to sell and Buyer desires to purchase specified quantities of solution gas under the terms and conditions of this Contract.

NOW, THEREFORE, in consideration for the mutual covenants, promises and agreements set forth herein, and other good and valuable consideration the receipt of which is specifically acknowledged, Seller and Buyer do hereby agree and covenant as follows:

Article 1 – Definitions

The following terms shall have the meaning set forth below:

1.1 Day. The term "day" means a period of twenty-four (24) consecutive hours, beginning and ending at 7:00 a.m. Mountain Standard Time (M.S.T.).

1.2 Month. The term "month" means the period beginning at 7:00 a.m. M.S.T. on the first day of the calendar month and ending at 7:00 a.m. M.S.T. on the first day of the next succeeding calendar month. In the calendar month in which initial deliveries commence hereunder, such term shall mean the period commencing at the time of initial delivery and ending at 7:00 a.m. M.S.T. on the first day of the succeeding calendar month.

1.3 Year. The term "year" means a period of twelve (12) consecutive months.

1.4 Contract Year. The term "contract year" means the initial contract year, and following the expiration of the initial contract year, each period of twelve (12)

consecutive months thereafter, commencing at 7:00 a.m. on the first day of the month following the month in which the anniversary of initial deliveries occurs.

1.5 Initial Contract Year. The term "initial contract year" means the month in which initial deliveries commence and the next succeeding twelve (12) months.

1.6 Incremental Solution Gas Delivery Year. The term "incremental solution gas delivery year" means each period of twelve (12) consecutive months commencing at 7:00 a.m. on the first day of the month in which the initial deliveries of incremental solution gas occurs.

1.7 Cubic Foot. The term "cubic foot" means the volume of gas which occupies one cubic foot when such gas is at a temperature of 60 degrees Fahrenheit, and at a pressure of 14.65 psia.

1.8 Cubic Meter. The term "cubic meter" means the volume of gas in 35.7143 cubic feet.

1.9 Psia. The term "psia" means pounds per square inch absolute.

1.10 Psig. The term "psig" means pounds per square inch gauge.

1.11 Mcf. The term "Mcf" means 1,000 cubic feet of gas.

1.12 NGLs. The term "NGLs" means natural gas liquids and includes the liquefiable hydrocarbons propane, butane and pentanes plus in a gaseous state prior to separation or processing.

1.13 Solution Gas. The term "solution gas" means a mixture, in its natural state, of natural gas and NGLs produced in association with crude oil from oil wells or in association with condensate from gas wells.

1.14 Party. The term "Party" means either Buyer or Seller. For purposes of section 2.2(a), the term "Party" also includes Buyer's U.S. affiliate and Buyer's Canadian affiliate.

1.15 Buyer's U.S. Affiliate. The term "Buyer's U.S. affiliate" means Interenergy Sheffield Processing Company, a General Partnership formed under the laws of the State of Colorado, and any U.S. corporate affiliate of Interenergy Corporation which constructs an extension of the existing gathering system owned by Interenergy Sheffield Processing Company in the United States to the international border between the U.S. and Canada.

1.16 Buyer's Canadian Affiliate. The term "Buyer's Canadian affiliate" means any corporate affiliate of Interenergy Corporation which is incorporated in Canada and which constructs gathering facilities from the international border between the U.S. and Canada to an interconnection with the existing gathering system of Seller in Canada at the Delivery Point.

1.17 Delivery Point. The term "Delivery Point" means the outlet flange of Seller's metering equipment at or near the interconnection, located in 6-29-T001-R4W2M, Saskatchewan, Canada, between (a) Seller's existing eight-inch (8") diameter steel pipeline (used to gather solution gas from wells in the Pinto Field for processing at Seller's Steelman Gas Processing Plant) and (b) the gathering pipeline facilities to be constructed by Buyer to purchase and receive solution gas hereunder.

1.18 Pinto Field. The term "Pinto Field" means the oil and gas producing field located in T001-R3W2M, T001-R4W2M, T001-R5W2M, T002-R3W2M, T002-R4W2M and T002-R5W2M, in southeast Saskatchewan, Canada.

1.19 Lignite Plant. The term "Lignite Plant" means the gas processing plant located in Lignite, North Dakota, in which Buyer owns an interest.

Article 2 -- Term

2.1 Term. Except as provided in sections 2.2 or 2.3, this Contract shall become effective as of the date first written above and shall remain in effect for a period of ten (10) contract years from the commencement of initial deliveries hereunder.

2.2 Regulatory Condition.

(a) Approvals Required. This Contract is subject to receipt by Buyer, Buyer's U.S. affiliate, and Buyer's Canadian affiliate of all required governmental regulatory approvals, including authorization, if any, required prior to construction of facilities in Canada, in the United States, or the facilities across the international border, and if required, authorization from the National Energy Board of Canada or the provincial government of Saskatchewan to export solution gas from Canada and authorization from the U.S. Department of Energy and the Federal Energy Regulatory Commission to import solution gas into the United States. Buyer shall apply for regulatory approval to remove from Saskatchewan, to export from Canada and to import into the United States a daily quantity of solution gas equal to the sum of the initial contract year daily receipt quantity specified in section 3.2 plus a maximum daily quantity of incremental solution gas (as defined in section 3.3(a)) of 1,500 Mcf per day (3,000 Mcf per day total) and an annual quantity of 1,095,000 Mcf (including a maximum of 547,500 Mcf of incremental solution gas). Failure to obtain initial regulatory authorization for the removal, export or import of incremental solution gas and/or for the removal, export or import of solution gas for a period beyond the initial term of ten (10) years specified in section 2.1 shall not constitute a denial of a required regulatory approval for purposes of this Contract. If regulatory approval is not initially obtained authorizing such removal, export or import of the requested quantity of incremental solution gas and/or for a term longer than the initial term of ten (10) years specified in section 2.1, Buyer shall apply for such authorization at the time Seller notifies Buyer of the availability of incremental solution gas pursuant to section 3.3(a). Buyer's obligation to receive and purchase incremental solution

gas is subject to receipt by Buyer of any additional regulatory authorization for removal, export or import of incremental solution gas not authorized in the initial regulatory authorization. The Parties agree to cooperate with one another in seeking and obtaining all required governmental or regulatory approvals. If any condition imposed by any regulatory authority on any approval is deemed unacceptable in the sole judgment of the Party subject to the condition, the approval shall be deemed to have been denied for purposes of this Contract.

(b) **Cancellation.** If any regulatory approval required to be obtained by Buyer, Buyer's U.S. affiliate or Buyer's Canadian affiliate has not been obtained within one (1) year from the date of this Contract, at any time after the expiration of such one-year period but prior to the receipt of such approval, either Party may cancel this Contract by written notice of cancellation. Thereupon this Contract shall be deemed cancelled as of the effective date of such notice and neither Party shall have any further obligations to the other hereunder.

2.3 Extension Of Term. If the minimum term applicable to delivery and sale of "incremental solution gas" under section 3.3(b) would extend beyond the expiration of the contract term specified in section 2.1, the term of this Contract shall be extended until the expiration of such minimum term. During the period of extension of the Contract term under this section, all of the provisions of the Contract shall remain in full force and effect.

Article 3 – Quantities

3.1 Minimum Base Sales Obligation.

(a) **Seller's Obligation.** Seller agrees to deliver and sell to Buyer at the Delivery Point during each contract year a quantity of solution gas at least equal to the minimum base sales quantity for the contract year.

(b) Minimum Base Sales Quantity Defined.

(1) **Initial Contract Year.** During the initial contract year, the minimum base sales quantity shall be the quantity of solution gas equal to the product of 1,000 Mcf multiplied by the number of days in the initial contract year.

(2) **Succeeding Contract Years.** During each contract year after the initial contract year, the minimum base sales quantity shall equal the quantity specified in the following schedule for the contract year involved:

(A)	Second Contract Year.	328,500 Mcf.
(B)	Third Contract Year.	295,650 Mcf.
(C)	Fourth Contract Year.	266,085 Mcf.
(D)	Fifth Contract Year.	239,477 Mcf.

(E)	Sixth Contract Year.	215,529 Mcf.
(F)	Seventh Contract Year.	193,976 Mcf.
(G)	Eighth Contract Year.	174,578 Mcf.
(H)	Ninth Contract Year.	157,120 Mcf.
(I)	Tenth Contract Year.	141,408 Mcf.

3.2 Maximum Base Purchase Obligation.

(a) **Buyer's Obligation.** Except as provided in section 3.4 (setting forth Buyer's obligations respecting the purchase of quantities of solution gas in excess of the maximum base purchase quantity), if tendered by Seller at the Delivery Point, Buyer agrees to receive and purchase from Seller at the Delivery Point on any day during each contract year a quantity of solution gas up to the maximum daily receipt capacity specified in subsection (b) for that contract year.

(b) Maximum Daily Receipt Capacity.

(1) **Initial Contract Year.** Except as provided in section 3.4, during the initial contract year, the maximum daily receipt capacity shall equal 1,500 Mcf.

(2) **Succeeding Contract Years.** Except as provided in section 3.4, during each contract year after the initial contract year, the maximum daily receipt capacity for that contract year shall be equal to 90% of the maximum daily receipt capacity of the preceding contract year.

(3) **Maximum Annual Base Purchase Capacity.** The maximum annual base purchase capacity for any contract year shall be three hundred sixty-five (365) times the maximum daily receipt capacity for that contract year.

3.3 Seller's Option To Sell "Incremental Solution Gas."

(a) **Notice Of Availability Of "Incremental Solution Gas."** Seller may notify Buyer of the availability for purchase by Buyer at the Delivery Point of solution gas in excess of the maximum daily receipt capacity ("incremental solution gas"). Any such notice shall set forth the average daily quantity of incremental solution gas and the minimum period during which Seller agrees under subsection (b) of this section to deliver such incremental solution gas. Such notice shall be provided to Buyer sufficiently in advance of the tender of such incremental solution gas as reasonably to permit Buyer to modify the operation, or increase the capacity, of its facilities to enable Buyer to receive and purchase such incremental solution gas, and sufficiently in advance as reasonably to permit Buyer to apply for and obtain any additional regulatory approvals required to authorize Buyer to remove such incremental solution gas from Saskatchewan, to export such incremental solution gas from Canada and to import such incremental solution gas into the United States if regulatory authorization to remove, export

or import such incremental solution gas was not previously obtained. For purpose of the preceding sentence, in no event shall more than one hundred eighty (180) days notice of the availability of incremental solution gas be required.

(b) **Minimum Term.** If the average daily quantity of incremental solution gas set forth in the notice provided by Seller under subsection (a) equals --

(1) 1,000 Mcf per day or less, Seller agrees to deliver and sell during any incremental solution gas delivery year a quantity of incremental solution gas to Buyer at the Delivery Point equal to three hundred sixty-five (365) times such average daily quantity for a minimum period of four (4) incremental solution gas delivery years from the initiation of delivery and sale of such incremental solution gas.

(2) more than 1,000 Mcf per day, Seller agrees to deliver and sell during any incremental solution gas delivery year a quantity of incremental solution gas to Buyer at the Delivery Point equal to three hundred sixty-five (365) times such average daily quantity for a minimum period of three (3) incremental solution gas delivery years from the initiation of delivery and sale of such incremental solution gas.

(c) **Cumulative Obligation.** If Buyer commences accepting deliveries of incremental solution gas at or prior to the expiration of the period specified in Seller's notice under subsection (a) of the availability of incremental solution gas, Seller agrees to deliver and sell during each incremental solution gas delivery year within the applicable period under subsection (b), an aggregate quantity of solution gas equal to the sum of the prorated maximum annual base purchase capacities for the portions of the contract years involved plus the applicable annual quantity of incremental solution gas under subsection (b). If Buyer fails to commence accepting deliveries of incremental solution gas by the expiration of the period specified in Seller's notice under subsection (a) of the availability of incremental solution gas (other than because of a force majeure event relating to the construction of additional capacity to permit receipt of such incremental solution gas), Seller's delivery obligation shall remain equal to the minimum base sales quantity under section 3.1 for the years involved.

3.4 Buyer's Obligation To Purchase Incremental Solution Gas.

(a) **Buyer's Obligation.** On any day within the applicable period under section 3.3(b), if tendered by Seller at the Delivery Point, Buyer agrees to receive and purchase from Seller the average daily quantity of incremental solution gas specified in Seller's notice under section 3.3(a), up to a maximum daily quantity of incremental solution gas of 1,500 Mcf.

(b) **Maximum Daily Obligation.** On any day within the applicable period under section 3.3(b), Buyer shall not be obligated to receive and purchase an aggregate quantity of solution gas greater than the sum of --

(1) the maximum daily receipt capacity determined under section 3.2(b)(1) or (2) for the applicable contract year; plus

(2) the average daily quantity of incremental solution gas specified in Seller's notice under section 3.3(a), up to a maximum daily quantity of incremental solution gas of 1,500 Mcf per day.

If Seller's notice under section 3.3(a) specifies an average daily quantity in excess of 1,500 Mcf per day, Buyer shall have the option to receive and purchase the portion of the incremental solution gas in excess of 1,500 Mcf per day on a best-efforts basis only.

Article 4 -- Price

4.1 Contract Price.

(a) **Initial Contract Year.** During the initial contract year, for each Mcf of solution gas delivered by Seller at the Delivery Point, Buyer shall pay a price equal to the sum of --

(1) the base solution gas price per Mcf of solution gas delivered; plus

(2) the base NGLs price per milliliter of recoverable NGLs per cubic meter of solution gas delivered.

(b) Succeeding Contract Years.

(1) **Annual Price Redetermination.** The contract price shall be redetermined annually each contract year following the initial contract year. Such redetermined contract price shall be effective for all solution gas delivered during such succeeding contract year.

(2) **Redetermined Price Formula.** During each contract year after the initial contract year, for each Mcf of solution gas delivered by Seller at the Delivery Point, Buyer shall pay a redetermined price equal to the sum of --

(A) the adjusted solution gas price for the contract year per Mcf of solution gas delivered; plus

(B) the adjusted NGLs price for the contract year per milliliter of recoverable NGLs per cubic meter of solution gas delivered.

(c) **Definitions.**

(1) **Base Solution Gas Price.** The base solution gas price shall be \$0.934 (CDN) per Mcf.

(2) **Base NGLs Price.** The base NGLs price shall be \$0.001718 (CDN) per milliliter of recoverable NGLs per cubic meter of solution gas delivered.

(3) **Adjusted Solution Gas Price.** For any contract year after the initial contract year, the adjusted solution gas price shall be determined by multiplying --

(A) the solution gas price during the preceding contract year;
by

(B) an adjustment factor equal to the ratio of --

(I) the arithmetic average of the "Western Gas Marketing Ltd -- Field Price Index" (denominated in Canadian dollars/gigajoule (" \$ CDN/gj")) as published in the first issue of "Canadian Gas Price Reporter" published in each month of the contract year immediately preceding the contract year in which the adjustment will apply; to

(II) the arithmetic average of the "Western Gas Marketing Ltd -- Field Price Index" (denominated in \$ CDN/gj) as published in the first issue of "Canadian Gas Price Reporter" published in each month of the contract year second preceding the contract year in which the adjustment will apply.

(C) **Alternative Reference.** If the Canadian Gas Price Reporter ceases publication, the "Western Gas Marketing Ltd -- Field Price Index" (denominated in \$ CDN/gj) as published in another publication shall be substituted for purposes of paragraph (3). If more than one publication publishes the "Western Gas Marketing Ltd -- Field Price Index" (denominated in \$ CDN/gj) after the Canadian Gas Price Reporter ceases publication, the publication with the largest circulation among those which publish the "Western Gas Marketing Ltd -- Field Price Index" (denominated in \$ CDN/gj) shall be substituted for purposes of paragraph (3). If the "Western Gas Marketing Ltd -- Field Price Index" ceases to exist

or ceases to be published, the field index price (denominated in \$ CDN/gj) for Canadian gas published in the Canadian Gas Price Reporter (or alternative publication determined in accordance with this subparagraph (C)) that was most nearly comparable to the "Western Gas Marketing Ltd - Field Price Index" (denominated in \$ CDN/gj) during the twelve-month period preceding the cessation of publication of the "Western Gas Marketing Ltd - Field Price Index" shall be substituted for purposes of paragraph (3).

(4) **Adjusted NGLs Price.** For any contract year after the initial contract year, the adjusted NGLs price shall be determined by multiplying --

(A) the adjusted NGLs price during the preceding contract year; by

(B) an adjustment factor equal to the ratio --

(I) the NGL Component Weighted Average price for the year immediately preceding the contract year in which the adjustment will apply; to

(II) the NGL Component Weighted Average price for the contract year second preceding the contract year in which the adjustment will apply. For purpose of computing the NGL Component Weighted Average price for the twelve-month period preceding the initial contract year under subparagraph (C) below, the weighted average percentages of propane, iso-butane, n-butane and pentanes plus shall be deemed the same as the weighted average percentages of propane, iso-butane, n-butane and pentanes plus, respectively, for the initial contract year.

(C) **NGL Component Weighted Average Price.** The NGL Component Weighted Average price for any contract year (or other twelve-month period) shall be determined in accordance with the following formula:

$$[(P_{C3})x(\%C_3) + (P_{iC4})x(\%iC_4) + (P_{nC4})x(\%nC_4) + (P_{C5+})x(\%C_{5+})]$$

Where:

P_{C3} = The arithmetic average of the twelve weekly average prices for propane published in the table entitled "U.S. & Canada Spot LP-Gas Weekly Averages," under the heading "Group 140/Conway" under the subheading

"PROPANE MAPC," published in the first issue of "Oil Price Information Service" ("OPIS") in each month of the contract year (or other twelve-month period) concerned.

P_{iC4} = The arithmetic average of the twelve weekly average prices for iso-butane published in the table entitled "U.S. & Canada Spot LP-Gas Weekly Averages," under the heading "Group 140/Conway" under the subheading "ISOBUT MAPC," published in the first issue of OPIS in each month of the contract year (or other twelve-month period) concerned.

P_{nC4} = The arithmetic average of the twelve weekly average prices for n-butane published in the table entitled "U.S. & Canada Spot LP-Gas Weekly Averages," under the heading "Group 140/Conway," under the subheading "N.BUTANE MAPC," published in the first issue of OPIS in each month of the contract year (or other twelve-month period) concerned.

P_{CS} = The arithmetic average of the twelve weekly average prices for natural gasoline published in the table entitled "U.S. & Canada Spot LP-Gas Weekly Averages," under the heading "Group 140/Conway," under the subheading "N.GAS MAPC," published in the first issue of OPIS in each month of the contract year (or other twelve-month period) concerned.

$\%C_3$ = The weighted average percentage of propane entrained or suspended in the solution gas purchased hereunder determined by dividing --

(i) the quantity of propane extracted from processing of the solution gas purchased hereunder at the Lignite Plant during the contract year concerned; by

(ii) the quantity of all NGLs extracted from processing of the solution gas purchased hereunder at the Lignite Plant during the contract year concerned.

$\%iC_4$ = The weighted average percentage of iso-butane entrained or suspended in the solution gas purchased hereunder determined by dividing --

(i) the quantity of iso-butane extracted from processing of the solution gas purchased hereunder at the Lignite Plant during the contract year concerned; by

(ii) the quantity of all NGLs extracted from processing of the solution gas purchased hereunder at the Lignite Plant during the contract year concerned.

$\%nC_4$ = The weighted average percentage of n-butane entrained or suspended in the solution gas purchased hereunder determined by dividing --

(i) the quantity of n-butane extracted from processing of the solution gas purchased hereunder at the Lignite Plant during the contract year concerned; by

(ii) the quantity of all NGLs extracted from processing of the solution gas purchased hereunder at the Lignite Plant during the contract year concerned.

$\%oC_{5+}$ = The weighted average percentage of pentanes plus entrained or suspended in the solution gas purchased hereunder determined by dividing --

(i) the quantity of pentanes plus extracted from processing of the solution gas purchased hereunder at the Lignite Plant during the contract year concerned; by

(ii) the quantity of all NGLs extracted from processing of the solution gas purchased hereunder at the Lignite Plant during the contract year concerned.

(D) Alternative Reference. If the Oil Price Information Service ceases publication, the propane, n-butane, iso-butane and

natural gasoline prices referenced in subparagraph (C) as published in the "Weekly Propane Newsletter" published by Propane-Butane News" shall be substituted for purposes of paragraph (4). If the "Weekly Propane Newsletter" has ceased or ceases publication, the propane, n-butane, iso-butane and natural gasoline prices referenced in subparagraph (C) as published in the publication with the largest circulation among those which publish the referenced propane, n-butane, iso-butane and natural gasoline prices shall be substituted for purposes of paragraph (4). If the propane, n-butane, iso-butane or natural gasoline price referenced in subparagraph (C) ceases to exist or ceases to be published, the referenced propane, n-butane, iso-butane or natural gasoline price published in the Canadian Gas Price Reporter (or alternative publication determined in accordance with this subparagraph (D)) that was most nearly comparable to the referenced propane, n-butane, iso-butane or natural gasoline price during the twelve-month period preceding the cessation of publication of the referenced propane, n-butane, iso-butane or natural gasoline price shall be substituted for purposes of paragraph (4).

(5) **Conversion Factor.** To convert gallons of NGLs per Mcf of solution gas to milliliters per cubic meter, multiply the gallons/Mcf by 133.76.

(d) **Canadian Dollars.** The base solution gas price, the adjusted solution gas price, the base NGLs price and the adjusted NGLs price hereunder are in Canadian dollars ("CDN") and all payments for solution gas purchased and sold hereunder shall be made in Canadian dollars.

(e) **Pricing Example.** Attached hereto as Exhibit "A" and incorporated herein by reference are examples of the calculation of the adjusted solution gas price and of the adjusted NGLs price.

4.2 Determination Of Recoverable NGLs.

(a) **Recoverable NGLs.** The recoverable quantity of NGLs in milliliters per cubic meter of solution gas shall be determined by multiplying --

(1) the volume (in milliliters) of NGLs per cubic meter of solution gas determined under section 8.9; by

(2) the Lignite Plant recovery factor for the month involved.

(b) **Lignite Plant Recovery Factor.** The term "Lignite Plant recovery factor" means the recovery rate expressed as the ratio of --

(1) the quantity of NGLs actually recovered in liquid form by the Lignite Plant from processing in any month of solution gas from all sources; to

(2) the aggregate quantity of NGLs entrained or suspended in solution gas from all sources processed through the Lignite Plant in the month.

(c) **Documentation.** The Lignite Plant recovery factor shall be determined by Buyer each month, based upon the books and records maintained by Buyer in the ordinary course of operation of such Plant. By the tenth (10th) day of the month Buyer shall provide to Seller the Lignite Plant recovery factor for the preceding month. Upon request from Seller, Buyer shall provide to Seller copies of such books and records, together with Buyer's calculation of the Lignite Plant recovery factor, for inspection and verification by Seller.

Article 5 -- Taxes

5.1 Taxes On Solution Gas. Seller shall pay or cause to be paid all taxes and assessments imposed with respect to the solution gas sold hereunder prior to its delivery to Buyer. Seller shall pay or cause to be paid all taxes and assessments imposed on the sale or delivery of the solution gas sold hereunder, including Canadian Goods and Services Tax ("GST"). Buyer shall pay or cause to be paid all taxes and assessments imposed with respect to the solution gas sold hereunder after its delivery by Seller.

5.2 Taxes On Facilities. Each Party shall be responsible for any taxes or other statutory charges levied or assessed against any of the facilities of that Party used for the purpose of carrying out the provisions of this Contract.

Article 6 -- Pressure

6.1 Delivery Pressure. Seller shall cause the solution gas to be tendered at the Delivery Point at a pressure sufficient to enter Buyer's gathering system against the pressures prevailing therein from time to time.

6.2 Maximum Pressure. Buyer shall not permit the pressure prevailing in its gathering system at the Delivery Point to exceed 50 psig.

Article 7 -- Quality

7.1 Oxygen. The solution gas shall not have an oxygen content in excess of .001 percent by volume, and Seller shall make every reasonable effort to keep the solution gas free from oxygen.

7.2 No Free Liquids. The solution gas shall be in gaseous phase at the Delivery Point and shall not contain any free water or hydrocarbons in liquid phase under the temperature and pressure conditions prevailing at the Delivery Point.

7.3 Carbon Dioxide. The solution gas shall not have a carbon dioxide content in excess of 5 mol percent by volume.

7.4 Remedies For Nonconformance. If, at any time, solution gas tendered by Seller for purchase hereunder shall fail to conform to any quality specification, Buyer shall have the right to --

(a) refuse to accept delivery of the nonconforming solution gas pending correction of the deficiency by Seller; or

(b) continue to receive and purchase such nonconforming solution gas so long as, in Buyer's sole judgment, the nonconforming solution gas can be gathered and processed without detrimentally affecting Buyer's gathering or processing facilities and such nonconformance does not cause Buyer to incur additional operation and maintenance expenses.

Article 8 -- Measurement

8.1 Measuring Equipment. Seller shall install and maintain an orifice meter of standard make at the Delivery Point, together with all mechanical or electronic instrumentation and flow computation equipment required to measure accurately the quantity and composition of the solution gas delivered hereunder. Seller shall cause the chart on all measurement equipment to be changed, or mechanical or electronic indices to be read, on a regular basis but in no case at intervals of longer than once every eight (8) days. All measurement charts shall be changed, or indices read as near as practical to the beginning of the first day of each month.

8.2 Calibration And Test Of Meters. The accuracy of Seller's measuring equipment shall be verified by Seller at reasonable intervals, but at least once in every ninety (90) days. In the event Buyer notifies Seller that Buyer desires a special test of any measuring equipment, the Parties shall cooperate to secure a prompt verification of the accuracy of such equipment. The expense of any such special test, if called for by Buyer, shall be borne by Buyer if the measuring equipment tested is not found to be in error by an amount which affects quantity measurement by more than two (2) percent.

(a) If, upon test, any measuring equipment is not found to be in error by an amount which affects quantity measurement by more than two (2) percent, previous recordings of such equipment shall be considered accurate, but such equipment shall be adjusted as necessary to record accurately in the future.

(b) If, upon test, any measuring equipment is found to be in error by an amount which affects quantity measurement by more than two (2) percent, any

previous recordings of such equipment shall be corrected to zero error for any period which is known definitely or is agreed upon, but in case the period is not known or agreed upon, such correction shall be for a period extending for one-half of the time elapsed since the date of the last test, but not more than forty-five (45) days.

8.3 Right To Be Present; Right To Install Check Meters. Buyer shall have the right to have representatives present at the time of installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating or adjusting Seller's equipment used in measuring the delivery of solution gas hereunder. Buyer may install, maintain and operate, at its own expense, such check measuring equipment as Buyer desires. Such check measuring equipment shall be installed so as not to affect the operation of Sellers measuring equipment.

8.4 Correction Of Metering Errors. In the event a meter is out of service, or registering inaccurately, the volume and/or quantity of solution gas delivered shall be determined by one of the following methods, in order of decreasing preference:

(a) By using the registration of any check meter, if installed and accurately registering; or

(b) By correcting the error if the percentage of error is ascertainable by calibration, tests or mathematical calculation; or

(c) By estimating the volume and/or quantity based on periods of similar conditions when the meter was registering accurately.

8.5 Measurement procedures. Quantities of solution gas delivered hereunder shall be measured in accordance with procedures contained in ANSI-API 2530, Second Edition, AGA Committee Report No. 5, AGA Committee Report No. 7, or revisions or amendments thereto. The absolute atmospheric pressure used for volume calculations shall be the average atmospheric pressure determined by calculations based on the actual elevation above sea level of the meter at the place of measurement.

8.6 Specific gravity. The specific gravity of the solution gas delivered hereunder shall be determined by Seller at the Delivery Point, or at a point representative of the Delivery Point, at representative intervals, but at least once each ninety (90) days, by use of a gas analysis or an indicating gravitometer of standard make, the results of which shall be applied to the volume determination during the subsequent test interval. However, if a recording gravitometer or gas chromatograph is installed, operated and maintained, the arithmetical average or real time integration of the specific gravity so measured while solution gas is flowing during each metering interval shall be used to correct the volumes of solution gas delivered and received hereunder.

8.7 Carbon Dioxide and Nitrogen. The carbon dioxide and nitrogen content of the solution gas delivered hereunder shall be determined by Seller at the Delivery Point, or at a point representative of the Delivery Point, at representative intervals, but at least

once each ninety (90) days, by use of a gas analysis, the results of which shall be applied to the volume determination during the subsequent test interval. However, if a gas chromatograph is installed, operated and maintained, the real time integration of the carbon dioxide and nitrogen so measured while solution gas is flowing during each metering interval shall be used to correct the volumes of solution gas delivered and purchased hereunder.

8.8 Temperature. The temperature of the solution gas flowing through the measuring station shall be determined by an indicating thermometer, a recording thermometer, or an electronic temperature measuring device installed and operated by Seller. The arithmetical average of the temperature so recorded or integrated while the solution gas is flowing during each metering interval shall be used in correcting volumes of solution gas delivered and received hereunder.

8.9 NGLs Composition.

(a) **Delivery Point Sampling.** The NGLs composition of the solution gas delivered hereunder shall be determined by Seller by taking samples of the solution gas at the Delivery Point, or at a point representative of such Delivery Point, at appropriate intervals, but at least once each thirty (30) days. Seller may, at its option, install and operate an intermittent sampling device to automatically collect samples of the solution gas at the Delivery Point, or at a point representative of such Delivery Point. If the NGLs composition of the solution gas is determined from solution gas samples, such solution gas samples shall be analyzed on a gas chromatograph to determine the NGLs composition of the sample, and the NGLs composition of the sample shall be deemed to be the NGLs composition of the solution gas delivered hereunder until the next sample is taken.

(b) **Continuous Instrumentation.** At Seller's option, the NGLs composition of the solution gas may be determined by a gas chromatograph, installed by Seller at the Delivery Point or at a point representative of such Delivery Point, in which event the arithmetic average of the hourly flowing solution gas NGLs composition recorded each day shall be considered as the average NGLs composition of the solution gas delivered that day.

8.10 Monthly Documentation To Buyer. As soon as practicable following each month, Seller shall forward the original records from Seller's measuring equipment and copies of Seller's analysis of the NGLs composition of the solution gas to Buyer for use in preparing the statement described in section 9.1. Such original records shall remain the property of Seller and shall be returned by Buyer to Seller following preparation of the statement described in section 9.1.

8.11 Preservation Of Metering Records. Seller and Buyer shall each preserve, for a period of at least three years, all test data, charts and other similar records. Each Party shall have access to such test data, charts and records of the other Party during

normal business hours. Upon request, either Party shall provide copies of such test data, charts and records to the other Party, at the other Party's expense of reproduction.

Article 9 -- Billings

9.1 Monthly Billing. Buyer shall provide Seller with a statement on or before the fifteenth (15th) day of each month for solution gas sold during the preceding month.

9.2 Content Of Statement. The statement shall describe the volume and NGLs composition of the solution gas delivered to Buyer during the preceding month, the price applicable for the month to which the statement applies, and the total amount due from Buyer for solution gas purchased during such month. Such statement may be based upon an estimate of the quantity of solution gas delivered and purchased in the preceding month if actual data is not available due to delay in integration of charts, provided that adjustments to reflect the actual quantities of solution gas delivered in the preceding month are made in the next succeeding month. Such statement shall be accompanied by appropriate documentation.

9.3 Information In Control Of Seller. When Seller is in control of information required by Buyer to prepare a monthly statement, Seller shall cause such information to be received by Buyer on or before the tenth (10th) day of the month immediately following the month to which the information relates.

9.4 Right Of Examination. Both Seller and Buyer shall have the right to examine, at any reasonable time, the books, records and charts of the other to the extent necessary to verify the accuracy of any statement, chart or computation made under or pursuant to this Contract.

Article 10 -- Payments

10.1 Payment. Buyer shall pay Seller the amount due for purchases of solution gas hereunder on or before the thirtieth (30th) day of the month following the month in which the solution gas was received if the information required to be provided by Seller to Buyer under sections 8.10 and 9.3 is received by Buyer on or before the tenth (10th) day of such month. If such information is not received by Buyer on or before the tenth (10th) day of such month, Buyer shall pay Seller the amount due for purchases of solution gas hereunder within twenty (20) days after the date on which such statement is received.

10.2 Late Payment. If Buyer fails to pay any amount due hereunder by the due date, Seller may charge Buyer interest on the overdue amount at two (2) percentage points above the prime lending rate then in effect for Canadian Imperial Bank of Commerce. If Buyer fails to pay an amount due hereunder for a period of more than ten (10) days after the due date thereof, Seller may suspend further deliveries and sales to Buyer under this Contract upon twenty-four (24) hours written notice to Buyer of

suspension of future sales. In addition, if Seller thereafter has reasonable grounds to believe that Buyer may be unable to pay for solution gas to be delivered hereunder in the future, Seller may demand reasonable assurances of financial security from Buyer before Seller may be obligated to resume deliveries and sales of solution gas to Buyer hereunder.

10.3 Billing Adjustments. If within twenty-four (24) months from the date of any statement rendered by Seller hereunder, an error is discovered in any statement rendered by Seller hereunder, such error shall be corrected within thirty (30) days of the discovery thereof. If such error resulted in an overcharge or undercharge hereunder, and Buyer shall have actually paid the statements containing such error, within thirty (30) days of the date of correction of the erroneous statement, Seller shall refund the amount of any such overcharge, and Buyer shall pay the amount of any such undercharge, both with interest thereon. Interest on overcharges or undercharges shall be computed in the manner set forth in section 10.2, from the time such overcharge or undercharge was originally paid or due, to the date of refund or payment, respectively.

Article 11 -- Force Majeure

11.1 Force Majeure. The performance of any of the obligations of either Party (other than the obligation to make payments hereunder) shall be suspended while, but only for so long as, such Party is rendered by an event of force majeure unable, in whole or in part, to carry out its obligations hereunder. The Party affected by force majeure shall give notice in writing or by telephone to the other Party as soon as possible after the event giving rise to the claim of force majeure. Such notice shall set forth the particulars of the event or circumstance giving rise to the claim of force majeure.

11.2 Definition. The term "force majeure" includes, but is not limited to, acts of God, strikes, lockouts or other industrial disturbances, failure to perform by any third person, which performance is necessary to the performance by either Seller or Buyer hereunder, acts of the Queen's enemy or terrorists, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrest and restraint of rulers and peoples, civil disturbances, explosions, breakage of or accident to machinery or lines of pipe, freezing of wells, freezing of delivery facilities or lines of pipe, well blowouts, power outages, orders of any court or governmental authority having jurisdiction, failure to obtain materials and supplies due to governmental regulations, and causes of like or similar kind, whether herein enumerated or not, and not within the control of the Party claiming suspension, and which by the exercise of due diligence such Party is unable to overcome. However, the exercise of due diligence shall not require settlement of labor disputes against the better judgment of the Party having the dispute. The term "force majeure" as employed herein shall also include, but shall not be limited to, inability to obtain or acquire, at reasonable cost, grants, servitudes, rights-of-way, permits, licenses, or any other authorizations from third parties or agencies (private or governmental) or inability to obtain or acquire at reasonable cost necessary materials or supplies to construct, maintain, and operate any facilities required for the performance of any obligations hereunder, when any such inability directly or indirectly contributes to or

results in either Party's inability to perform its obligations. Economic reasons, specifically changes in prices of natural gas or NGLs, shall not be a basis for claiming force majeure.

Article 12 -- Title And Custody Transfer

12.1 Warranty Of Title. Seller warrants that Seller has full right and authority at the Delivery Point to sell the solution gas to Buyer hereunder, and that at the time of delivery the solution gas sold hereunder shall be free from all liens, encumbrances and adverse claims by any person. Seller agrees to indemnify Buyer against all damages, costs, and expenses of any nature whatsoever arising from any lien, encumbrance or adverse claim asserted by any person against the solution gas sold to Buyer hereunder.

12.2 Control; Custody Transfer. Seller shall be in exclusive control and possession of the solution gas until such gas has been delivered to and received by Buyer at the Delivery Point. Thereafter, Buyer shall be in exclusive control and possession of the solution gas. Each party shall bear the risk of loss for the solution gas while it is in the Party's exclusive control and possession. The custody transfer point shall be the outlet flange of Seller's metering equipment located at the Delivery Point. Title shall transfer at the Delivery Point.

Article 13 -- Notices

13.1 Addresses. Any notice, statement, or payment provided for in this Contract shall be in writing and shall be delivered personally, by mail or by facsimile to the Parties as follows:

To Seller:

Amoco Canada Resources Ltd.
c/o Amoco Canada Petroleum Company Ltd.
Attn: Marketing Representative, Gas Processing
240 4 Avenue, S.W.
Calgary, Alberta, Canada T2P 4H4
Telephone: (403) 233-1364
Facsimile: (403) 233-1285

To Buyer:

Interenergy Corporation
Attn: Gas Control Department
1700 Broadway, Suite 1150
Denver, Colorado, U.S.A. 80290
Telephone: (303) 860-8949
Facsimile: (303) 860-9128

Notices, statements and payments shall be considered received on the same business day if delivered personally or by facsimile, and five (5) business days after the date mailed, postage pre-paid.

Article 14 -- Miscellaneous

14.1 Entire Agreement. This Contract forms the entire agreement of the Parties with respect to the subject matter hereof.

14.2 Descriptive Headings. The descriptive headings of the provisions of this Contract are for convenience only and shall not be deemed to affect the meaning or construction of any such provision.

14.3 Amendment. No amendment, alteration or waiver of any of the provisions of this Contract shall be binding on either Party unless the same is in writing and signed by both Parties.

14.4 Law of Agreement. The interpretation and performance of this Contract shall be in accordance with, and controlled by, the laws of Saskatchewan, and shall not be subject to the provisions of the United Nations Convention on Contracts for the International Sale of Goods. This provision shall not be construed as an agreement limiting venue for purposes of any litigation between the Parties.

14.5 Non-waiver and Future Default. No waiver by either Party of any one or more defaults by the other Party in the performance of any obligation under this Contract shall operate or be construed as a waiver of any future default or defaults, whether of a like or of a different character.

14.6 Transfer or Assignment.

(a) **Successors Bound.** Any entity which shall succeed by purchase, merger, or consolidation to all of the facilities utilized to perform the obligations of either Party under this Contract shall be entitled to the rights and shall be subject to the obligations of its predecessor-in-title under this Contract. This contract may be assigned without the consent of the other Party in the event the assets utilized to perform the obligations of the assigning Party under this Contract are acquired through purchase, merger or consolidation. Except as

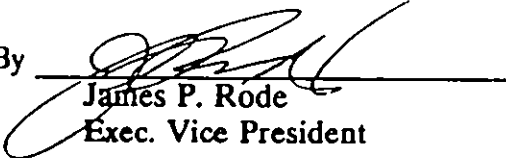
provided in subsection (b), this Contract may not otherwise be assigned by either Party without the prior written consent of the other Party, which consent shall not be unreasonably withheld. No assignment of any of the rights or obligations of either Party to this Contract shall relieve that Party of its obligations hereunder unless such release is expressly agreed to but the other Party.

(b) **Assignment To Buyer's U.S. Affiliate.** Notwithstanding subsection (a), Buyer may assign all of its rights and obligations under this Contract to Buyer's U.S. affiliate without the prior written consent of Seller. Buyer shall notify Seller of any such assignment.

IN WITNESS WHEREOF, the Parties hereto have executed this Contract as of the day and year first written above.

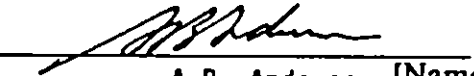
INTERENERGY CORPORATION
(Buyer)

By


James P. Rode
Exec. Vice President

AMOCO CANADA RESOURCES LTD.
(Seller)

By


A.B. Anderson [Name]
VICE-PRESIDENT, NGL & CRUDE OIL [Title]

[Signature page to Solution Gas Purchase and Sale Contract]

EXHIBIT 'A'

Sample Calculations of "Adjusted Solution Gas Price," "Adjusted NGLs Price" and "Contract Price"

ADJUSTED SOLUTION GAS PRICE

Assumptions:

- (1) The initial contract year is the twelve-month period March 1996 through February 1997.
- (2) The adjustment for the second contract year becomes effective March 1, 1997 and will apply to the contract year March 1997 through February 1998.

Therefore, "the contract year immediately preceding the contract year in which the adjustment will apply" is the twelve-month period March 1996 through February 1997 (the initial contract year) (Section 4.1(c)(3)(B)(I)); and "the contract year second preceding the contract year in which the adjustment will apply" is the twelve-month period March 1995 through February 1996 (Section 4.1(c)(3)(B)(I)).

- (3) The schedule below contains *hypothetical* "Western Gas Marketing Ltd -- Field Price Index" prices published in the first issue of "Canadian Gas Price Reporter" published in each of the months in "the contract year immediately preceding the contract year in which the adjustment will apply." (Section 4.1(c)(3)(B)(I)).

March 1996	\$ 1.38 (CDN)
April 1996	1.35
May 1996	1.19
June 1996	1.32
July 1996	1.38
August 1996	1.15
September 1996	1.19
October 1996	1.24
November 1996	1.28
December 1996	1.19
January 1997	1.22
February 1997	1.22

Therefore, the arithmetic average of these prices is \$1.259166 (CDN), rounded to \$ 1.259 (CDN).

- (4) The schedule below contains *hypothetical* "Western Gas Marketing Ltd – Field Price Index" prices published in the first issue of "Canadian Gas Price Reporter" published in each of the months in "the contract year second preceding the contract year in which the adjustment will apply." (Section 4.1(c)(3)(B)(II)).

March 1995	\$ 1.40 (CDN)
April 1995	1.41
May 1995	1.38
June 1995	1.45
July 1995	1.30
August 1995	1.25
September 1995	1.32
October 1995	1.40
November 1995	1.27
December 1995	1.50
January 1996	1.55
February 1996	1.40

Therefore, the arithmetic average of these prices is \$1.38583 (CDN), rounded to \$ 1.386 (CDN).

Calculation:

The adjusted solution gas price for the second contract year equals the product from multiplying (Section 4.1(c)(3)) –

- (1) the solution gas price for the preceding contract year (Section 4.1(c)(3)(A)), which in this example is the "initial contract year" and therefore is \$0.934 (CDN) per Mcf (Section 4.1(c)(1));

By

- (2) an adjustment factor (Section 4.1(c)(3)(B)) equal to the ratio of –

(A) \$1.259 (CDN) (Section 4.1(c)(3)(B)(I)); to

(B) \$1.386 (CDN) (Section 4.1(c)(3)(B)(I)).

Adjusted Solution Gas Price = \$0.934 (CDN)/Mcf X [\$1.259/\$1.386]
= \$0.848 (CDN)/Mcf.

ADJUSTED NGLs PRICE

Assumptions:

- (1) The initial contract year is also the twelve-month period March 1996 through February 1997.
- (2) The adjustment for the second contract year also becomes effective March 1, 1997 and will apply to the contract year March 1997 through February 1998.

Again, therefore, "the contract year immediately preceding the contract year in which the adjustment will apply" is the twelve-month period March 1996 through February 1997 (the initial contract year) (Section 4.1(c)(4)(B)(I)); and "the contract year second preceding the contract year in which the adjustment will apply" is the twelve-month period March 1995 through February 1996 (Section 4.1(c)(4)(B)(I)).

- (3) $(P_{C3})^{-1}$ is the average price for propane in the contract year immediately preceding the contract year in which the adjustment will apply. This price is the arithmetic average of the twelve weekly average prices for propane published in the table entitled "U.S. & Canada Spot LP-Gas Weekly Averages," under the heading "Group 140/Conway" under the subheading "PROPANE MAPC," published in the first issue of "Oil Price Information Service" ("OPIS") in the months of March 1996 through February 1997. (Section 4.1(c)(4)(C)). *Assume* this average price is \$0.305 (U.S.)/gal.
- (4) $(P_{C3})^{-2}$ is the average price for propane in the contract year second preceding the contract year in which the adjustment will apply. This price is the arithmetic average of the twelve weekly average prices for propane published in the table entitled "U.S. & Canada Spot LP-Gas Weekly Averages," under the heading "Group 140/Conway" under the subheading "PROPANE MAPC," published in the first issue of OPIS in the months of March 1995 through February 1996. (Section 4.1(c)(4)(C)). *Assume* this average price is \$0.297 (U.S.)/gal.
- (5) $(P_{iC4})^{-1}$ is the average price for iso-butane in the contract year immediately preceding the contract year in which the adjustment will apply. This price is the arithmetic average of the twelve weekly average prices for propane published in the table entitled "U.S. & Canada Spot LP-Gas Weekly Averages," under the heading "Group 140/Conway" under the subheading "ISOBUT MAPC," published in the first issue of OPIS in the months of March 1996 through February 1997. (Section 4.1(c)(4)(C)). *Assume* this average price is \$0.422 (U.S.)/gal.

- (6) $(P_{iC4})^{-2}$ is the average price for iso-butane in the contract year second preceding the contract year in which the adjustment will apply. This price is the arithmetic average of the twelve weekly average prices for propane published in the table entitled "U.S. & Canada Spot LP-Gas Weekly Averages," under the heading "Group 140/Conway" under the subheading "ISOBUT MAPC," published in the first issue of OPIS in the months of March 1995 through February 1996. (Section 4.1(c)(4)(C)). *Assume* this average price is \$0.420 (U.S.)/gal.
- (7) $(P_{nC4})^{-1}$ is the average price for n-butane in the contract year immediately preceding the contract year in which the adjustment will apply. This price is the arithmetic average of the twelve weekly average prices for propane published in the table entitled "U.S. & Canada Spot LP-Gas Weekly Averages," under the heading "Group 140/Conway" under the subheading "N.BUTANE MAPC," published in the first issue of OPIS in the months of March 1996 through February 1997. (Section 4.1(c)(4)(C)). *Assume* this average price is \$0.340 (U.S.)/gal.
- (8) $(P_{nC4})^{-2}$ is the average price for n-butane in the contract year second preceding the contract year in which the adjustment will apply. This price is the arithmetic average of the twelve weekly average prices for propane published in the table entitled "U.S. & Canada Spot LP-Gas Weekly Averages," under the heading "Group 140/Conway" under the subheading "N.BUTANE MAPC," published in the first issue of OPIS in the months of March 1995 through February 1996. (Section 4.1(c)(4)(C)). *Assume* this average price is \$0.348 (U.S.)/gal.
- (9) $(P_{CS+})^{-1}$ is the average price for natural gasoline in the contract year immediately preceding the contract year in which the adjustment will apply. This price is the arithmetic average of the twelve weekly average prices for propane published in the table entitled "U.S. & Canada Spot LP-Gas Weekly Averages," under the heading "Group 140/Conway" under the subheading "N.GAS MAPC," published in the first issue of OPIS in the months of March 1996 through February 1997. (Section 4.1(c)(4)(C)). *Assume* this average price is \$0.448 (U.S.)/gal.
- (10) $(P_{CS+})^{-2}$ is the average price for natural gasoline in the contract year second preceding the contract year in which the adjustment will apply. This price is the arithmetic average of the twelve weekly average prices for propane published in the table entitled "U.S. & Canada Spot LP-Gas Weekly Averages," under the heading "Group 140/Conway" under the subheading "N.GAS MAPC," published in the first issue of OPIS in the months of March 1995 through February 1996. (Section 4.1(c)(4)(C)). *Assume* this average price is \$0.423 (U.S.)/gal.
- (11) $(\%C_3)^{-1}$ is the weighted average percentage of propane entrained or suspended in the solution gas purchased during the contract year

immediately preceding the contract year in which the adjustment will apply, *i.e.*, during the twelve-month period March 1996 through February 1997. (Section 4.1(c)(4)(C)). *Assume* this percentage is 59.8%.

- (12) $(\%C_3)^2$ is the weighted average percentage of propane entrained or suspended in the solution gas purchased during the contract year second preceding the contract year in which the adjustment will apply, *i.e.*, during the twelve-month period March 1995 through February 1996. (Section 4.1(c)(4)(C)). However, because this adjustment will apply to the second contract year, the special rule set forth in Section 4.1(c)(4)(B)(II) applies and this percentage is the same as that for the twelve month period March 1996 through February 1997, or 59.8%.
- (13) $(\%iC_4)^1$ is the weighted average percentage of iso-butane entrained or suspended in the solution gas purchased during the contract year immediately preceding the contract year in which the adjustment will apply, *i.e.*, during the twelve-month period March 1996 through February 1997. (Section 4.1(c)(4)(C)). *Assume* this percentage is 10.2%.
- (14) $(\%iC_4)^2$ is the weighted average percentage of iso-butane entrained or suspended in the solution gas purchased during the contract year second preceding the contract year in which the adjustment will apply, *i.e.*, during the twelve-month period March 1995 through February 1996. (Section 4.1(c)(4)(C)). However, because this adjustment will apply to the second contract year, the special rule set forth in Section 4.1(c)(4)(B)(II) applies and this percentage is the same as that for the twelve month period March 1996 through February 1997, or 10.2%.
- (15) $(\%nC_4)^1$ is the weighted average percentage of n-butane entrained or suspended in the solution gas purchased during the contract year immediately preceding the contract year in which the adjustment will apply, *i.e.*, during the twelve-month period March 1996 through February 1997. (Section 4.1(c)(4)(C)). *Assume* this percentage is 14.5%.
- (16) $(\%nC_4)^2$ is the weighted average percentage of n-butane entrained or suspended in the solution gas purchased during the contract year second preceding the contract year in which the adjustment will apply, *i.e.*, during the twelve-month period March 1995 through February 1996. (Section 4.1(c)(4)(C)). However, because this adjustment will apply to the second contract year, the special rule set forth in Section 4.1(c)(4)(B)(II) applies and this percentage is the same as that for the twelve month period March 1996 through February 1997, or 14.5%.
- (17) $(\%C_5)^1$ is the weighted average percentage of pentanes plus entrained or suspended in the solution gas purchased during the contract year immediately preceding the contract year in which the adjustment will apply,

i.e., during the twelve-month period March 1996 through February 1997. (Section 4.1(c)(4)(C)). Assume this percentage is 15.5%.

- (18) $(\%C_{5+})^{-2}$ is the weighted average percentage of pentanes plus entrained or suspended in the solution gas purchased during the contract year second preceding the contract year in which the adjustment will apply, *i.e.*, during the twelve-month period March 1995 through February 1996. (Section 4.1(c)(4)(C)). However, because this adjustment will apply to the second contract year, the special rule set forth in Section 4.1(c)(4)(B)(II) applies and this percentage is the same as that for the twelve month period March 1996 through February 1997, or 15.5%.

Calculation:

The adjusted NGLs price for the second contract year equals the product from multiplying (Section 4.1(c)(4)) --

- (1) the NGLs price for the preceding contract year (Section 4.1(c)(3)(A)), which in this example is the "initial contract year" and therefore is \$0.001718 (CDN) per milliliter ("m") of recovered NGLs per cubic meter ("m³") of solution gas (Section 4.1(c)(2));

By

- (2) an Adjustment Factor (Section 4.1(c)(4)(B)) equal to the ratio of --
- (A) the NGL Component Weighted Average Price for the immediately preceding contract year, *i.e.*, the twelve-month period March 1996 through February 1997 (Section 4.1(c)(4)(B)(I)); to
- (B) the NGL Component Weighted Average Price for the second preceding contract year, *i.e.*, the twelve-month period March 1995 through February 1996 (Section 4.1(c)(3)(B)(I)).

The NGL Component Weighted Average Price for the immediately preceding contract year = (NGL CWAS)⁻¹.

$$\begin{aligned}
 (\text{NGL CWAS})^{-1} &= [(P_{C_3})^{-1}X(\%C_3)^{-1} + (P_{iC_4})^{-1}X(\%iC_4)^{-1} \\
 &\quad + (P_{nC_4})^{-1}X(\%nC_4)^{-1} + (P_{C_{5+}})^{-1}X(\%C_{5+})^{-1}] \\
 &= [(\$0.305)X(.598) + (\$0.422)X(.102) + (\$0.340)X(.145) \\
 &\quad + (\$0.448)X(.155)] \\
 &= [(\$0.182) + (\$0.043) + (\$0.049) + (\$0.069)] \\
 (\text{NGL CWAS})^{-1} &= \$0.343
 \end{aligned}$$

The NGL Component Weighted Average Price for the second preceding contract year = (NGL CWAS)⁻².

$$\begin{aligned}
 (\text{NGL CWAS})^{-2} &= [(P_{C_3})^{-2}X(\%C_3)^{-2} + (P_{iC_4})^{-2}X(\%iC_4)^{-2} \\
 &\quad + (P_{nC_4})^{-2}X(\%nC_4)^{-2} + (P_{C_5+})^{-2}X(\%C_{5+})^{-2}] \\
 &= [(\$0.297)X(.598) + (\$0.420)X(.102) + (\$0.348)X(.145) \\
 &\quad + (\$0.423)X(.155)] \\
 &= [(\$0.178) + (\$0.043) + (\$0.050) + (\$0.066)] \\
 (\text{NGL CWAS})^{-2} &= \$0.337
 \end{aligned}$$

The Adjustment Factor equal to the ratio of (NGL CWAS)⁻¹ to (NGL CWAS)⁻² (Section 4.1(c)(4)(B)(I) to (II)) is $\$0.343/\$0.337 = 1.02$.

Therefore, the Adjusted NGLs Price for the second contract year equals:

\$0.001718 (CDN) per ml of recovered NGLs per m³ of solution gas
 ("ml/m³") (Section 4.1(c)(2)) multiplied by an Adjustment Factor of 1.02;
 OR

\$0.001752 (CDN) per ml/m³.

CONTRACT PRICE

Assumptions:

- (1) Same assumptions as used to calculate Adjusted Solution Gas Price and Adjusted NGLs Price for second contract year in the above examples.
- (2) Recovery factor equals four (4) gallons of NGLs per Mcf of solution gas processed.
- (3) Conversion factor: 133.76 times gallons/Mcf = ml/m³. (Section 4.1(c)(5)).

Calculation:

- (1) Initial Contract Year:

$$\begin{array}{l}
 \text{Contract Price} \\
 \text{for initial contract year}
 \end{array}
 =
 \begin{array}{l}
 \text{Base Solution Gas Price for initial} \\
 \text{contract year (\$/Mcf)}
 \end{array}$$

PLUS

Base NGLs Price per ml/m³.
 (Section 4.1(a)).

Base Solution Gas Price
for initial contract year = \$0.934 (CDN)/Mcf (Section 4.1(c)(1)).

Base NGLs Price
for initial contract year = \$0.001718 (CDN)/ml/m³.

4 gallons NGLs/Mcf = (4 gal/Mcf) X (133.76 ml/m³/gal) X
(\$0.001718/ml/m³)

= \$0.919 (CDN)/Mcf

Contract Price
for initial contract year = \$0.934/Mcf + \$0.919/Mcf
= \$1.853 (CDN)/Mcf.

(2) Second Contract Year:

Contract Price
for second contract year = Adjusted Solution Gas Price for the
second contract year (\$/Mcf)

PLUS

Adjusted NGLs Price per ml/m³ for the
second contract year. (Section 4.1(a)).

Adjusted Solution Gas Price
for second contract year = \$0.848 (CDN)/Mcf.

Adjusted NGLs Price
for second contract year = \$0.001752 (CDN)/ml/m³.

4 gallons NGLs/Mcf = (4 gal/Mcf) X (133.76 ml/m³/gal) X
(\$0.001752/ml/m³)

= \$0.937 (CDN)/Mcf

Contract Price
for second contract year = \$0.848/Mcf + \$0.937/Mcf
= \$1.785 (CDN)/Mcf.

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

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REC'D DOE/FE
OFFICE OF FOSSIL ENERGY

INTERENERGY SHEFFIELD PROCESSING
COMPANY

FE DOCKET NO. 96-54-NG

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

DOE/FE ORDER NO. 1195

SEPTEMBER 11, 1996

I. DESCRIPTION OF REQUEST

On July 30, 1996, Interenergy Sheffield Processing Company (Interenergy Sheffield) filed an application with the Office of Fossil Energy 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, for authorization to import up to 3,300 Mcf per day of unprocessed, casinghead natural gas from Canada. The term of the proposed authorization would be for 14 years beginning on the date of the first delivery. Interenergy Sheffield is a Colorado corporation with its principal place of business in Denver, Colorado. This gas would be imported under a gas purchase and sale contract between Interenergy Corporation and Amoco Canada Resources Ltd. (Amoco) dated February 14, 1996.^{2/}

The volumes would enter the United States at the international border near Portal, North Dakota. To enable delivery of the gas, Interenergy Sheffield intends to extend its gathering facilities approximately 1.2 miles north to an interconnection with a Canadian gathering line to be constructed by Interenergy Sheffield (Canada) Ltd. (Interenergy Sheffield (Canada)), a wholly-owned subsidiary of Interenergy Sheffield. The gathering line to be constructed in Canada by Interenergy Sheffield (Canada) will extend approximately 4.5 miles north of

^{1/} 15 U.S.C. § 717b.

^{2/} Interenergy Corporation is the managing partner of Interenergy Sheffield. Interenergy Sheffield is party, by assignment, to the contract for the importation of the gas subject to this application.

the U.S./Canada border to an interconnection with Amoco's existing gathering line in the Pinto Field serving Amoco's Steelman Plant.

Contemporaneously with the filing of this application, Interenergy Sheffield filed an application with the Federal Energy Regulatory Commission requesting a Presidential Permit and authorization under section 3 of the NGA to construct and use the proposed gathering facilities for importation of the natural gas.

Interenergy Sheffield and Interenergy Sheffield (Canada) will gather the gas through the newly constructed and existing gathering systems to Interenergy Sheffield's gas processing plant at Lignite, North Dakota. At that plant, the solution gas will be processed to remove objectionable constituents (including hydrogen sulfide) and water and to separate and recover natural gas liquids and liquefiable hydrocarbons (NGLs). Then, Interenergy Sheffield will deliver the pipeline-quality residue gas at the tailgate of the Lignite plant to the transmission system of Williston Basin Interstate Pipeline Company for transportation to U.S. markets. Interenergy Sheffield intends to sell the natural gas purchased under the contract at market prices to various U.S. purchasers, including pipelines, local distribution companies, electric utilities, and industrial end-users.

The contract between Interenergy Sheffield and Amoco establishes a two-part price for the natural gas based on one component reflecting the value of the pipeline-quality residue gas and one component reflecting the value of the recoverable

NGLs. The contract also provides that the price would be redetermined annually to reflect relative changes in natural gas and NGL prices as measured by published market price indices. The gas component of the contract price would be adjusted to reflect the percent change in a published index price for Canadian natural gas during the preceding year as compared to the index price two years previously. The NGL price component of the contract price will be adjusted to reflect the percentage change in published index prices for NGL in the United States during the preceding year as compared to the index prices two years previously.^{3/}

The contract provides that Amoco would deliver a minimum of 1,000 Mcf per day of natural gas for the first year, and Interenergy Sheffield would purchase, if delivered, up to 1,500 mcf per day for the first year. These delivery and purchase obligations decline at the rate of 10 percent per year each year thereafter. However, Amoco has the right, upon notice to Interenergy Sheffield, to deliver up to 1,500 Mcf per day and Interenergy Sheffield is obligated to purchase this incremental quantity. Amoco's ability to deliver incremental volumes depends on developments in the gas field which cannot be predicted.^{4/}

^{3/} The index prices are weighted by composition of the NGL components in the unprocessed gas received during the year.

^{4/} A maximum import authorization of 3,300 Mcf per day has been requested to allow for potential fluctuation in daily deliveries.

The first contract year commences with the initial deliveries under the contract.^{5/} The term of the contract is ten contract years. However, if Amoco exercises its right to deliver incremental volumes as previously indicated, Amoco must commit to do so for a minimum term of three or four years, depending on the level of incremental volumes Amoco elects to deliver. If Amoco exercises that right late in the contract term, the effect may be to extend the contract for a period of up to four years. The maximum life of the contract could then be up to 14 contract years.

II. FINDING

The application filed by Interenergy Sheffield 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 (P.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 Interenergy Sheffield 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.

^{5/} Depending on when initial deliveries commence, the initial contract year may be as long as 13 months.

ORDER

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

A. Interenergy Sheffield Processing Company (Interenergy Sheffield) is authorized to import at the border of the United States and Canada near Portal, North Dakota, up to 3,300 Mcf per day of unprocessed, casinghead natural gas for a period of 14 years beginning on the date of the first delivery. This gas shall be imported consistent with the terms and conditions of Interenergy Sheffield's gas purchase and sales contract with Amoco Canada Resources Limited (by assignment from Interenergy Corporation), dated February 14, 1996, on file in this docket.

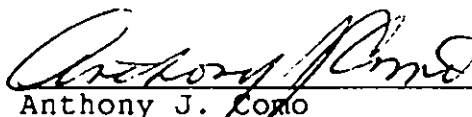
B. Within two weeks after deliveries begin, Interenergy Sheffield shall provide written notification to the Office of Fuels Programs (OFP), Fossil Energy, Room 3F-056, FE-50, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, of the date that the first import delivery of natural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

C. With respect to the natural gas imports authorized by this Order, Interenergy Sheffield shall file with OFP, within 30 days following each calendar quarter, quarterly reports indicating whether imports of natural gas have been made. If no imports have been made, a report of "no activity" for that calendar quarter must be filed. If imports occur, Interenergy Sheffield must report total monthly volumes in Mcf and the average purchase price of gas per MMBtu paid by Interenergy Sheffield at the international border. Additionally, the reports

shall provide, by month, the names, volumes, and market area (State) for natural gas sold by Interenergy Sheffield to third-party purchasers.

D. The first quarterly report required by Ordering Paragraph C of this Order is due not later than October 30, 1996, and should cover the period from the date of this Order until the end of the third calendar quarter, September 30, 1996.

Issued in Washington, D.C., on September 11, 1996.



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

**UNITED STATES OF AMERICA
BEFORE THE
DEPARTMENT OF ENERGY
OFFICE OF NATURAL GAS AND PETROLEUM
IMPORT AND EXPORT ACTIVITIES
FOSSIL ENERGY**

**Interenergy Sheffield Processing
Company)**

FE DOCKET NO. 96-54-726

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**APPLICATION OF BEAR PAW ENERGY, L.L.C.,
THE SUCCESSOR IN INTEREST TO
INTERENERGY SHEFFIELD PROCESSING COMPANY,
TO AMEND LONG-TERM IMPORT AUTHORIZATION
TO REFLECT CHANGE IN NAME AND BUSINESS ORGANIZATION**

Pursuant to Rule 204 of the Department of Energy (DOE), Office of Fossil Energy's administrative procedures, 10 C.F.R. § 590.204, Bear Paw Energy, L.L.C., the successor in interest by way of merger to Bear Paw Energy Inc. and Interenergy Sheffield Processing Company (ISP), files this application to amend the long-term authorization issued in Order No. 1195 in the above-captioned docket. Order No. 1195 authorized ISP to import at the border of the United States and Canada near Portal, North Dakota, up to 3,300 Mcf per day of unprocessed, casinghead natural gas for a period of 14 years beginning on the date of first delivery.¹ The purpose of this amendment is to reflect the merger of Bear Paw Energy Inc. into Bear Paw Energy, L.L.C. In support of this request, Bear Paw Energy, L.L.C. respectfully states as follows:

¹Interenergy Sheffield Processing Company, 1 FE ¶ 71,297, Order No. 1195 (1996).

I.

All correspondence, communications, pleadings, and other documents relating to this matter should be served upon the following persons:

Ned Hengerer
John & Hengerer
1200 17th Street, N.W.
Suite 600
Washington, DC 20036-3013
Tel: (202) 429-8800
Fax: (202) 429-8805
Email: ehengerer@jhenergy.com

Robert J. Clark
Bear Paw Energy, L.L.C.
370 17th Street
Suite 2750
Denver, CO 80202-1370
Tel: (303) 592-8503
Fax: (303) 626-8299

II.

The authorization issued in the above-caption proceeding was granted to ISP, a general partnership between Bear Paw Energy Inc., a Colorado corporation and wholly owned subsidiary of TransMontaigne Inc., and Interenergy Corporation, with each party owning a fifty percent interest in the project. On April 29, 1998, Bear Paw Energy Inc. acquired Interenergy Corporation's fifty percent interest in ISP and became the sole and direct owner of the system. ISP thereafter ceased to exist. At the time, Bear Paw Energy Inc. believed that the nature of this reorganization did not require it to notify the DOE of its acquisition of Interenergy Corporation's interest in ISP, so ISP inadvertently remained listed as the holder of the long-term authorization granted in the above referenced proceeding.

It was not until the instant application was being prepared that the oversight was discovered. In this regard, Bear Paw Energy, L.L.C. submits that the mistake was made in good

faith and that the import operations performed on the system were unchanged and did not vary from those authorized by Order No. 1195.

III.

In this application, Bear Paw Energy, L.L.C. requests an amendment to ISP's import authorization to reflect its merger and corresponding name change. As of January 20, 2000, Bear Paw Energy Inc. was merged into a Delaware limited liability company with its new name becoming Bear Paw Energy, L.L.C. Specifically, Bear Paw Energy Inc. was merged with BPE Acquisition, L.L.C., a Delaware limited liability company. Upon completion of the merger,² BPE Acquisition was renamed Bear Paw Energy, L.L.C., a limited liability company organized under the laws of Delaware.

IV.

Accordingly, as the successor in interest to both Bear Paw Energy Inc. and ISP, Bear Paw Energy, L.L.C. requests that the authorizations granted in Order No. 1195 be transferred or amended to recognize Bear Paw Energy, L.L.C. as the official holder. In support of this request, Bear Paw Energy, L.L.C. states that the operation and configuration of the system has not been altered and that its import activities will continue to remain consistent with the DOE's authorization in this proceeding.

In these circumstances, Bear Paw Energy, L.L.C. asserts that it is appropriate for the DOE to modify the authorization issued in Order No. 1195 to reflect the reformation of ISP into

²The merger was completed on January 20, 2000 when a Certificate of Merger was filed with the Secretary of the State of Delaware.

Bear Paw Energy Inc. and the corresponding merger of Bear Paw Energy Inc. into Bear Paw Energy, L.L.C.

V.

WHEREFORE, Bear Paw Energy, L.L.C., as the successor in interest to both ISP and Bear Paw Energy Inc., respectfully requests that the DOE grant the proposed amendment to the authorization issued in the above-caption docket and substitute Bear Paw Energy, L.L.C. for Interenergy Sheffield Processing Company as the importer of natural gas. Bear Paw Energy, L.L.C. requests that the DOE take the requested action expeditiously and issue the necessary order within ninety (90) days of this filing. Attached is the Certificate of Merger filed with the State of Delaware.

Respectfully submitted,



Ned Hengerer
Matthew T. Rick
John & Hengerer
1200 17th Street N.W.
Suite 600
Washington, D.C. 20036-3013
(202) 429-8800

Counsel for Bear Paw Energy, L.L.C.
(formerly Bear Paw Energy, Inc.)

Dated at Washington, D.C.: January 28, 2000

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 THE CERTIFICATE OF MERGER, WHICH MERGES:

"BEAR PAW ENERGY INC.", A COLORADO CORPORATION,
WITH AND INTO "BPE ACQUISITION, LLC" UNDER THE NAME OF "BEAR PAW ENERGY, LLC", A LIMITED LIABILITY COMPANY ORGANIZED AND EXISTING UNDER THE LAWS OF THE STATE OF DELAWARE, WAS RECEIVED AND FILED IN THIS OFFICE THE NINETEENTH DAY OF JANUARY, A.D. 2000, AT 1 O'CLOCK P.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE AFORESAID LIMITED LIABILITY COMPANY SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE.

AND I DO HEREBY FURTHER CERTIFY THAT THE EFFECTIVE DATE OF THE AFORESAID CERTIFICATE OF MERGER IS THE TWENTIETH DAY OF JANUARY, A.D. 2000.

AND I DO HEREBY FURTHER CERTIFY THAT THE AFORESAID LIMITED LIABILITY COMPANY IS DULY FORMED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL EXISTENCE NOT HAVING BEEN CANCELLED OR DISSOLVED SO FAR AS THE RECORDS OF THIS OFFICE SHOW AND IS DULY AUTHORIZED TO TRANSACT BUSINESS.




Edward J. Freel, Secretary of State

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001028948

AUTHENTICATION: 0207059

DATE: 01-19-00

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

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BEAR PAW ENERGY, L.L.C.
(The successor to Interenergy
Sheffield Processing Company)

FE DOCKET NO. 96-54-NG

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

DOE/FE ORDER NO. 1195-A

In DOE/FE Order No. 1195 (Order 1195), issued September 11, 1996, the Office of Fossil Energy (FE) of the Department of Energy (DOE) authorized Interenergy Sheffield Processing Company (ISP) to import up to 3,300 Mcf per day of unprocessed, casinghead gas from Canada.^{1/} This gas enters the United States at a point on the international border near Portal, North Dakota. The term of the authorization began April 1, 1997, and it will expire March 31, 2011. The gas is purchased from Amoco Canada Resources Ltd. under an agreement executed February 14, 1996. On January 28, 2000, FE received an application containing a request that ISP's long-term authorization be transferred to Bear Paw Energy L.L.C. as the result of the dissolution of ISP.

ISP, a general partnership equally owned by Bear Paw Energy Inc. (Bear Paw) and Interenergy Corporation (Interenergy), was engaged in gathering and processing natural gas in the

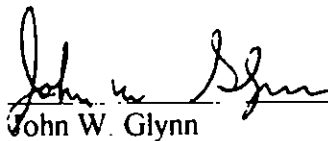
^{1/} 1 FE § 71.297.

United States. On April 29, 1998, Bear Paw acquired Interenergy's 50 percent interest in ISP and became the sole and direct owner of ISP's natural gas pipeline and gathering facilities.

Thereafter, ISP ceased to exist. Bear Paw subsequently merged into Bear Paw L.L.C. Bear Paw believed the nature of this reorganization did not require it to notify DOE at the time of its acquisition of Interenergy's interest in ISP. Consequently, ISP inadvertently remained the permit holder.

Accordingly, pursuant to section 3 of the Natural Gas Act, Order 1195 is amended to substitute Bear Paw Energy, L.L.C. for Interenergy Sheffield Processing Company as the importer of natural gas, effective the date of this Order. All terms and conditions in Order 1195 remain in full force and effect.

Issued in Washington, D.C. on February 7, 2000.



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