

FE DOCKET NO.: 96-82-NG
 APPLICANT(S): ENGAGE ENERGY CANADA, L.P.

ITEM	PREPARED OR FILED BY	FILING TYPE	DESCRIPTION OF DOCUMENT	DATED	DATE FILED OR ISSUED
1 ✓	WESTCOAST GAS SERVICES INC.	APPLICATION	Application for Long Term Authority to Import Natural Gas from Canada \$50.00 Application Fee	96-06-06	96-06-06
2 ✓	DOE/FE	ORDER	Order 1254 Granting Long Term Authority to Import Natural gas	97-02-13	97-02-13
3 ✓	ENGAGE ENERGY CANADA, L.P.	AMENDMENT	Amendment Requesting Authority to Transfer Long-Term Import from Westcoast Gas Services Inc.	98-06-05	98-06-05
4 ✓	ENGAGE ENERGY CANADA, L.P.	ORDER	Order 1254-A Transferring Long-Term Authority to Engage Energy Canada, L.P.	98-06-16	98-06-16

96-82-UG

Westcoast Gas Services Inc.

A WESTCOAST ENERGY COMPANY

October 30, 1996

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

REC'D DOE/FE

1996 NOV -6 P 3:05

Dear Sirs:

Re: Application of Westcoast Gas Services Inc. for Long Term Authorization to Import Gas from Canada to the United States for Sale to Westcoast Gas Services (U.S.A.) Inc.

Enclosed please find our Application dated October 30, 1996 with attached Exhibits "A" and "B".

A cheque in the amount of US\$50.00 is also attached payable to the Treasurer of the United States of America in payment of the application fee.

Please contact the undersigned at (403) 297-0356 if further information is required.

Yours truly,

WESTCOAST GAS SERVICES INC.



Patricia French
Regulatory Administrator

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

WESTCOAST GAS SERVICES INC.

Docket No.

96-82-NG

APPLICATION OF WESTCOAST GAS SERVICES INC. FOR AN ORDER AUTHORIZING THE
LONG TERM IMPORTATION OF NATURAL GAS FROM CANADA

Pursuant to Section 3 of the natural Gas Act (15 U.S.C. & 717b), as amended by Section 201 of the Energy Policy Act of 1992 (P.L. 102-486), and the rules and procedures of 10 CFR Part 590, Westcoast Gas Services Inc. ("Applicant") submits this application for an order authorizing Applicant to import natural gas from Canada for sale to Westcoast Gas Services (U.S.A.) Inc. ("Westcoast-U.S.A."). Applicant requests that this authorization be granted for a term of ten (10) years from November 1, 1998 to October 31, 2008.

In support hereof Applicant submits the following:

1. The exact legal name of Applicant is Westcoast Gas Services Inc. Applicant's principal office is:

Suite 1100, 421 - 7 Avenue S.W., Calgary, Alberta, Canada, T2P 4K9.
2. All communications concerning this Application should be addressed to:

Westcoast Gas Services Inc.
Patricia French *
Regulatory Administrator
Suite 1100, 421 - 7 Avenue S.W.
Calgary, Alberta, Canada T2P 4K9

Telephone: (403) 297-0356
Fax: (403) 269-5909
3. Applicant is a Canadian Federal corporation with its principal office in Calgary, Alberta, Canada. The Applicant engages in the marketing of natural gas throughout North America, and purchases and markets in excess of 3 billion cubic feet per day of natural gas to a diverse portfolio of markets in Canada and the United States. The proposed import is within the corporate powers of Applicant as per a signed opinion of legal counsel attached hereto as Exhibit "A".
4. Westcoast-U.S.A., a Delaware corporation with its principal place of business in Southfield, Michigan, a wholly owned subsidiary of the Applicant, engages in marketing natural gas in the United States. Applicant currently has an evergreen Gas Sales Agreement in place with Westcoast-U.S.A., utilizing existing short term import authorizations.

* Designated to receive service in accordance with 10 C.F.R., 590.202(1993)

5. Applicant requests authorization from the Office of Fuels Programs, Fossil Energy to import up to 25,000 Mcf per day of Canadian natural gas for a period of ten (10) years commencing from November 1, 1998 to October 31, 2008. Under a binding long term Gas Sales Agreement (see Exhibit "B") the gas will be delivered to Westcoast-U.S.A. at or near Emerson, Manitoba, where TransCanada PipeLines Limited ("**TransCanada**") interconnects with Great Lakes Gas Transmission Limited Partnership ("**Great Lakes**"). Westcoast-U.S.A. will utilize the gas to diversify its gas supply portfolio to serve both current and new markets in the United States Northeast and Midwest areas.
6. The gas to be imported will be produced in the Province of Alberta, Canada and supplied to Applicant from a dedicated producer pool (the "**Producer Pool**") supply. The Producer Pool participants include Apache Canada Ltd., Beau Canada Exploration Ltd., Rigel Oil & Gas Ltd. and Talisman Energy Inc. (the "**Producers**"). The Applicant has entered into binding Gas Purchase Letter Agreements with the Producers the terms and conditions of which will be incorporated in a Formal Contract. Under the terms of the Gas Purchase Letter Agreements the Producer Pool will supply to the Applicant a daily aggregate volume of 25,000 Mcf per day. The Producer Pool have been found to be reliable suppliers of Canadian gas to the Applicant for resale to customers in the United States. In addition, Applicant has access to its general pool resources to augment the specified delivery from the Producers, as may be required from time to time. The Gas Purchase Letter Agreements and a proforma Formal Gas Transaction Agreement are attached as Exhibit "B".
7. The Department of Energy has found that "**natural gas has been imported from Canada for years and there has been no instance of major supply interruption that would call into question [Canadian] suppliers' reliability as gas suppliers to this country**". The gas supply arrangements by Applicant are consistent with this observation. Thus, the requested authorization will in no way lead to any undue dependence on any unreliable source of supply, nor will it otherwise compromise the energy security of the United States over the term of the proposed importation.
8. The gas first will be delivered into the NOVA Corporation of Alberta ("**NOVA**") pipeline system at the Delivery Point known as AECO "C"/N.I.T. and transported to Empress, Alberta, near the Alberta/Saskatchewan border, where the NOVA system interconnects with the facilities of TransCanada. TransCanada will deliver the gas into the facilities of Great Lakes at or near Emerson, Manitoba (Pembina, North Dakota). The gas will be transported on Great Lakes to the points of interconnection with TransCanada's facilities on the international boundary near Sault Ste. Marie and St. Clair, Michigan.

(a) Provincial Transportation - NOVA Gas Transmission Ltd.

Effective November 1, 1998 Westcoast has been awarded a queue position for Firm Service to transport an equivalent 25,000 Mcf per day, plus 10% fuel, from a delivery point known as NOVA Inventory Transfer to the point of interconnect with TransCanada system at Empress, Alberta.

(b) Interprovincial Transportation - TransCanada PipeLines Limited

TransCanada PipeLines Limited ("**TransCanada**") is currently reviewing and processing Westcoast's Request for Service on the TransCanada system which was submitted on December 7, 1995. Westcoast applied for an equivalent 25,000 Mcf per day of Firm Service from Empress, Alberta to a point where the TransCanada system interconnects with the system of Great Lakes Gas Transmission Limited Partnership ("**Great Lakes**") at or near Emerson, Manitoba. Documentation in support of our request was filed on September 30, 1996.

(c) **United States Transportation - Great Lakes Gas Transmission**

On July 19, 1996 Great Lakes filed an application with the Federal Energy Regulatory Commission (the "Commission") for approval to construct and operate approximately 71.5 miles of pipeline and related facilities (the "1998 Expansion Project"). The 1998 Expansion Project application is currently under review by the Commission in Docket No. CP96-647-000. Westcoast's subsidiary, Westcoast Gas Services (America) Inc. ("Westcoast-America") was awarded firm service capacity of 25,000 Mcf per day and a Precedent Agreement dated March 1, 1996 was executed by Westcoast-America and Great Lakes.

(d) **Assignment of Transportation Services**

In accordance with Section 10 of the Term Sheet attached as Exhibit "A" to the Gas Purchase Letter Agreements, Westcoast, prior to the date of first delivery, will assign to the Pool Producers on a prorata basis Transportation Service on both TransCanada and Great Lakes. The Applicant and the Pool Producers will enter into an agency agreement to enable Westcoast to act as agent and manage the transportation on behalf of the Pool Producers.

9. The major provisions of the Gas Sales Agreement with Gas Transaction Confirmation Form between Applicant and Westcoast-U.S.A., attached hereto as Exhibit "B", are as follows:

(a) **Price**

The price is a market sensitive index price based on the arithmetic average of the Gas Daily's Michigan "Consumers Power-Large End Users" and "Michcon-Large End Users" monthly indices. This blended indices price will ensure competitive, market sensitive pricing.

(b) **Volume**

The Daily Contract Quantity ("DCQ") to be delivered to Westcoast-U.S.A. is 25,000 Mcf per day for each day of the term. The sales contract is expected to operate at 100% load factor. The annual volume is 9.2 Bcf and the total volume to be imported during the term is approximately 92.1 Bcf.

(c) **Term**

The term is for ten (10) Contract years to October 31, 2008. The Date of First Delivery is anticipated to be November 1, 1998.

(d) **Transportation**

Transportation arrangements from "supply source to burner tip" are being processed as required under the Letter Agreements with the Producer Pool participants and the Gas Transaction Agreement with Westcoast-U.S.A. All transportation costs will be paid by the Producer Pool participants on a pro rata basis.

10. The Energy Policy Act states that the importation and exportation of natural gas from or to "a nation with which there is in effect a free trade agreement requiring national treatment for trade in natural gas, shall be deemed to be consistent with the public interest, and

* While the Gas Sales Contract is framed as a "Letter Agreement" it is a document binding the parties to performance. A Formal Contract may add some minor and incidental operational language, but if not completed, the Letter Agreement remains binding and enforceable.

applications for importation and exportation shall be granted without modification or delay". Because Westcoast's application is for the importation of natural gas from Canada, which the United States has in effect a free trade agreement, Applicant submits that the application meets the public interest.

11. Applicant confirms its obligations to file with the Office of Fuels Programs, Fossil Energy, within thirty (30) days following the calendar quarter, quarterly reports indicating the volumes sold and sales price at the "International Border" of any imports made pursuant to this Application.

Applicant submits the following Exhibits in support of this Application:

- Exhibit A: Opinion of Applicant's Counsel, stating that the proposed importation of natural gas that is the subject of this Application is within the corporate powers of the Applicant.
- Exhibit B: Gas Sales Agreement between Applicant and Westcoast-America dated October 30, 1996.

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

Dated this 30th day of October, 1996.

Respectfully submitted,

WESTCOAST GAS SERVICES INC.



Patricia French
Regulatory Administrator

Exhibit "A"

Certificate of Counsel

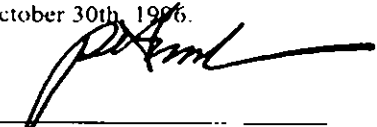
Pursuant to 10 C.F.R. Section 950.202, this certificate of counsel is hereby furnished in connection with the application of Westcoast Gas Services Inc. ("Westcoast") for authorization to import natural gas from Canada pursuant to Section 3 of the Natural Gas Act. In respect to this application, I am of the opinion that:

- Westcoast is a corporation duly organized, validly existing and in good standing under the laws of Alberta and Canada, and

- The proposed importation of natural gas is within the corporate powers of Westcoast.

Dated: October 30th, 1986.

By:



P. Leier
General Counsel
For Westcoast Gas Services Inc.

Westcoast Gas Services (America) Inc.

(A SUBSIDIARY OF WESTCOAST GAS SERVICES INC.)

Effective Date: April 1, 1984

WGSJ Contract No: 1884

Customer Contract No: _____

GAS TRANSACTION AGREEMENT

THIS IS AN AGREEMENT to buy and sell natural gas. It is entered into and effective on the date specified immediately above (the "Effective Date").

IT IS BETWEEN:

WESTCOAST GAS SERVICES (U.S.A.), INC., a corporation in good standing under the laws of Alberta (referred to as the "Customer").

AND:

WESTCOAST GAS SERVICES INC., a corporation in good standing under the laws of Canada (referred to as "WGSJ").

The Customer and WGSJ desire to enter into one or more natural gas purchase or sale transactions (each is a "Transaction"). This agreement is a written document which includes all of the provisions under which those Transactions will occur.

1. TRANSACTION DETAILS

- (a) The details of each Transaction initially may be orally agreed upon as documented in a recorded telephone conversation between the parties. The oral offer and acceptance forming an agreement will be reduced to a written "GAS TRANSACTION CONFIRMATION" document in the attached Form 1, to be delivered by WGSJ. All Transactions promptly will be so reduced to writing by WGSJ. All essential provisions for each Transaction as set out in Section 2 below must be agreed to, for that Transaction to be binding and enforceable. The parties are free to enter into as many Transactions as they choose under this Agreement.
- (b) Every Transaction includes the "GENERAL TERMS AND CONDITIONS" attached as Form 2. Each Transaction is separately valid and legally enforceable, and the Gas Transaction Confirmation form is a valid written document evidencing the Transaction. The authorized signature of each of the parties appearing below is a sufficient signature under this Agreement and for each Transaction for all legal purposes under common law or statute. The tapes of a Transaction, the Gas Transaction Confirmation form and the GENERAL TERMS AND CONDITIONS constitute the Transaction memorandum between the parties. The orally agreed to provisions govern if there is any conflict with the Gas Transaction Confirmation form, or with any of the GENERAL TERMS AND CONDITIONS.

2. QUANTITY AND QUALITY OF SERVICE OBLIGATIONS

For each Transaction, Customer and WGSJ must agree upon at least the following essential provisions:

- (i) designate who is to be Buyer and Seller;
- (ii) agree to a quantity of natural gas to be purchased and sold;

- (iii) commit to a "QUALITY OF SERVICE" obligation in respect of the purchase and sale of that gas;
- (iv) specify a start date and time and end date and time for the Transaction;
- (v) specify the price under the Transaction; and
- (vi) designate a Delivery Point for the Transaction.

Those provisions, and any related details for the Transaction, will be recorded in a Gas Transaction Confirmation form.

3. TERM

This is a basic agreement, providing the general provisions under which specific Transactions may be entered into. It will commence on the Effective Date, and continue in effect until one of the parties terminates it, by giving the other party thirty (30) days' advance written notice. However, each Transaction is effective only for the agreed upon period as documented in its Gas Transaction Confirmation form, commencing on the "Start Date and Time" specified in the form. If any Transaction period is longer than the termination date for this Agreement, then this Agreement will stay in effect until the "End Date and Time" specified for the Transaction.

4. PRICE

The gas commodity price which is to be paid for gas deliveries under a Transaction will be the price agreed to for the particular Transaction, as documented in the Gas Transaction Confirmation form. As well, other costs and charges, as agreed to by the parties, may be specified for the Transaction and documented in the form.

5. SPECIAL PROVISIONS

In addition to basic purchase and sale provisions, the parties are free to first orally agree on special provisions for a Transaction, which then will be documented in writing in the Gas Transaction Confirmation form.

6. NOTICES AND COMMUNICATIONS

All notices and communications between the parties will be sent and delivered under the addresses and related specifications set out in the Gas Transaction Confirmation form.

THE FOLLOWING SIGNATURES BY THE AUTHORIZED REPRESENTATIVES CONFIRM that Customer and WGSi are authorized to enter, and in fact are entering, into this Agreement and into any resulting Transactions, and will perform and remain bound by them under the agreed upon provisions, commencing on the Effective Date:


WESTCOAST GAS SERVICES INC. ("WGSi")



 Authorized Representative

 Title

WESTCOAST GAS SERVICES (U.S.A.), INC.
 (the "Customer")



 Authorized Representative
 Vice President

 Title

FORM 1

GAS TRANSACTION CONFIRMATION

1. BUYER:	SELLER:	GAS TRANS. AG. EFF. DATE: April 1, 1994	DATE FORM DELIVERED: May 31, 1995
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2. DETAILS OF TRANSACTIONS:								
Trans. No.	Start Date/Time	End Date/Time	Quantity/day (MMBtu, GJ, cu. metres, or mcf)	Commodity Price & Currency (C\$ or US\$) (See 3. below)	Qual. of Service (Int. Firm or EFP)	Del. Point	Del. Pipe	Rec. Pipe
1.								
2.								
3.								
4.								
5.								

3. SPECIAL PROVISIONS, INCLUDING PRICE DETAILS (if any):

4. ADDRESSES, OPERATIONS AND BILLINGS AND PAYMENT INFORMATION:	
Westcoast Gas Services Inc. ("WGSi") 1100, 421 - 7th Avenue S.W. Calgary, Alberta T2P 4K9	Westcoast Gas Services (U.S.A.), Inc. ("Customer") 250 East Front Street, Second Floor Traverse City, Michigan USA 49684
Marketing Representative Name: Ms. Karen Tomter Phone: (403) 297-0363 Fax: (403) 269-5909	Marketing Representative Name: Larry Anderson Phone: (616) 929-5302 Fax: (616) 947-1843
Accounting Contact: Mr. Dave Gardner <i>Kathy McLeod</i> Phone: (403) 297-1839 Fax: (403) 297-0393	Accounting Contact: Ms. Karen Jakubowski Phone: (616) 929-5343 Fax: (616) 947-1843
Operations Contact: Mr. John Krill Phone: (403) 297-0370 Fax: (403) 263-6355	Operations Contact: Ms. Maria Bidwell Phone: (616) 929-5311 Fax: (616) 947-1843
Wire Transfer Acct:	Wire Transfer Acct:

(NOTE: This Transaction is subject to the Gas Transaction Agreement "GENERAL TERMS AND CONDITIONS". If the Customer notes any discrepancy between the provisions as orally agreed to and the above written provisions, then Customer must notify Westcoast Gas Services Inc. within five (5) Business Days of delivery of this Gas Transaction Confirmation form. After that, all provisions will be presumed to be correct.

FORM 2

WESTCOAST GAS SERVICES INC.

GAS TRANSACTION AGREEMENT:

GENERAL TERMS AND CONDITIONS

1.01 QUALITY OF SERVICE

One of the following "Quality of Service" definitions must be entered for each Transaction on a "Gas Transaction Confirmation" form, establishing the quality of service for the Transaction:

- (a) An "Interruptible" designation means the obligation to purchase and sell may be partially curtailed, or completely interrupted for any reason at either party's sole discretion with no obligation to perform and without the necessity to declare any form of "Force Majeure".
- (b) A "Firm" designation means the obligation to purchase and sell on any day is unconditional. The only exception to this obligation standard is when it is suspended due to an event defined as a "Force Majeure" event in Section 11.01 below. Any other failure to meet the obligation is a wrongful breach of the basic condition to perform, and the indemnities under Section 5.01 and other remedies under Section 10.02 below are available to the non defaulting party.
- (c) An "EFP" designation means, under NYMEX rules and contract specifications, an "exchange for physical" firm obligation for the delivery and purchase of physical gas from one party to the other, and a concomitant assumption of equal and opposite NYMEX gas futures positions by the parties. This Agreement contains the provisions governing the physical side of an EFP Transaction.

2.01 GENERAL DEFINITIONS

These additional definitions apply in interpreting this Agreement:

- (a) "Business Day" means any calendar day starting at 0800 Hours Mountain Time ("MT") and finishing at 1630 Hours MT, but Saturdays, Sundays, and provincial or federal statutory holidays are not business days.
- (b) "Buyer" means the party to a Transaction who will be purchasing and taking delivery of gas under the terms of the Transaction.
- (c) "Buyer's Transportation" means Buyer's transportation agreements with the Receiving Pipeline, allowing for sufficient capacity to enable any Transaction nominated amount to be received by Buyer under the Transaction at the designated Delivery Point.
- (d) "Delivering Pipeline" means the gas pipeline or local distribution company designated in a Gas Transaction Confirmation form, which has facilities connecting to the designated Receiving Pipeline at the designated Delivery Point, if that Delivery Point is not a wellhead location owned or controlled by Seller.
- (e) "Delivery Point" means a gas delivery point, as designated in a Gas Transaction Confirmation form for the specific Transaction.
- (f) "EFP" means an "exchange of futures for physical" gas Transaction, under NYMEX rules.
- (g) "Material Adverse Financial Change" means a material, negative change in a party's financial position.
- (h) "NYMEX" means the New York Mercantile Exchange.
- (i) "Prime Rate" means the variable rate of interest, for Canadian dollar corporate loans to customers in Canada, used from time to time by the Canadian Imperial Bank of Commerce at Calgary, Alberta.
- (j) "Receiving Pipeline" means the gas pipeline or local distribution company designated in a Gas Transaction Confirmation form, which has facilities connected to the designated Delivering Pipeline at the designated Delivery Point.

- (k) "Replacement Market Price" means the fair price for a replacement sale or purchase arrangement, as the case may be, at the Delivery Point or an alternate delivery point if need be, but if the original price under a Transaction is agreed to be set at a point other than the Delivery Point, then the Replacement Market Price is the price determined at that pricing point.
- (l) "Seller" means the party to a Transaction who will be selling and delivering gas under the terms of the Transaction.
- (m) "Seller's Transportation" means Seller's transportation agreements with the Delivering Pipeline, allowing for sufficient capacity to enable any Transaction nominated amount to be delivered by Seller under the Transaction at the designated Delivery Point, if that Delivery Point is not a wellhead location owned or controlled by Seller.
- (n) "Term" means the period of time during which gas may be purchased and sold under the provisions of this Agreement, as documented in specific Gas Transaction Confirmation forms.

3.01 DAILY NOMINATIONS AND NOMINATION CHANGES

- (a) For each Transaction, Buyer must nominate gas to the Delivering Pipeline and to Seller on a timely basis, based on the deadlines specified by the Delivering and Receiving Pipelines. Nominations will remain in effect until Seller receives a new nomination from Buyer in accordance with the Transaction terms. The new nomination becomes effective if it is received by Seller and is in compliance with the deadlines for nomination changes specified by the pipelines. Seller will dispatch and deliver gas in compliance with the nomination then in effect.
- (b) The nomination and dispatching procedures under each Transaction in general must comply with the tariff and other published procedures of both the Receiving and Delivering Pipelines.

4.01 QUALITY AND MEASUREMENT

- (a) Seller warrants that the gas to be delivered to Buyer at the Delivery Point for a Transaction satisfies the tariff and other published quality and pressure requirements at that point, as set out by the Receiving Pipeline. Those standards are the gas quality and pressure standards which Seller must meet in delivering gas under that Transaction. Seller must pay an indemnity to Buyer in the amount of any damages suffered by Buyer if any gas delivered by Seller under the Transaction does not meet those standards. In addition, Buyer may refuse deliveries of nonconforming gas until the nonconformance is corrected.
- (b) The Receiving Pipeline will measure the quantity and energy content of the gas delivered at the Delivery Point under its tariff and other published measurement standards. The parties agree those measurements are binding for the Transaction in question.

5.01 "FIRM" or "EFP" QUALITY OF SERVICE INDEMNITIES

- (a) If the "Quality of Service" is designated "Firm" or "EFP" in the Gas Transaction form for any Transaction, and if for any day Seller fails to deliver or Buyer fails to receive the specified Transaction quantity without excuse as allowed for under the Transaction or these GENERAL TERMS AND CONDITIONS, then the failure is a basic performance default (the "Basic Performance Default").
- (b) If the Basic Performance Default is a failure by Seller, then Buyer is entitled to an indemnity amount from Seller. That amount, calculated as liquidated damages, will be the total of all of the following:
 - (i) an amount equal to the difference between the Transaction quantity nominated on that day and the quantity actually delivered by Seller (that quantity difference is "Seller Default Gas"), MULTIPLIED BY the positive difference, if any, obtained by subtracting the specified Transaction gas commodity price from the Replacement Market Price at which Buyer purchases a gas quantity equal to the Seller Default Gas quantity; plus
 - (ii) all transportation costs or penalties for which Buyer is liable as a result of Buyer's Transportation capacity left unutilized due to the Basic Performance Default; plus
 - (iii) all additional transportation costs for which Buyer is liable under alternate transportation arrangements that Buyer has been required to make, to take delivery of Seller Default Gas quantities at an alternate supply delivery point due to the Basic Performance Default; plus
 - (iv) an amount to cover Buyer's administrative expenses related to the Basic Performance Default, deemed to be equal to five cents (\$0.05) for every MMBtu or GJ, as the case may be, of Seller Default Gas, payable in the currency designated in the Gas Transaction Confirmation for the Transaction in question.

- (c) If the Basic Performance Default is a failure by Buyer, then Seller is entitled to an indemnity amount from Buyer. That amount, calculated as liquidated damages, will be the total of all of the following:

- (i) an amount equal to the difference between the Transaction quantity delivered under a nomination on that day and the quantity actually taken by Buyer (that quantity difference is "Buyer Default Gas"), MULTIPLIED BY the positive difference, if any, obtained by subtracting from the specified Transaction gas commodity price the Replacement Market Price at which Seller resells the quantity equal to the Buyer Default Gas quantity; plus
 - (ii) all transportation costs or penalties for which Seller is liable as a result of Seller's Transportation capacity left unutilized under Seller's Transportation due to the Basic Performance Default; plus
 - (iii) all additional transportation costs for which Seller is liable under alternate transportation arrangements that Seller has been required to make to deliver Buyer Default Gas quantities to an alternate sales delivery point due to the Basic Performance Default; plus
 - (iv) an amount to cover Seller's administrative expenses related to the Basic Performance Default, deemed to be equal to five cents (\$0.05) for every MMBtu or GJ, as the case may be, of Buyer Default Gas, payable in the currency designated in the Gas Transaction Confirmation for the Transaction in question.
- (d) For a Basic Performance Default, the non defaulting Party may calculate the Replacement Market Price based on the settlement or closing-out prices at the time of liquidation or cancellation of NYMEX gas futures or forward contracts, or bona fide gas prices quoted in representative energy swap markets.
 - (e) The non defaulting party is to do everything commercially reasonable to mitigate the effect of the Basic Performance Default, but is not compelled to act to its economic detriment. The indemnity amounts are to be itemized and delivered in an indemnity invoice as soon as all information is known, or can be estimated with reasonable accuracy. The total amount must be paid by the defaulting Party within two (2) Business Days after delivery of the indemnity invoice, and the parties subsequently must adjust and settle accounts between them once any actual information is known in substitution of any reasonably estimated information.
 - (f) The damages and remedies limitations under Section 15.01 below apply to a Basic Performance Default.

6.01 TRANSPORTATION AND REGULATORY ARRANGEMENTS

- (a) Prior to the "Start Date and Time" for a Transaction:
 - (i) Buyer will have completed Buyer's Transportation and necessary regulatory approval arrangements to enable service to commence on that date;
 - (ii) Seller will have completed Seller's Transportation and necessary regulatory approval arrangements to enable service to commence on that date.
- (b) Each party must acquire and hold transportation service and regulatory approval arrangements of a quality equivalent to the "Quality of Service" commitment made for the Transaction, and must keep all such arrangements in good standing for as long as that Transaction is in effect. The shipper of record is responsible for all costs and charges under its transportation arrangements, unless a provision of these GENERAL TERMS AND CONDITIONS or the particular Transaction specifies otherwise.

7.01 TITLE AND RISK TRANSFER

- (a) Seller has legal title to the gas and possession of it under a Transaction until title and possession are passed to Buyer at the specified Delivery Point. The party having title and possession also has the inherent risks associated with the gas.
- (b) Seller must pass good title to Buyer at the Delivery Point, ensuring it remains free and clear of any security interest, other lien or any legitimate title claims, which could be detrimental to Buyer in any manner.
- (c) For a Transaction, if there is any challenge to good title, or Seller's authority to sell the gas, then Buyer is entitled to take the following actions to protect itself financially:
 - (i) Buyer may suspend its obligations to pay for gas already delivered under the Transaction, without interest, but only in an amount reasonably estimated by Buyer to cover any damages to Buyer due to the challenge. The suspension will be for as long as it takes to finally resolve the challenge in court or through settlement, or until Seller gives Buyer a form of sufficient security which may be drawn upon if the challenge is resolved in a manner which causes damages to Buyer; or
 - (ii) Given the legal nature of the challenge, Buyer may pay the amount into a neutral interest bearing trust or escrow account, or into court if under the circumstances such a course of action is fair and reasonable.

- (d) An indemnity amount as set out in an indemnity invoice must be paid to Buyer in the amount of direct damages to Buyer due to the failure of Seller to pass good title to or have proper authority, as mentioned in Subsection (c) above.

8.01 DELIVERY AND PAYMENT OF INVOICES

- (a) In the next month following the month during which gas under a Transaction has been purchased and sold, Buyer will deliver to Seller a gas deliveries invoice (the "Invoice"). Subsequent to an event under which an indemnity amount is to be paid, an indemnity invoice is to be prepared and delivered by the party entitled to an indemnity amount under this Agreement. The Invoice must be based on information and knowledge available from the pipelines, and be consistent with confirmed nominations and deliveries as at the time of Invoice preparation. Unless otherwise agreed, the Invoice must be delivered during a Business Day which is a day on or before the twentieth (20th) day of the Invoice month, either by courier or fax. It must contain details of the quantities of gas delivered at the Delivery Points, the Transaction prices paid for deliveries, any wire transfer, remittance or account instructions, and any indemnity amounts not otherwise accounted for which may be set off against amounts owing under this Agreement.
- (b) Unless otherwise agreed, Buyer must pay to Seller the amount specified in the Invoice, no later than the twenty-fifth (25th) day of the Invoice month, but Buyer must have five (5) clear calendar days to make payment, starting from the day the Invoice was received. If the payment due date falls on a non Business Day, then that due date is the next immediate Business Day. Buyer may make payment by cheque or electronic wire transfer to Seller's account as set out in the Gas Transaction Confirmation form. If wire transfer account information is not specified, payment is to be by cheque.
- (c) If any actual data necessary to complete an Invoice is not available from its source at the time an Invoice is to be delivered, then Seller with Buyer's cooperation as required may use reasonably accurate data estimates based upon the information actually confirmed at the time. On the Invoice for the first month when all actual information is finally confirmed, Invoice entries previously made based on data estimates will be adjusted to account for actual data then confirmed, and Buyer will receive a credit or a debit, as the case may be, in an amount equal to the difference between the estimated and confirmed amounts.
- (d) A party required to make any gas delivery payment or indemnity payment under this Agreement will pay interest charges on late payments, calculated beginning on the Invoice due date and continuing until the date payment is made. The rate of interest is: (i) the Prime Rate PLUS two percent (2%); or (ii) the maximum rate of interest which lawfully may be charged, whichever is less, on the Business Day the Invoice first is delivered.
- (e) Each party may set off and net out any and all Transaction payment and indemnity obligations against each other, and against payment obligations under any other gas purchase or sale arrangements, in addition to those under this Agreement, which are in effect between the parties at the time a need for set off arises.

8.02 CURRENCY OF TRANSACTION AND CONVERSION FACTOR

The currency of payment for each Transaction will be as designated on the Gas Transaction Confirmation form. If any price deduction or revenue component initially is specified in Canadian dollars or United States dollars, requiring conversion to dollars in the agreed upon currency as set out in the Gas Transaction Confirmation form, then the component will be converted from one currency to the other at the average Bank of Canada daily spot exchange rate as at 1200 Hours Eastern Standard Time. With respect to Section 8.01(a) above, the rate so utilized will be the one which is in effect on the Business Day immediately prior to the date an Invoice is delivered during the Invoice Month.

9.01 FINANCIAL ASSURANCES

- (a) If a party (the "Requesting Party") at any time during the term of this Agreement makes a reasonable request, the other party (the "Assurance Party") must assist in the Requesting Party's reasonable financial review, including delivery as promptly as possible of an annual report which contains the financial statements for the last completed fiscal year of the Assurance Party, as certified by independent chartered accountants and prepared under generally accepted accounting principles, plus the most recent unaudited quarterly financial statement in effect as of the date of the request, plus any other reasonable documentation as might be requested.
- (b) As a precondition to the obligation to commence or continue any Transaction performance under this Agreement, based on the Requesting Party's reasonable financial review which might include a review of the documentation requested under Subsection (a) above, the Requesting Party may require the Assurance Party to comply with the designated financial covenants set out in Form 4 attached to this Agreement, or provide a form of financial assurances (the "Financial Assurances") of that performance, or both. If a written guarantee (the "Guarantee") of performance by a third party is the form of Financial Assurances to be implemented, then the third party guarantor also must satisfy the Requesting Party's reasonable financial review, including prompt delivery of the guarantor's financial statements or other reasonable documentation as might be requested. The form of Guarantee must be essentially consistent with "Form 3" attached to this Agreement, and signed and delivered prior to the date specified by the Requesting Party. Financial Assurances also may be required of a Defaulting Party under Section 10.01 below.

10.01 GENERAL DEFAULT EVENTS

Any one of the following events of failure or default of one or more fundamental conditions (a "General Default") by a party (the "Defaulting Party") entitles the other party who is continuing to perform (the "Performing Party") to the remedies under Section 10.02 below:

- (i) The Defaulting Party fails to make a gas deliveries payment due under Section 8.01 within a five (5) day period after the payment due date, or fails to pay an indemnity under this Agreement within the specified payment period;
- (ii) The Defaulting Party has committed a Basic Performance Default under Section 5.01 each day for seven (7) consecutive days;
- (iii) The Defaulting Party has defaulted under any other fundamental condition of this Agreement, and does not cure the default within seven (7) days of the date the non-defaulting party delivered a notice of default to the Defaulting Party;
- (iv) The Defaulting Party or its Guarantor has a property asset receiver or trustee appointed, makes an assignment to or arrangements with creditors, is bankrupt, has creditor protection proceedings commenced against it, becomes insolvent, defaults under the payment or other fundamental condition of any loan or security agreement or arrangement to borrow money, or otherwise cannot pay its debts as they are due;
- (v) Financial Assurances are not provided as requested under Section 9.01 (b), or a Material Adverse Financial Change occurs in the reasonable opinion of the Performing Party or the Defaulting Party defaults under any financial covenant designated in Form 4, and the Defaulting Party does not provide Financial Assurances as security in relation to either of the latter occurrences;
- (vi) The Guarantor has defaulted under the provisions of the Guaranty and the default continues beyond any cure period specified in that document, or, if, in the reasonable opinion of the Performing Party, the guarantor under a Guarantee will not be able to financially perform the Guarantee obligations, if called upon, and with respect to this latter occurrence the Defaulting Party does not provide alternative Financial Assurances within five (5) days of being notified by the Performing Party of the requirement to do so.

10.02 GENERAL DEFAULT REMEDIES

- (a) Within seven (7) days of the day the Performing Party has delivered a notice of default to the Defaulting Party and after the end of any cure period specified in this Agreement, if the General Default remains outstanding, then the Performing Party may suspend performance of all Transactions, or terminate and liquidate all Transactions. The Performing Party first must give two (2) days' prior written notice to the Defaulting Party specifying that either the Performing Party's Transaction performance will be suspended, or all Transactions will terminate and be liquidated, unless prior to the notice expiry day the Defaulting Party provides a form of Financial Assurances acceptable to the Performing Party. These may be in addition to any form of Financial Assurances in place at the time of the notice. However, if the Performing Party becomes aware that any event of the nature described in Section 10.01(iv) is involved, it may immediately terminate and liquidate all existing Transactions.
- (b) Also, if the Performing Party proceeds to termination and liquidation, the Defaulting Party must pay an indemnity amount to the Performing Party, calculated as liquidated damages (the "Agreement Liquidated Damages"). That amount will be equal to the cumulative present value of the economic loss of all Transactions existing at the time of the termination notice. This will be the deemed economic loss suffered by the Performing Party due to early termination.
- (c) More specifically, the Agreement Liquidated Damages for any Transaction will be the economic loss, if any, which results from calculating the difference between:
 - (i) the total amount the Performing Party would pay or receive from, as the case may be, a third party in an arms length transaction for the supply of gas under a replacement transaction, on terms substantially the same as the Transaction in question, and calculated for a period of the time equal to the remaining period of the Transaction, commencing on the early termination date; MINUS
 - (ii) the total amount the Performing Party would have paid to, or received from, as the case may be, the Defaulting Party for the supply of gas under the Transaction had it not been terminated, and calculated for a period of time equal to the remaining period of the Transaction commencing on the early termination date.

The Performing Party may calculate a replacement transaction price based on the settlement prices of NYMEX gas futures contracts, or bona fide prices quoted in the energy swap markets.

- (d) The Agreement Liquidated Damages must be paid by the Defaulting Party no later than two (2) Business Days after an indemnity invoice for them is received from the Performing Party.

- (e) The present value for the Agreement Liquidated Damages will be calculated by applying a discount rate of the Prime Rate as in effect on the early termination date.
- (f) The right of a Performing Party to be paid Agreement Liquidated Damages is in addition to Basic Performance Default liquidated damages, but the indemnifying party will not be required to indemnify twice for the same default incident.

11.01 FORCE MAJEURE

- (a) If an event specified under Section 11.01(b) below occurs which is not within the control of a party, and causes that party to fail to perform all or part of an obligation under a Transaction, then the party (the "Claiming Party") may claim "Force Majeure", but only to the extent that event directly and substantially causes the Claiming Party to fail to perform all or part of that obligation under the affected Transaction. Such a claim suspends performance of the obligation of the Claiming Party and any related obligation of the other party, except for the obligation of Buyer to pay for gas already delivered, or for an indemnifying party to pay indemnities. The suspension period is in effect for so long as the event causes the failure to perform. However, the Claiming Party must do everything commercially reasonable to restore performance as soon as possible.
- (b) An event of "Force Majeure" specifically means, and is limited to, only an event of:
 - (i) curtailment, reallocation or pro-rationing of firm transportation service under Seller's Transportation or Buyer's Transportation, as authorized by the published tariff, policies or procedures of the respective pipeline company, and regardless of whether or not the pipeline company has issued a formal notice of force majeure;
 - (ii) an order of any court, regulatory tribunal or government body, the effect of which is to make the continued part or entire performance by one or both parties under this Agreement illegal or prohibited.

No other events are force majeure or frustration events under this Agreement.

11.02 WHEN FORCE MAJEURE NOT AVAILABLE

For greater certainty, a Claiming Party may not claim Force Majeure protection if:

- (i) the event resulting in the Transaction performance failure was caused by a negligent act, omission or by a contract breach by the Claiming Party;
- (ii) the Claiming Party did not do everything commercially reasonable to avoid the Transaction performance failure or to restore performance as soon as possible;
- (iii) the event of Force Majeure is a failure to pay an amount due under this Agreement;
- (iv) Seller fails to deliver under the Transaction due to depletion of its proprietary gas supplies or reserves, or due to scheduled maintenance of Seller's gas facilities when Buyer has not consented to that maintenance interruption as relieving Seller of its delivery obligation;
- (v) Seller fails to deliver under the Transaction due to its failure to maintain or neglect in maintaining sufficient well, gathering or processing systems, or other such gas production facilities, to a standard and capacity ensuring it can meet its delivery obligations under all Transactions;
- (vi) the reason for the performance failure under a Transaction is that the Claiming Party can obtain more favourably priced market terms for the gas;
- (vii) Buyer does not take delivery because it lost its ability to resell the gas into resale markets;
- (viii) the performance failure results from lack of finances; or
- (ix) Force Majeure notice requirements under this Agreement are not complied with.

11.03 NOTICE REQUIREMENTS

Notice by the Claiming Party must be given to the other party as soon as possible once a Force Majeure event has occurred. Oral notice should be given if possible, but written notice must be given, containing all details necessary to describe the event, how long it will last, the obligations affected, and the time and date performance is expected to be restored. Force Majeure protection will not be available if written notice is not given in a timely fashion.

11.04 CURTAILMENT PRIORITIES

During an event of Force Majeure, the Claiming Party must cease interruptible deliveries to other markets, if it is Seller, and purchases from interruptible supply sources, if it is Buyer, prior to suspending the performance obligation under the Firm Transaction in question. The Claiming Party then must treat the other party equitably with its other Firm customers on a proportionate basis with regard to the remaining supply available for market, if it is Seller, and to remaining market availability, if it is Buyer.

12.01 DUTY TO MAINTAIN BALANCES

- (a) The parties must do everything commercially reasonable to avoid transportation service imbalance penalties. They must cooperate to eliminate energy and volumetric imbalances prior to a pipeline imposing tariff or other penalties on one party or the other.
- (b) If an imbalance penalty is about to be imposed by a pipeline, the party subject to it once notified must in turn notify the party causing the imbalance (the "Imbalance Party"). The Imbalance Party then must be given the opportunity to remedy the imbalance, to the extent reasonably possible under the circumstances. If a remedy is not possible, then the Imbalance Party must pay an indemnity amount to the other party. That amount, calculated as liquidated damages, will be equal to the tariff imbalance penalty amount payable by the other party under the pipeline transportation arrangements in question.
- (c) Imbalance indemnity amounts must be settled in cash, unless there is agreement otherwise. Cash settlements to the account of the Imbalance Party may be settled by the other party by means of a set off under this Agreement.

13.01 LAWS GOVERNING THIS AGREEMENT

- (a) This Agreement and all Transactions are contracts under Alberta and Canadian laws and will be enforced and interpreted accordingly. Those laws govern the contract rights and duties of the parties under this Agreement. The proper forum for determining any Agreement dispute, breach or claim is the applicable court of Alberta.
- (b) This Agreement will be performed and interpreted in a manner consistent with all laws, including statute and regulatory laws, common laws and rulings or orders issued from a court or regulatory body with jurisdiction. If an interpretation conflict exists between a provision of this Agreement and any one of those laws, the Agreement provision will govern, to the extent the law will allow.
- (c) If a new law is created or an old one is changed resulting in an economic hardship on one of the parties with regard to a particular Transaction, then both parties must use all reasonable commercial efforts to deal with hardship in a manner that is fair and equitable, taking into account the basic value each party has bargained for under that Transaction. If they cannot agree, then they must agree to a fair and equitable binding arbitration process, with instructions to the arbitrator to allocate the hardship in the most equitable manner, while preserving the Transaction.

14.01 GENERAL CLAUSES

- (a) Seller is responsible to account for and pay all forms of taxes and royalties on or related to the gas up to the moment that title and possession passes to Buyer at the Delivery Point. From and after the Delivery Point, taxes and royalties on the gas becomes Buyer's responsibility. Buyer is liable for Goods and Services Tax payments on the gas under federal and any provincial legislation, but that tax levy is not part of any Transaction commodity price calculation.
- (b) There are no other enforceable terms or collateral representations, other than as written in this Agreement. The written terms of any Transaction and this Agreement are the expression of the agreement of the parties.
- (c) This Agreement may only be amended by a written amendment signed by both parties, but Transaction specific provisions as orally agreed to and documented in a Gas Transaction Confirmation take precedence over any other provisions of this Agreement. Transaction amendments may be agreed to orally, to be confirmed by WGS1 issuing a Gas Transaction Confirmation revised form.
- (d) This Agreement was negotiated and prepared by both parties. It should not be interpreted against one party by reason of that party having been responsible for the preparation of the Agreement, or any Gas Transaction Confirmation form.
- (e) This Agreement is binding on the successors of a party, or any person to whom it is assigned. The non assigning party is entitled to consent to any form of assignment of this Agreement, or a Transaction.
- (f) The parties must keep the provisions of each Transaction confidential as between them, except for those provisions which must be revealed to a regulatory agency, a transporting pipeline, an arbitration panel or a court of law.

15.01 DAMAGES LIMITATIONS

- (a) The parties agree the indemnity amounts to be paid as set out in this Agreement are genuine and commercially reasonable pre-estimates, calculated as liquidated damages. The indemnity payments are the agreed commercial remedies, and are the only ones available to the non-defaulting party unless a provision of this Agreement, or of a specific Transaction, specifies otherwise.
- (b) Neither party is liable to the other for any indirect, consequential or special damages of any nature. The prohibition includes those in the nature of:
- (i) economic loss, or loss of profits, except as specifically expressed in this Agreement;
 - (ii) claims by any third parties;
 - (iii) claims based on any theory of contract, negligence, or statutory imposition; or
 - (iv) equitable claims, or claims based on a form of implied condition, warranty or collateral representation.

16.01 TAPED TRANSACTIONS

- (a) The oral offer and acceptance recorded on WGSi's Transaction electronic taping system forms an agreement between the parties, and they are legally bound to perform under the Transaction from the moment the terms have been so orally agreed to.
- (b) The tape of the Transaction is agreed by the parties to be a document under which the Transaction is evidenced in tangible form.
- (c) Each party consents to the recording of conversations by its employees which occur while discussing or entering into of Transactions under this Agreement. The conversations as so recorded may be submitted in evidence to any court or in any regulatory or arbitration proceeding as evidence of the provisions of the Transaction.
- (d) WGSi at its expense will maintain recording equipment and facilities at its offices, and will retain the Transaction tapes in strict confidence as between the parties, secured from improper access. No Transaction will be null and void if the taping system malfunctions, as it then will be evidenced by the Gas Transaction Confirmation form and any related collateral written records and documentation.
- (e) The parties agree not to assert any legal defence as to the validity or enforceability of a Transaction verbally agreed to as evidenced by the Transaction tape, including any assertion that the Transaction agreement is not in writing or signed by a party or both parties.

17.01 INDEPENDENT ASSESSMENTS

Each party agrees that:

- (i) the other party is not acting as a fiduciary, advisor or agent to it with respect to any Agreement or Transaction matters;
- (ii) it is not relying upon the advice, assurances or representations of that other party, except for those stated representations set out in this Agreement;
- (iii) it fully understands and has assessed the economic and other risks of entering into and performing Transactions under this Agreement, and has made its own independent judgments about, and is capable of assuming, those risks.

18.01 NOTICES

- (a) Unless specified otherwise in this Agreement, every nomination, notice or statement to be delivered by one party to the other must be in writing.
- (b) Every such communication may be delivered by personal delivery, courier service, prepaid registered mail or fax. The address for all forms of deliveries to the recipient is as documented on the Gas Transaction Confirmation form. Each party must give the other a written notice when its address for notices is changed.
- (c) The communication will be deemed to be received by the recipient:
- (i) upon the sender effecting courier or personal delivery, as the case may be;

- (ii) at 0800 Hours Mountain Time on the fifth (5th) Business Day after the date of registration by the sender, in the case of prepaid registered mail; and
- (iii) on written confirmation to the sender that the communication was received by the recipient, in the case of fax transmittals. The confirmation will be in the form of the sender's telecopy records. If that confirmation is not received, then the communication will be deemed to be received by the recipient:
 - (A) at 0800 Hours Mountain Time on the next immediate Business Day, if the day of transmission is not a Business Day;
 - (B) at 1700 Hours Mountain Time on the Business Day the fax was sent, if the transmission day is a Business Day.
- (d) Prepaid registered mail delivery may not be used if a mail service disruption is in effect or imminent.

19.01 TERMINATION OF PRIOR GAS TRANSACTION AGREEMENT AND CONTINUATION OF SPECIFIC TRANSACTIONS

Upon the date of full execution of this Agreement by both Customer and WGSJ, any prior Gas Transaction Agreement between them, whether fully executed or otherwise, is deemed terminated but each Transaction which formed a part of that prior Agreement will be governed by this Agreement. Each Transaction therefore will be deemed a Transaction under a Gas Transaction Confirmation form for the purposes of this Agreement, and therefore continues in full force and effect under its terms.

FORM 3

FORM OF GUARANTEE

[Letterhead of Guarantor]

[Date]

SAMPLE COPY ONLY

[Address of Secured Party]

Attention: [Contact]

Dear Sirs:

Re: Corporate Guarantee

This Corporate Guarantee is provided to you by [Name of Guarantor] (the "Guarantor"), as adequate assurance of the obligations of [Name of the Assurance Party] (the "Assurance Party") under the Gas Transaction Agreement (collectively the "Obligations") dated _____ (the "Agreement") between Westcoast Gas Services Inc. ("WGSJ") and [Counter Party].

With respect to the period from _____ to _____ during which Obligations are to be performed, (the "Guarantee Period"), the Guarantor unconditionally guarantees to _____ (the "Secured Party") the obligations of the Assurance Party, if the Assurance Party fails to perform any of those Obligations, and if the Secured Party provides the Guarantor with ten (10) days' written notice of the default of the Assurance Party in paying or performing those Obligations, as the case may be.

The Obligations so guaranteed will be for a dollar amount equivalent up to, but in no event in excess of, _____ Dollars (\$ _____) (the "Guarantee Maximum Amount"). The Guarantor has the unconditional right to satisfy all performance obligations by means of payment of a dollar amount equivalent to the obligations in question.

The Guarantor waives notice of acceptance of this Guarantee, and consents to any extension of the times of performance of the payment or other applicable obligations under the Agreement, and to any change in the form of any such payment or performance.

This is to be a guarantee with respect to the Obligations in effect during the Guarantee Period. The extension of the time of performance by the Secured Party of any Assurance Party obligations, including without limitation, payment or the acceptance of any sums on account, or the acceptance of notes, drafts or any security from the Assurance Party, will in no way weaken the validity of this Guarantee.

With respect to any Obligations under the Agreement, if any amounts are not paid when due in accordance with Agreement terms, then upon ten (10) days' written notice to the Guarantor, the

Secured Party will have the unconditional right to proceed against and collect the indebtedness from the Guarantor at any time, without any further notice and without any proceeding or actions against the Assurance Party. To that extent, the Guarantor waives any further demand requirements.

This Guarantee will continue unconditionally at all times during the Guarantee Period, regardless of the part or any performance of the Assurance Party, until all Obligations during the Guarantee Period have been satisfied. The Guarantor will not be discharged from liability for as long as any Obligations remain outstanding as arising under the Agreement during the Guarantee Period, and the Guarantee Period is extended for the additional amount of time necessary to ensure all outstanding Obligations incurred during the Guarantee Period are fully discharged and accounted for.

This Guarantee shall not be abrogated by any change in the organization or status of the Guarantor or the Assurance Party.

Nothing in this Guarantee shall prevent the Secured Party from extending credit to the Assurance Party at any time during the Guarantee Period up to the Guarantee Maximum Amount, and such an action by the Secured Party will not affect this Guarantee.

This Guarantee shall bind the respective successors and assigns of the Guarantor. No assignment of this Guarantee by one Party will be made without the prior written consent of the other Party.

This Guarantee and all acts and transactions under it, and all rights of the Guarantor will be governed as to validity, enforcement, construction, effect, and in all other respects, by the laws of _____

Notices between the parties are to be provided in accordance with the following information:

Guarantor: _____	Secured Party: _____
[Address] [Contact Person]	[Address] [Contact Person]
[Telephone]	[Telephone]
[Fax]	[Fax]

In witness whereof the Guarantor has executed this Guarantee as of _____, 199 ____.

_____ (the "Guarantor")

By: _____

By: _____

FORM 4

**"SECTION 9.01"
 FINANCIAL COVENANTS**

As a result of the financial review conducted by _____ (the "Requesting Party") of the financial status of _____ (the "Assurance Party"), the following applicable financial covenants must be maintained by the Assurance Party for the term of the Transaction designated as _____ under the Agreement:

	<u>Applicable</u>	<u>Not Applicable</u>
1. <u>SPECIFIC FINANCIAL COVENANTS</u>		
A. <u>"Funded Debt" to Shareholder's Equity Ratio</u> of Assurance Party must not exceed _____.	<input type="checkbox"/>	<input type="checkbox"/>
"Funded Debt" means the sum of financial institution debt, long term debt from any source, and working capital deficiency.		
B. <u>Shareholder's Equity Capital</u> of Assurance Party must be maintained at a total amount at least equal to _____ dollars in Canadian currency (Cdn.\$ _____).	<input type="checkbox"/>	<input type="checkbox"/>
C. (Other As Specified)		

2. ASSURANCE PARTY ADDITIONAL REPRESENTATIONS

The Assurance Party further represents and warrants the following under the Agreement and with respect to the Transaction, the breach of any of which at any time during the Term is a General Default under Section 10.01 of the Agreement:

(a) it has full right and absolute authority to enter into the Transaction, to sell, and deliver gas to Requesting Party under its provisions, and that any and all such actions will not amount to a breach or default under any operating, working interest, participation, or financial agreement, or any other agreement or instrument of any nature to which the Assurance Party is party;	<input type="checkbox"/>	<input type="checkbox"/>
(b) it has and will maintain good and merchantable title and ownership to the gas to be delivered under the Transact	<input type="checkbox"/>	<input type="checkbox"/>

ion prior to its delivery to Requesting Party, free and clear of any and all forms of encumbrances;

(c) all consents required by Assurance Party from any third parties, including without limitation, Assurance Party's partners, and joint working interest owners or participants, have been obtained or will be obtained prior to the Start Date and Time, and Assurance Party must use its best efforts as required from time to time during the Term to ensure all these consents remain in full force and effect for the Term authorizing Assurance Party to produce, deliver, and sell gas to Requesting Party, and to other wise perform under the Transaction;

(d) there are no disputes, actions, claims or liens of any nature pending or threatened before any court which, if decided against Assurance Party's interest, could materially detract from or interfere with the rights and benefits to be gained by Requesting Party under the Transaction.

FORM 1

GAS TRANSACTION CONFIRMATION #1864

1. BUYER: Westcoast Gas Services (U.S.A.), Inc.	SELLER: Westcoast Gas Services Inc.	GAS TRANS. AG. EFF. DATE: April 1, 1994	DATE FORM DELIVERED: October 30, 1996
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2. DETAILS OF TRANSACTIONS:								
Trans. No.	Start Date/Time	End Date/Time	Quantity/day (MMBtu,GJ,cu. metres, or mcf)	Commodity Price & Currency (C\$ or US\$) (See 3. below)	Qual. of Service (Int, Firm or EFP)	Del Point	Del Pipe	Rec. Pipe
1.	Nov 1, 1998	Oct 31, 2008	25,000mcf	See 3. below	Firm	Emerson, MB	TCPL	GLGT
2.								
3.								
4.								
5.								

3. SPECIAL PROVISIONS, INCLUDING PRICE DETAILS (if any):

Buyer will pay Seller a price in U.S. dollars per MMBtu, based on the arithmetic average of the *Gas Daily's* Michigan "Consumers Power-Large End Users" and "Michcon-Large End Users" monthly indices.

4. ADDRESSES, OPERATIONS AND BILLINGS AND PAYMENT INFORMATION:	
Westcoast Gas Services Inc. ("WGS") 1100, 421 - 7th Avenue S.W. Calgary, Alberta T2P 4K9	Westcoast Gas Services (U.S.A.), Inc. ("Customer") 3000 TownCenter, Suite 2800 Southfield, Michigan USA 48075
Marketing Representative Name: Mr. Jeff Thompson Phone: (403) 297-1838 Fax: (403) 269-5909	Marketing Representative Name: David Slater Phone: (810) 304-3236 Fax: (810) 304-3242
Accounting Contact: Ms. Lily Wat Phone: (403) 297-0376 Fax: (403) 297-0393	Accounting Contact: Ms. Jane Domzalski Phone: (810) 304-3207 Fax: (810) 304-3242
Operations Contact: Mr. Dave Read Phone: (403) 297-1857 Fax: (403) 263-6355	Operations Contact: Ms. Cheryl McNicol Phone: (810) 304-3254 Fax: (810) 304-3242
Wire Transfer Acct:	Wire Transfer Acct:

(NOTE: This Transaction is subject to the Gas Transaction Agreement "GENERAL TERMS AND CONDITIONS". If the Customer notes any discrepancy between the provisions as orally agreed to and the above written provisions, then Customer must notify Westcoast Gas Services Inc. within five (5) Business Days of delivery of this Gas Transaction Confirmation form. After that, provisions will be presumed to be correct.)

Westcoast Gas Services Inc.

A WESTCOAST ENERGY COMPANY

September 26, 1996

SEP 30 1996

Apache Canada Ltd.
Suite 1000, 700 - 9th Avenue SW
Calgary, Alberta
T2P 3V4

Attention: Mr. Mike Flaman
Coordinator Oil and Gas Sales

Dear Mike:

Re: Letter Agreement: Great Lakes Gas Transmission ("GLGT") Expansion Capacity


Westcoast Gas Services Inc. ("WGS") has been awarded firm transportation service on the GLGT pipeline expansion system, and has applied for firm transportation service on the TransCanada PipeLines Limited ("TCPL") pipeline expansion system (collectively referred to as the "**Expansion Capacity**"). Pending the preparation and execution of a more formal agreement, this Letter Agreement, including the attached Term Sheet (the "**Letter Agreement**") sets out the agreement between Westcoast Gas Services Inc. ("**Buyer**") and Apache Canada Ltd. ("**Seller**") regarding the terms and conditions to be incorporated into a formal firm gas purchase contract (the "**Formal Contract**") for the purchase and sale of natural gas between Buyer and Seller.

1. Term Sheet. The Formal Contract will be finalized in accordance with this Letter Agreement, and the Term Sheet attached to it as Exhibit "A" (the "**Term Sheet**"). To the extent there is any conflict between the Term Sheet and this Letter Agreement, this Letter Agreement will prevail.
2. Definitive Agreement. Buyer and Seller will incorporate the terms and conditions expressed in this Letter Agreement into a mutually acceptable definitive Formal Contract on such a date as mutually agreed to. The Formal Contract will be subject to, and conditioned upon, the satisfaction of the conditions precedent ("**Conditions Precedent**") set forth in this Letter Agreement. In the event the parties fail to negotiate and execute a definitive Formal Contract, then subject to the satisfaction of those Conditions Precedent, the terms of this Letter Agreement will be binding, in any event.
3. Confidentiality. The existence of this Letter Agreement is confidential and not to be discussed with or disclosed to any third party, except: (i) with the express prior written consent of the other party; (ii) as may be required by a regulatory agency, or a court of law.
4. Expansion Capacity Confirmation. Buyer will confirm to Seller the specific Expansion Capacity arrangements as committed to by Buyer, and the resulting actual Daily Contract Quantity applicable under Section 2 of the Term Sheet, once the arrangements are confirmed.

If you are in agreement with the terms and conditions of this Letter Agreement, please sign both counterpart copies in the space provided below and return one counterpart no later than 12:00 Hours MST on September 27, 1996 to Westcoast Gas Services Inc., to my attention.

Yours truly,

Westcoast Gas Services Inc. ("Buyer")

By: 
Name: J. A. THOMPSON
Title: Director, Supply & Marketing

Agreed to and accepted this 27 day of September, 1996

Apache Canada Ltd. ("Seller")


By: 
Name: D.E. Schultz
Title: Vice President
Canadian Region

EXHIBIT "A" - TERM SHEET

To a Letter Agreement dated September 27, 1996
Between Westcoast Gas Services Inc. ("**Buyer**") and Apache Canada Ltd. ("**Seller**")

1. **TERM:** This Agreement is for a 10 year term commencing on November 1, 1998, the commencement date as estimated by GLGT and TCPL, or such later date as when the Expansion Capacity is available for use. Deliveries and purchases will commence on November 1, 1998, (the "**Date of First Delivery**") the estimated date of availability of the Expansion Capacity on the GLGT and TCPL transportation systems, or such later date as when the Expansion Capacity is available for use.

2. **DAILY CONTRACT QUANTITY:** 5,000 MMBtu/day (5,273 GJ/day), plus fuel gas requirements for the NOVA Gas Transmission Ltd. ("**NOVA**"), TCPL and GLGT pipeline systems.

The Daily Contract Quantity that Seller will deliver to Buyer is 5,000 MMBtu/day (5,273 GJ/day) plus fuel gas.

If Buyer obtains less than the applied for Expansion Capacity on either or both of the TCPL and GLGT systems, then the Daily Contract Quantity will be:

$$5,000 \text{ MMBtu/day} \times \frac{\text{Capacity allocated to Buyer}}{\text{Expansion Capacity}}$$

If the apportioned capacity on the TCPL and GLGT systems differs, the lowest apportioned capacity will be utilized for transportation of the gas.

3. **DELIVERY POINT:** AECO "C" / N.I.T.

4. **QUALITY OF SERVICE:** Buyer shall nominate to and purchase from Seller, and Seller shall sell and deliver to Buyer, each day on a firm basis, at a 100% load factor, the total quantity of gas equal to the Daily Contract Quantity.

5. **PRICE:** Buyer will pay Seller for all gas purchased under this Agreement a price in U.S. dollars per MMBtu, based on the arithmetic average of the *Gas Daily's* Michigan "Consumers Power - Large End Users" and "Michcon - Large End Users" monthly indices less Buyer's Marketing Fee as defined below.

6. **TRANSPORTATION COSTS:** Seller shall pay for all costs and charges associated with or related to the Transportation Service (defined below), based on 100% utilization, including pipeline tariffs and tolls, fuel charges and taxes, incurred on the NOVA, TCPL and GLGT systems between the Delivery Point and St. Clair for the Term, including any costs and charges incurred at the Delivery Point and St. Clair.
7. **MARKETING FEE:** Buyer's Marketing Fee shall be US\$0.015/MMBtu.
8. **PIPELINE COMMITMENTS:** Buyer will enter into transportation agreements with TCPL for firm service transportation from Empress to Emerson, Manitoba, on the TCPL pipeline system, and with GLGT for full haul service from Emerson to St. Clair, on the GLGT pipeline system (collectively referred to as the "**Transportation Service**") prior to the commencement of the Term. Buyer will also make commitment for NOVA Firm Service Delivery.
9. **ASSIGNMENT OF TRANSPORTATION SERVICE:**
- (a) Subject to the provisions of this Agreement, Buyer shall use all reasonable efforts to assign and novate Seller's pro rata share of the respective TCPL and GLGT components of the Transportation Service held by Buyer, to Seller prior to the Date of First Delivery. If all assignment and novation arrangements cannot be completed, then Buyer shall retain the unassigned component(s) of the Transportation Service for the benefit of Seller, in consideration of additional reasonable costs in the event the delay in completing all assignment elements is due to unreasonable delays caused by Seller.
 - (b) Neither Buyer nor Seller will be held liable for any unforeseen delays in completing the assignment for which Buyer or Seller is not directly responsible.
 - (c) Upon assignment of the Transportation Service, Seller will be responsible for providing financial assurances to the respective pipeline companies as required.
 - (d) Assignment and novation will require Seller to meet the credit worthiness standards of each pipeline company on a timely basis, and otherwise must be consistent with the published and approved assignment process, procedures, standard form agreements, and tariff requirements of each applicable pipeline. The assignment will be permanent in nature.

- (e) Upon completion of the assignment and novation, Seller will immediately enter into an agency agreement with Buyer appointing Buyer as agent for Seller with respect to the assigned Transportation Service. Seller will complete all necessary documentation with TCPL and GLGT to give effect to the agency arrangement. Seller will also enter into an operating agreement with Buyer, outlining the terms and conditions under which Buyer is to operate the Transportation Service on Seller's behalf.

10. TRANSPORTATION MANAGEMENT:

After Buyer has assigned the respective TCPL and GLGT components of the Transportation Service to Seller, Buyer will:

- (a) act as agent on Seller's behalf with respect to the management of all pipeline agreements pertaining to the Expansion Capacity, and nomination and utilization of capacity during the Term, and
- (b) indemnify Seller for any loss or damage directly caused by Buyer including costs incurred as a result of capacity utilization below 100%, except if capacity utilization below 100% is due to Force Majeure.

11. FINANCIAL ASSURANCES:

Buyer will provide the initial financial assurances required for the Expansion Capacity. Upon assigning and novating the respective TCPL and GLGT components of the Transportation Service to Seller, Seller will be responsible for all financial assurances required under the Expansion Capacity agreements.

12. SELLER DEFAULT:

If Seller defaults under this Agreement, Seller shall provide Buyer the option of having the respective TCPL and GLGT components of the Transportation Service assigned and novated, in whole or in part, from Seller back to Buyer.

13. RESERVES DEDICATION:

Seller may have to provide reserves for dedication under this Agreement. If dedication of reserves is required by any regulatory body for export or import permits or licences for a long term market, then Seller shall dedicate reserves as required. Seller will be responsible for all costs associated with reserves dedication, including the cost of obtaining reserves studies.

14. **CONDITIONS PRECEDENT:** Purchase and sale performance under this Agreement is first conditional on and subject to:
- (a) Buyer entering into all requisite firm Transportation Service agreements with NOVA, TCPL and GLGT, and the provision of related financial assurances by Buyer or Buyer's affiliate to Expansion Capacity companies;
 - (b) Buyer obtaining all requisite Alberta removal permits, National Energy Board export authorizations, and the Federal Energy Regulatory Commission import licences;
 - (c) The applicable pipelines obtaining certification and approval for service under the expansion facilities, with an in service date presently estimated to be November 1, 1998, with expansion rates and tolls implemented on a rolled in basis; and
 - (d) Seller meeting the credit requirements of Buyer, TCPL and GLGT.
15. **RIGHT OF FIRST REFUSAL:** Buyer shall have the right of first refusal to obtain the Transportation Service if, at the end of the Term, Seller decides to transfer its interest in and right to the Transportation Service. Buyer will have thirty (30) days to inform Seller of its decision regarding the exercise of this right.
16. **OTHER:** The Formal Contract shall include all Term Sheet basic terms and conditions and all other incidental clauses that are typically contained in a firm long term gas purchase agreement. Either party shall have the right to submit any dispute arising during the negotiation of the Formal Contract to binding arbitration, except for a dispute over these basic terms. Buyer and Seller shall diligently perform any and all necessary activities required to finalize the Formal Contract and commence the purchase and sale of gas by November 1, 1998.
17. **FORCE MAJEURE:** The performance of any of the obligations of a party hereto may be delayed or suspended while, but only so long as, such party is prevented, in whole or in part, from performance due to Force Majeure. The parties hereto shall provide in the Formal Contract which cause(s) will be defined as Force Majeure events.
18. **MISCELLANEOUS**
- (a) This Agreement shall be governed by the laws of the Province of Alberta.

- (b) This Agreement shall not be assignable by either party without the prior written consent of the other party and which shall not be unreasonably withheld.
- (c) No amendment, alteration, or waiver of any provisions of this Agreement shall be binding upon either party unless the same is in writing and signed by the parties.
- (d) This Agreement shall bind and inure to the benefit of the parties hereto and their respective successors and assigns.

Westcoast Gas Services Inc.

A WESTCOAST ENERGY COMPANY

August 9, 1996

Beau Canada Exploration Ltd.
47th Floor
150 - 6th Avenue S.W.
Calgary, Alberta
T2P 3Y7

Attention: Mr. Ron Vogel,
Marketing Manager

Dear Ron:

Re: Letter Agreement: Great Lakes Gas Transmission ("GLGT") Expansion Capacity

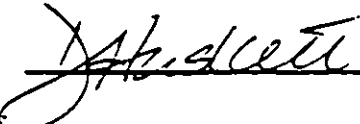
Westcoast Gas Services Inc. ("WGS") has been awarded firm transportation service on the GLGT pipeline expansion system, and has applied for firm transportation service on the TransCanada PipeLines Limited ("TCPL") pipeline expansion system (collectively referred to as the "Expansion Capacity"). Pending the preparation and execution of a more formal agreement, this Letter Agreement, including the attached Term Sheet (the "Letter Agreement") sets out the agreement between Westcoast Gas Services Inc. ("Buyer") and Beau Canada Exploration Ltd. ("Seller") regarding the terms and conditions to be incorporated into a formal firm gas purchase contract (the "Formal Contract") for the purchase and sale of natural gas between Buyer and Seller.

1. Term Sheet. The Formal Contract will be finalized in accordance with this Letter Agreement, and the Term Sheet attached to it as Exhibit "A" (the "Term Sheet"). To the extent there is any conflict between the Term Sheet and this Letter Agreement, this Letter Agreement will prevail.
2. Definitive Agreement. Buyer and Seller will incorporate the terms and conditions expressed in this Letter Agreement into a mutually acceptable definitive Formal Contract on such a date as mutually agreed to. The Formal Contract will be subject to, and conditioned upon, the satisfaction of the conditions precedent ("Conditions Precedent") set forth in this Letter Agreement. In the event the parties fail to negotiate and execute a definitive Formal Contract, then subject to the satisfaction of those Conditions Precedent, the terms of this Letter Agreement will be binding, in any event.
3. Confidentiality. The existence of this Letter Agreement is confidential and not to be discussed with or disclosed to any third party, except: (i) with the express prior written consent of the other party; (ii) as may be required by a regulatory agency, or a court of law.
4. Expansion Capacity Confirmation. Buyer will confirm to Seller the specific Expansion Capacity arrangements as committed to by Buyer, and the resulting actual Daily Contract Quantity applicable under Section 2 of the Term Sheet, once the arrangements are confirmed.

If you are in agreement with the terms and conditions of this Letter Agreement, please sign both counterpart copies in the space provided below and return one counterpart no later than 12:00 Hours MST on August 20, 1996 to Westcoast Gas Services Inc., to my attention.

Yours truly,

Westcoast Gas Services Inc. ("Buyer")

By: 
Name: DAVID W. HASKETT
Title: MANAGER, SUPPLY

Agreed to and accepted this 14 day of August, 1996

Beau Canada Exploration Ltd. ("Seller")


By: 
Name: Ron E. Vogel, C.E.T.
Title: Manager, Marketing

EXHIBIT "A" - TERM SHEET

To a Letter Agreement dated August 9, 1996
Between Westcoast Gas Services Inc. ("Buyer") and Beau Canada Exploration Ltd. ("Seller")

1. **TERM:** This Agreement is for a 10 year term commencing on November 1, 1998, the commencement date as estimated by GLGT and TCPL, or such later date as when the Expansion Capacity is available for use. Deliveries and purchases will commence on November 1, 1998, (the "Date of First Delivery") the estimated date of availability of the Expansion Capacity on the GLGT and TCPL transportation systems.

2. **DAILY CONTRACT QUANTITY:** 5,000 MMBtu/day (5,273 GJ/day), plus fuel gas requirements for the NOVA Gas Transmission Ltd. ("NOVA"), TCPL and GLGT pipeline systems. If Buyer obtains less than the applied for Expansion Capacity on either or both of the TCPL and GLGT systems, then the Daily Contract Quantity will be:
$$5,000 \text{ MMBtu/day} \times \frac{\text{Capacity allocated to Buyer}}{\text{Expansion Capacity}}$$

The minimum Daily Contract Quantity that Seller will deliver to Buyer is 5,000 MMBtu/day (5,273 GJ/day) plus fuel gas.

3. **DELIVERY POINT:** AECO "C" / N.I.T.

4. **QUALITY OF SERVICE:** Buyer shall nominate to and purchase from Seller, and Seller shall sell and deliver to Buyer, each day on a firm basis, at a 100% load factor, the total quantity of gas up to the Daily Contract Quantity.

5. **PRICE:** Buyer will pay Seller for all gas purchased under this Agreement a price in U.S. dollars per MMBtu, based on the arithmetic average of the *Gas Daily's* Michigan "Consumers Power - Large End Users" and "Michcon - Large End Users" monthly indices less Buyer's Marketing Fee as defined below.

6. **TRANSPORTATION COSTS:** Seller shall pay for all costs and charges associated with or related to the Transportation Service (defined below), based on 100% utilization, including pipeline tariffs and tolls, fuel charges and taxes, incurred on the NOVA, TCPL and GLGT systems between the Delivery Point and St. Clair for the

Term, including any costs and charges incurred at the Delivery Point and St. Clair.

7. MARKETING FEE:

Buyer's Marketing Fee shall be US\$0.015/MMBtu.

8. PIPELINE COMMITMENTS:

Buyer will enter into transportation agreements with TCPL for firm service transportation from Empress to Emerson, Manitoba, on the TCPL pipeline system, and with GLGT for full haul service from Emerson to St. Clair, on the GLGT pipeline system (collectively referred to as the "Transportation Service") prior to the commencement of the Term. Buyer will also make commitment for NOVA Firm Service Delivery.

9. ASSIGNMENT OF TRANSPORTATION SERVICE:

- a) Subject to the provisions of this Agreement, Buyer shall use all reasonable efforts to assign and novate Seller's pro rata share of the respective TCPL and GLGT components of the Transportation Service held by Buyer, to Seller prior to the Date of First Delivery. If all assignment and novation arrangements cannot be completed, then Buyer shall retain the unassigned component(s) of the Transportation Service for the benefit of Seller, in consideration of an additional reasonable management fee in the event the delay in completing all assignment elements is due to unreasonable delays caused by Seller.
- b) Buyer will not be held liable for any unforeseen delays in completing the assignment for which Buyer is not directly responsible.
- c) Upon assignment of the Transportation Service, Seller will be responsible for providing financial assurances to the respective pipeline companies as required.
- d) Assignment and novation will require Seller to meet the credit worthiness standards of Buyer and of each pipeline company on a timely basis, and otherwise must be consistent with the published and approved assignment process, procedures, standard form agreements, and tariff requirements of each applicable pipeline. The assignment will be permanent in nature.
- e) Upon completion of the assignment and novation, Seller will immediately enter into an agency agreement with Buyer appointing Buyer as agent for Seller with respect to the assigned Transportation Service. Seller will complete all necessary documentation with TCPL and GLGT to give effect to the agency arrangement. Seller will also enter into an operating agreement with Buyer, outlining the terms and

conditions under which Buyer is to operate the Transportation Service on Seller's behalf.

10. TRANSPORTATION MANAGEMENT:

After Buyer has assigned the respective TCPL and GLGT components of the Transportation Service to Seller, Buyer will:

- (a) act as agent on Seller's behalf with respect to the management of all pipeline agreements pertaining to the Expansion Capacity, and nomination and utilization of capacity during the Term, and
- (b) indemnify Seller for any loss or damage directly caused by Buyer.

11. FINANCIAL ASSURANCES:

Buyer will provide the initial financial assurances required for the Expansion Capacity. Upon assigning and novating the respective TCPL and GLGT components of the Transportation Service to Seller, Seller will be responsible for all financial assurances required under the Expansion Capacity agreements.

12. SELLER DEFAULT:

If Seller defaults under this Agreement, Seller shall provide Buyer the option of having the respective TCPL and GLGT components of the Transportation Service assigned and novated, in whole or in part, from Seller back to Buyer.

13. RESERVES DEDICATION:

Seller may have to provide reserves for dedication under this Agreement. If dedication of reserves is required by any regulatory body for export or import permits or licences for a long term market, then Seller shall dedicate reserves as required. Seller will be responsible for all costs associated with reserves dedication, including the cost of obtaining reserves studies.

14. CONDITIONS PRECEDENT:

Purchase and sale performance under this Agreement is first conditional on and subject to:

- (a) Buyer entering into all requisite firm Transportation Service agreements with NOVA, TCPL and GLGT, and the provision of related financial assurances by Buyer or Buyer's affiliate to Expansion Capacity companies;
- (b) Buyer obtaining all requisite Alberta removal permits, National Energy Board export authorizations, and the Federal Energy Regulatory Commission import licences;

- (c) The applicable pipelines obtaining certification and approval for service under the expansion facilities, with an in service date presently estimated to be November 1, 1998, with expansion rates and tolls implemented on a rolled in basis; and
- (d) Seller meeting the credit requirements of Buyer, TCPL and GLGT.

15. RIGHT OF FIRST REFUSAL:

Buyer shall have the right of first refusal to obtain the Transportation Service if, at the end of the Term, Seller decides to transfer its interest in and right to the Transportation Service. Buyer will have thirty (30) days to inform Seller of its decision regarding the exercise of this right.

16. OTHER:

The Formal Contract shall include all Term Sheet basic terms and conditions and all other incidental clauses that are typically contained in a firm long term gas purchase agreement. Either party shall have the right to submit any dispute arising during the negotiation of the Formal Contract to binding arbitration, except for a dispute over these basic terms. Buyer and Seller shall diligently perform any and all necessary activities required to finalize the Formal Contract by November 1, 1996, and commence the purchase and sale of gas by November 1, 1998.

Westcoast Gas Services Inc.

A WESTCOAST ENERGY COMPANY

August 9, 1996

Rigel Oil & Gas Ltd.
1900 Bow Valley Square 3
255 - 5th Avenue S.W.
Calgary, Alberta
T2P 3G6

Attention: **Mr. Paul Pocente**
Business Development Specialist

Dear Paul:

Re: Letter Agreement: Great Lakes Gas Transmission ("GLGT") Expansion Capacity


Westcoast Gas Services Inc. ("WGS") has been awarded firm transportation service on the GLGT pipeline expansion system, and has applied for firm transportation service on the TransCanada PipeLines Limited ("TCPL") pipeline expansion system (collectively referred to as the "Expansion Capacity"). Pending the preparation and execution of a more formal agreement, this Letter Agreement, including the attached Term Sheet (the "Letter Agreement") sets out the agreement between Westcoast Gas Services Inc. ("Buyer") and Rigel Oil & Gas Ltd. ("Seller") regarding the terms and conditions to be incorporated into a formal firm gas purchase contract (the "Formal Contract") for the purchase and sale of natural gas between Buyer and Seller.

1. Term Sheet. The Formal Contract will be finalized in accordance with this Letter Agreement, and the Term Sheet attached to it as Exhibit "A" (the "Term Sheet"). To the extent there is any conflict between the Term Sheet and this Letter Agreement, this Letter Agreement will prevail.
2. Definitive Agreement. Buyer and Seller will incorporate the terms and conditions expressed in this Letter Agreement into a mutually acceptable definitive Formal Contract on such a date as mutually agreed to. The Formal Contract will be subject to, and conditioned upon, the satisfaction of the conditions precedent ("Conditions Precedent") set forth in this Letter Agreement. In the event the parties fail to negotiate and execute a definitive Formal Contract, then subject to the satisfaction of those Conditions Precedent, the terms of this Letter Agreement will be binding, in any event.
3. Confidentiality. The existence of this Letter Agreement is confidential and not to be discussed with or disclosed to any third party, except: (i) with the express prior written consent of the other party; (ii) as may be required by a regulatory agency, or a court of law.
4. Expansion Capacity Confirmation. Buyer will confirm to Seller the specific Expansion Capacity arrangements as committed to by Buyer, and the resulting actual Daily Contract Quantity applicable under Section 2 of the Term Sheet, once the arrangements are confirmed.

If you are in agreement with the terms and conditions of this Letter Agreement, please sign both counterpart copies in the space provided below and return one counterpart no later than 12:00 Hours MST on August 20, 1996 to Westcoast Gas Services Inc., to my attention.


Yours truly,

Westcoast Gas Services Inc. ("Buyer")

By: 
Name: DAVID W. HASKETT
MANAGER, SUPPLY
Title: _____

Agreed to and accepted this _____ day of _____, 1996

Rigel Oil & Gas Ltd. ("Seller")

* By: 
Name: HAROLD JEFFERS
VICE PRESIDENT
Title: BUSINESS DEVELOPMENT
AND GAS MARKETING

* Rigel Oil & Gas Ltd. has signed this Letter Agreement on the condition that Westcoast Gas Services Inc. accepts the following condition of termination.

"Buyer and Seller agree that if the Date of First Delivery has not occurred on or before November 1, 1999, either party may terminate this Transaction by giving thirty (30) days written notice to the other party prior to December 31, 1999."



EXHIBIT "A" - TERM SHEET

To a Letter Agreement dated August 9, 1996
Between Westcoast Gas Services Inc. ("Buyer") and Rigel ~~Energy Corporation~~ ("Seller")
OIL + GAS LTD Rem

1. **TERM:** This Agreement is for a 10 year term commencing on November 1, 1998, the commencement date as estimated by GLGT and TCPL, or such later date as when the Expansion Capacity is available for use. Deliveries and purchases will commence on November 1, 1998, (the "Date of First Delivery") the estimated date of availability of the Expansion Capacity on the GLGT and TCPL transportation systems.

2. **DAILY CONTRACT QUANTITY:** 5,000 MMBtu/day (5,273 GJ/day), plus fuel gas requirements for the NOVA Gas Transmission Ltd. ("NOVA"), TCPL and GLGT pipeline systems. If Buyer obtains less than the applied for Expansion Capacity on either or both of the TCPL and GLGT systems, then the Daily Contract Quantity will be:
$$5,000 \text{ MMBtu/day} \times \frac{\text{Capacity allocated to Buyer}}{\text{Expansion Capacity}}$$

The minimum Daily Contract Quantity that Seller will deliver to Buyer is 5,000 MMBtu/day (5,273 GJ/day) plus fuel gas.

3. **DELIVERY POINT:** AECO "C" / N.I.T.

4. **QUALITY OF SERVICE:** Buyer shall nominate to and purchase from Seller, and Seller shall sell and deliver to Buyer, each day on a firm basis, at a 100% load factor, the total quantity of gas up to the Daily Contract Quantity.

5. **PRICE:** Buyer will pay Seller for all gas purchased under this Agreement a price in U.S. dollars per MMBtu, based on the arithmetic average of the *Gas Daily's* Michigan "Consumers Power - Large End Users" and "Michcon - Large End Users" monthly indices less Buyer's Marketing Fee as defined below.

6. **TRANSPORTATION COSTS:** Seller shall pay for all costs and charges associated with or related to the Transportation Service (defined below), based on 100% utilization, including pipeline tariffs and tolls, fuel charges and taxes, incurred on the NOVA, TCPL and GLGT systems between the Delivery Point and St. Clair for the

- (c) The applicable pipelines obtaining certification and approval for service under the expansion facilities, with an in service date presently estimated to be November 1, 1998, with expansion rates and tolls implemented on a rolled in basis; and
- (d) Seller meeting the credit requirements of Buyer, TCPL and GLGT.

15. RIGHT OF FIRST REFUSAL:

Buyer shall have the right of first refusal to obtain the Transportation Service if, at the end of the Term, Seller decides to transfer its interest in and right to the Transportation Service. Buyer will have thirty (30) days to inform Seller of its decision regarding the exercise of this right.

16. OTHER:

The Formal Contract shall include all Term Sheet basic terms and conditions and all other incidental clauses that are typically contained in a firm long term gas purchase agreement. Either party shall have the right to submit any dispute arising during the negotiation of the Formal Contract to binding arbitration, except for a dispute over these basic terms. Buyer and Seller shall diligently perform any and all necessary activities required to finalize the Formal Contract by November 1, 1996, and commence the purchase and sale of gas by November 1, 1998.

Westcoast Gas Services Inc.

A WESTCOAST ENERGY COMPANY

September 30, 1996

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

Attention: Mr. Jim Sloan
Marketing Manager

Dear Jim:

Re: Letter Agreement: Great Lakes Gas Transmission ("GLGT") Expansion Capacity

Westcoast Gas Services Inc. ("**WGS**I") has been awarded firm transportation service on the GLGT pipeline expansion system, and has applied for firm transportation service on the TransCanada PipeLines Limited ("**TCPL**") pipeline expansion system (collectively referred to as the "**Expansion Capacity**"). Pending the preparation and execution of a more formal agreement, this Letter Agreement, including the attached Term Sheet (the "**Letter Agreement**") sets out the agreement between Westcoast Gas Services Inc. ("**Buyer**") and Talisman Energy Inc. ("**Seller**") regarding the terms and conditions to be incorporated into a formal firm gas purchase contract (the "**Formal Contract**") for the purchase and sale of natural gas between Buyer and Seller.

1. Term Sheet. The Formal Contract will be finalized in accordance with this Letter Agreement, and the Term Sheet attached to it as Exhibit "A" (the "**Term Sheet**"). To the extent there is any conflict between the Term Sheet and this Letter Agreement, this Letter Agreement will prevail.
2. Definitive Agreement. Buyer and Seller will incorporate the terms and conditions expressed in this Letter Agreement into a mutually acceptable definitive Formal Contract on such a date as mutually agreed to. The Formal Contract will be subject to, and conditioned upon, the satisfaction of the conditions precedent ("**Conditions Precedent**") set forth in this Letter Agreement. In the event the parties fail to negotiate and execute a definitive Formal Contract, then subject to the satisfaction of those Conditions Precedent, the terms of this Letter Agreement will be binding, in any event.
3. Confidentiality. The contents of this Letter Agreement is confidential and not to be discussed with or disclosed to any third party, except: (i) with the express prior written consent of the other party; (ii) as may be required by a regulatory agency, or a court of law.

-
4. Expansion Capacity Confirmation. Buyer will confirm to Seller the specific Expansion Capacity arrangements as committed to by Buyer, and the resulting actual Daily Contract Quantity applicable under Section 2 of the Term Sheet, once the arrangements are confirmed.

If you are in agreement with the terms and conditions of this Letter Agreement, please sign both counterpart copies in the space provided below and return one counterpart to Westcoast Gas Services Inc., to my attention.

Yours truly,

WESTCOAST GAS SERVICES INC. ("Buyer")

By: _____

Name: _____

Title: _____

Agreed to and accepted this _____ day of _____, 1996

TALISMAN ENERGY INC. ("Seller")

By: _____

Name: _____

Title: _____

EXHIBIT "A" - TERM SHEET

To a Letter Agreement dated September 30, 1996
Between Westcoast Gas Services Inc. ("**Buyer**") and Talisman Energy Inc. ("**Seller**")

1. **TERM:**

This Agreement is effective as of September 30, 1996, and will remain in effect until superseded by the Formal Contract, or if not superseded by the Formal Contract, then until ten (10) years from the effective date of the Transportation Service Agreements (defined below), such date estimated to be November 1, 1998.

Delivery of gas hereunder shall commence on the effective date of the Transportation Service Agreements (defined below), such date estimated to be November 1, 1998 ("**Date of First Delivery**").
2. **DAILY CONTRACT QUANTITY ("DCQ"):**

10,000 MMBtu/day (10,546 GJ/day), plus fuel gas requirements for the NOVA Gas Transmission Ltd. ("**NOVA**"), TCPL and GLGT pipeline systems. If Buyer obtains less than the applied for Expansion Capacity on either or both of the TCPL and GLGT systems, then the DCQ will be:

$$10,000 \text{ MMBtu/day} \times \frac{\text{Capacity allocated to Buyer}}{\text{Expansion Capacity}}$$

Plus fuel gas.
3. **DELIVERY POINT:**

AECO "C" / N.I.T.
4. **QUALITY OF SERVICE:**

Buyer shall nominate to and purchase from Seller, and Seller shall sell and deliver to Buyer, each day on a firm basis, at a 100% load factor, the total quantity of gas equal to the DCQ.
5. **PRICE:**

Buyer will pay Seller for all gas purchased under this Agreement a price in U.S. dollars per MMBtu, based on the arithmetic average of the *Gas Daily's* Michigan "Consumers Power - Large End Users" and "Michcon - Large End Users" monthly indices less Buyer's Marketing Fee as defined below.
6. **TRANSPORTATION COSTS:**

Seller shall pay for all direct costs and charges associated with or related to the transportation service based on 100% utilization, which shall be published pipeline tariffs, tolls, and taxes, incurred on the NOVA, TCPL and GLGT systems between the Delivery Point and St. Clair for the Term.

For reasons other than Force Majeure (defined below), Buyer shall reimburse Seller for unutilized transportation costs incurred by Seller for transportation service as a result of Buyer's failure to purchase hereunder the DCQ on any day during the 10 year term commencing on the Date of First Delivery, provided that Seller was willing, ready and able to deliver the DCQ to Buyer on such day.

7. **MARKETING FEE:**

Buyer's Marketing Fee shall be US\$0.015/MMBtu, except for quantities of fuel gas.

8. **PIPELINE COMMITMENTS:**

Buyer will enter into 10 year transportation agreements with TCPL for firm service transportation from Empress to Emerson, Manitoba, on the TCPL pipeline system, and with GLGT for firm service from Emerson to St. Clair, on the GLGT pipeline system (collectively referred to as the "Transportation Service Agreements") prior to the Date of First Delivery. Buyer will also hold a matching commitment for NOVA Firm Service Delivery.

9. **ASSIGNMENT OF TRANSPORTATION SERVICE:**

- (a) Subject to the provisions of this Agreement, Buyer shall use all reasonable efforts to assign and novate Seller's pro rata share of the Transportation Service Agreements held by Buyer, to Seller prior to the Date of First Delivery. If the assignment and novation agreement cannot be executed, then Buyer shall retain the unassigned component(s) of the Transportation Service Agreements for the benefit of Seller, in consideration of additional reasonable costs, in the event the delay in completing the assignment and novation agreement is due to unreasonable delays caused by Seller.
- (b) Buyer will not be held liable for any unforeseen delays in completing the assignment and novation agreement for which Buyer is not directly responsible.
- (c) Upon assignment of the Transportation Service Agreements, Seller will be responsible for providing financial assurances to the respective pipeline companies as required.
- (d) The assignment and novation agreement will provide that Seller must meet the credit-worthiness standards of each pipeline company on a timely basis, and otherwise must be consistent with the published and approved assignment process, procedures, standard form agreements, and tariff requirements of each applicable pipeline. The assignment will be permanent in nature.

- (e) Upon execution of the assignment and novation agreement, Seller will immediately enter into an agency agreement with Buyer appointing Buyer as agent for Seller with respect to the assigned Transportation Service Agreements. Seller will complete all necessary documentation with TCPL and GLGT to give effect to the agency arrangement. Seller will also enter into an operating agreement with Buyer substantially in the form attached as Exhibit "B", that outlines the terms and conditions under which Buyer is to operate the Transportation Service Agreements on Seller's behalf.

10. **TRANSPORTATION MANAGEMENT:**

After Buyer has assigned the Transportation Service Agreements to Seller, Buyer will:

- (a) act as agent on Seller's behalf with respect to the management of all pipeline agreements pertaining to the Expansion Capacity, and nomination and utilization of capacity during the Term; and
- (b) indemnify Seller for any loss or damage directly caused by Buyer.

11. **FINANCIAL ASSURANCES:**

Buyer will provide the initial financial assurances required for the Expansion Capacity. Upon assigning and novating the Transportation Service Agreements to Seller, Seller will be responsible for all financial assurances required under the Transportation Service Agreements.

12. **DEFAULT AND TRANSPORTATION SERVICE AGREEMENTS:**

If a party (the "Defaulting Party") materially defaults under this Agreement, and fails to rectify or commence to rectify in good faith the material default within twenty (20) days of receipt of notice of the default, the other party (the "Non-defaulting Party") shall have the right to terminate this Agreement by delivery of a termination notice to the Defaulting Party, which termination notice shall specify the default, and this Agreement shall terminate effective ten (10) days following the date of delivery of the termination notice, unless the Defaulting Party rectifies its default prior to the expiry of such 10 day period. Upon termination, the Non-defaulting Party shall have the right to assume or retain, as the case may be, the Transportation Service Agreements.

13. **RESERVES DEDICATION:**

Seller may have to provide reserves for dedication under this Agreement. If dedication of reserves is required by any regulatory body for export or import permits or licenses for a long term market, then Seller shall dedicate reserves as required. Seller will be responsible for all costs associated with reserves dedication, including the cost of obtaining reserves studies.

14. **CONDITIONS PRECEDENT:**

Purchase and sale performance under this Agreement is first conditional on and subject to:

- (a) Buyer entering into all requisite firm Transportation Service Agreements with TCPL and GLGT, and the provision of related financial assurances by Buyer or Buyer's affiliate to TCPL and GLGT by May 1, 1998;
- (b) Buyer obtaining all requisite provincial removal authorizations, National Energy Board export authorizations, and the U.S. Department of Energy import authorizations by May 1, 1998;
- (c) The applicable pipelines obtaining certification and approval for service on Expansion Capacity, with an in service date presently estimated to be November 1, 1998, with expansion tolls implemented on a rolled in basis by May 1, 1998; and
- (d) Seller meeting the credit requirements of TCPL and GLGT by November 1, 1998.

The conditions in Subclauses 14(a) and (b) are for the sole benefit of Seller. The condition in Subclause 14(d) is for the sole benefit of Buyer. The condition in Subclause 14(c) is for the benefit of both Buyer and Seller. A party responsible for satisfying a condition precedent shall act in good faith to satisfy it. The party for the benefit of which such conditions have been included may waive them, in whole or in part, by written notice to the other party, without prejudice to any of the rights of the party waiving such condition. In the event that a condition provided in Clause 14 has not been satisfied at or before the date specified in the applicable Subclause of Clause 14 and such condition has not been waived by the party for the benefit of which such condition has been included, such party may terminate this Agreement by written notice, with termination to become effective sixty (60) days from the date of receipt of such notice.

15. **RIGHT OF FIRST REFUSAL:** Buyer shall have the right of first refusal to be assigned the Transportation Service Agreements if, at the end of the Term, Seller decides to transfer its interest in and right to the Transportation Service Agreements. Buyer will have thirty (30) days to inform Seller of its decision regarding the exercise of this right.
16. **NON-PAYMENT:** In the event Buyer fails to pay for any gas delivered hereunder, then Seller shall be entitled to suspend deliveries of gas hereunder five (5) days after the date the payment is due. In addition to the foregoing and any other rights or remedies Seller may have under this Agreement or at law or equity, in the event that Buyer's failure to pay for gas delivered hereunder continues for a period of thirty (30) days following suspension of deliveries by Seller, Seller shall have the right to terminate this Agreement, by delivery of a termination notice to Buyer, which termination notice shall specify the default, and this Agreement shall terminate effective ten (10) days following the date of delivery of the termination notice, unless Buyer rectifies its default prior to the expiry of such 10 day period. Upon termination, Seller shall have the right to assume or retain, as the case may be, the Transportation Service Agreements.
17. **FORCE MAJEURE:** The performance of any of the obligations of a party hereto may be delayed or suspended while, but only so long as, such party is prevented, in whole or in part, from performance due to Force Majeure. The parties hereto shall provide in the Formal Contract which cause(s) will be defined as Force Majeure events.
18. **FORMAL CONTRACT:** The Formal Contract shall include all Term Sheet basic terms and conditions and all other incidental clauses that are typically contained in a firm long term gas purchase agreement. Either party shall have the right to submit any dispute arising during the negotiation of the Formal Contract to binding arbitration, except for a dispute over these basic terms. Buyer and Seller shall diligently perform any and all necessary activities required to finalize the Formal Contract by November 1, 1996, and commence the purchase and sale of gas by November 1, 1998.
19. **OTHER COSTS:** The parties hereto shall provide in the Formal Contract the apportionment between Seller and Buyer of costs relating to the Transportation Service Agreements and regulatory approvals required hereunder.

20. **REMEDIES:**

If this Agreement is terminated pursuant to a provision hereof, neither party shall be liable for loss of profit or revenue, any and all indirect or consequential damages, special or punitive damages, equitable claims, or claims based on a form of implied condition, warranty or collateral representation. However, the parties hereto agree that upon termination, except for termination pursuant to Clause 14 hereof, liquidated damages will be paid to the Non-defaulting Party equal to an amount that represents the "mark-to-market" value. The method for determining the mark-to-market value shall be provided in the Formal Contract.

21. **MISCELLANEOUS:**

- (a) This Agreement shall be governed by the laws of the Province of Alberta and the parties hereto shall submit to the jurisdiction of the Courts of Alberta and courts of appeal therefrom for the interpretation, construction and enforcement of this Agreement.
- (b) This Agreement shall not be assignable by either party without the prior written consent of the other party.
- (c) No amendment, alteration, or waiver of any provisions of this Agreement shall be binding upon either party unless the same is in writing and signed by the parties.
- (d) This Agreement shall bind and inure to the benefit of the parties hereto and their respective successors and assigns.

EXHIBIT "B"

THIS OPERATING AGREEMENT is made as of September 30, 1996.

BETWEEN:

TALISMAN ENERGY INC., a corporation having an office and carrying on business in the City of Calgary, in the Province of Alberta (referred to as "**Customer**")

- AND -

WESTCOAST GAS SERVICES INC., a corporation having an office and carrying on business in the City of Calgary, in the Province of Alberta (referred to as "**WGS**I")

WHEREAS, Customer and WGS I are parties to a letter agreement dated September 27, 1996, which is attached to and incorporated into this Agreement (that letter agreement and any amendments to it are referred to in this Agreement as the "**Letter Agreement**");

AND WHEREAS, WGS I has entered into respective agreements with Great Lakes Gas Transmission ("**GLGT**") and TransCanada PipeLines Limited ("**TCPL**") for firm transportation service (collectively referred to as the "**Transportation Service**") under the respective GLGT and TCPL Expansion Capacity projects, (collectively referred to as the "**Expansion Capacity**") as outlined in the Letter Agreement;

AND WHEREAS, WGS I has entered into an agreement with NOVA Gas Transmission Ltd. ("**NOVA**") for NOVA Firm Service Delivery;

AND WHEREAS, WGS I and Customer have entered into an Assignment and Novation Agreement dated _____, whereby WGS I transferred, assigned and novated to Customer, and Customer accepted all of WGS I's rights, obligations, title, interest and estate in and to the Transportation Service;

AND WHEREAS, WGSi and Customer have entered into an Agency Agreement dated _____, appointing WGSi as Customer's agent to manage and operate the Transportation Service on Customer's behalf;

NOW THEREFORE, in consideration of these premises, covenants, terms and conditions contained in this Agreement, the parties agree as follows:

1. **TERM:**

This Agreement is for a 10 year term commencing on November 1, 1998 at 08:00 hours MST, the commencement date as estimated by GLGT and TCPL, or such later date as when the Expansion Capacity is available for use. Deliveries and purchases of natural gas will commence on November 1, 1998, the estimated date of availability of the Expansion Capacity on the GLGT and TCPL transportation systems.

2. **DELIVERY POINT:**

Customer will deliver natural gas to WGSi at the AECO "C" / N.I.T. delivery point.

3. **TRANSPORTATION:**

(a) Management:

With respect to the Transportation Service, WGSi will act as agent on Customer's behalf to:

- (i) manage all pipeline agreements pertaining to the Expansion Capacity;
- (ii) manage nominations and utilization of capacity from the Delivery Point for the Term;
- (iii) handle all TCPL and GLGT billing and administrative functions;

- (iv) administer and operate the Daily Contract Quantity in Customer's best interest; and
- (v) manage the Transportation Service in WGSJ's sole discretion.

WGSJ will indemnify Customer for any loss or damage directly caused by WGSJ in WGSJ's role as agent for Customer for the foregoing matters, except for those losses or damages resulting from WGSJ following the instructions of Customer.

(b) **Costs:**

Customer shall pay for all costs and charges associated with or related to the Transportation Service, based on 100% utilization, including pipeline tariffs and tolls, fuel charges and taxes, incurred on the NOVA, TCPL and GLGT pipeline systems between the Delivery Point and St. Clair, including the costs and charges incurred at the Delivery Point and St. Clair, for the Term. All Transportation Service arrangements referred to in this Agreement are subject to government orders, provincial and federal regulations and taxes.

4. RIGHT OF FIRST REFUSAL:

WGSJ shall have the right of first refusal to obtain the Transportation Service if, at the end of the Term, Customer decides to transfer its interest in and right to the Transportation Service. WGSJ will have thirty (30) days to inform Customer of its decision regarding the exercise of this right.

5. EFFECTIVE DATE:

This Agreement shall be effective as of November 1, 1998.

6. TERMS AND CONDITIONS:

This Agreement is subject to the terms and conditions contained in the Letter Agreement. If there is any conflict between this Agreement and the Letter Agreement the terms of this Agreement will prevail.

7. MISCELLANEOUS:

- (a) This Agreement shall be governed by the laws of the Province of Alberta and the parties hereto shall submit to the jurisdiction of the Courts of Alberta and courts of appeal therefrom for the interpretation, construction and enforcement of this Agreement.
- (b) This Agreement shall not be assignable by either party without the prior written consent of the other party.
- (c) No amendment, alteration, or waiver of any provisions of this Agreement shall be binding upon either party unless the same is in writing and signed by the parties.
- (d) This Agreement shall bind and inure to the benefit of the parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF the parties hereto have properly executed this Agreement as of the date first above written.

TALISMAN ENERGY INC. ("Customer")

WESTCOAST GAS SERVICES INC. ("WGS")

Westcoast Gas Services Inc.

A WESTCOAST ENERGY COMPANY

1996 NOV -4 P 1:09

November 1, 1996

REC'D DOE/FE
NOV 1 1996

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

Dear Sirs:

Re: Application of Westcoast Gas Services Inc. for Long Term Authorization to Import Gas from Canada to the United States for Sale to Westcoast Gas Services (U.S.A.) Inc.

Further to our above-captioned Application dated October 30, 1996, attached please find the execution page for attachment to the Purchase Letter Agreement of Talisman Energy Inc.

Please contact the undersigned at (403) 297-0356 if further information is required.

Yours truly,

WESTCOAST GAS SERVICES INC.



Patricia French
Regulatory Administrator

4. Expansion Capacity Confirmation. Buyer will confirm to Seller the specific Expansion Capacity arrangements as committed to by Buyer, and the resulting actual Daily Contract Quantity applicable under Section 2 of the Term Sheet, once the arrangements are confirmed.

If you are in agreement with the terms and conditions of this Letter Agreement, please sign both counterpart copies in the space provided below and return one counterpart to Westcoast Gas Services Inc., to my attention.

Yours truly,

WESTCOAST GAS SERVICES INC. ("Buyer")

By: _____

Name: _____

J. A. THOMPSON
Director, Supply & Marketing

Title: _____

Agreed to and accepted this 01 day of November, 1996

TALISMAN ENERGY INC. ("Seller")

By: _____

Name: _____

Title: _____

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

FEB 13 1997 A 10:57

REC'D DOE/FE

WESTCOAST GAS SERVICES INC.)
_____)

FE DOCKET NO. 96-82-NG

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

DOE/FE ORDER NO. 1254

FEBRUARY 13, 1997

I. DESCRIPTION OF REQUEST

On November 6, 1996, Westcoast Gas Services Inc. (WGSII) 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, requesting authorization to import up to 25,000 Mcf per day of natural gas from Canada. The term of the proposed authorization would be for a period of 10 years beginning November 1, 1998, and extending through October 31, 2008. WGSII, a Canadian corporation with its principal office in Calgary, Alberta, Canada, is a marketer of natural gas throughout North America.

WGSII intends to purchase the natural gas from a Canadian producer pool comprised of Apache Canada Ltd., Beau Canada Exploration Ltd., Rigel Oil and Gas Ltd. and Talisman Energy Inc. in accordance with the terms of letter agreements which will be incorporated into formal contracts. The pricing terms of these agreements provide for a market-sensitive index price based on the arithmetic average of the Gas Daily's Michigan "Consumers Power-Large End Users" and "Michcon-Large End Users" monthly indices.

WGSII would sell the imported gas to Westcoast Gas Services (U.S.A.), Inc. (Westcoast-U.S.A.), a Delaware corporation with its principal place of business in Southfield, Michigan, and a wholly-owned subsidiary of WGSII. The gas will be delivered to Westcoast-U.S.A. at or near Emerson, Manitoba, where the pipeline facilities of TransCanada PipeLines Limited interconnect with the pipeline facilities of Great Lakes Gas Transmission Limited

1. 15 U.S.C. § 717b.

Partnership. Westcoast-U.S.A. plans to utilize the gas to diversify its supply portfolio to serve both current and new markets in the Midwest and Northwest.

II. FINDING

The application filed by WGSII has been evaluated to determine if the proposed import arrangement meets the public interest requirement of section 3 of the NGA, as amended by section 201 of the Energy Policy Act of 1992 (Pub. L. 102-486). Under section 3(c), the 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 WGSII to import natural gas from Canada, a nation with which a free trade agreement is in effect, meets the section 3(c) criterion and, therefore, is consistent with the public interest.

ORDER

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

A. Westcoast Gas Services Inc. (WGSII) is authorized to import from Canada up to 25,000 Mcf per day of natural gas. The term of the authorization shall begin November 1, 1998, and continue through October 31, 2008.

B. This gas shall be imported near Noyes, Minnesota, (Emerson, Manitoba), where the pipeline facilities of TransCanada PipeLines Limited interconnect with the pipeline system of Great Lakes Transmission Limited Partnership. The natural gas must be

imported in accordance with the provisions contained in the four gas purchase agreements filed with WGSII's application, and the gas sales agreement between WGSII and Westcoast Gas Services (U.S.A.) Inc., filed in this docket.


C. Within two weeks after deliveries begin, WGSII shall provide written notification to the Office of Natural Gas & Petroleum Import and Export Activities, Fossil Energy, Room 3F-056, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, of the date that the first imports of natural gas authorized in Ordering Paragraph A above occurred.

D. With respect to the natural gas imports authorized by this Order, WGSII shall file with the Office of Natural Gas & Petroleum Import and Export Activities, within 30 days following each calendar quarter, quarterly reports indicating by month the volumes of gas imported pursuant to this Order. If no imports have been made, a report of "no activity" for that calendar quarter must be filed. If imports have occurred, WGSII must report total monthly volumes in Mcf by supplier and the average purchase price of gas per MMBtu delivered at the international border and paid to the four suppliers as identified in its application. The monthly price information shall itemize separately the demand and commodity components. The commodity cost should include WGSII's per unit marketing fee component. In addition, WGSII shall provide, to the extent possible, a breakdown of the import volumes showing the amount sold in each state and to each of its customers.

E. If and when Gas Purchase Letter Agreements with each of its four supplies are replaced with formal gas purchase contracts, WGSII must file copies with our Office within 30 days following signature of the parties.

F. The first quarterly report required by Ordering Paragraph D of this Order is due not later than January 30, 1999, and shall cover the period from November 1, 1998, to the end of the fourth calendar quarter, December 31, 1998.

Issued in Washington, D.C., on February 13, 1997.


Wayne E. Peters
Manager, Natural Gas Regulation
Office of Natural Gas & Petroleum
Import and Export Activities
Office of Fossil Energy

ENGAGE

RUSH

Fax No.: ()

FACSIMILE COVER SHEET

Date: June 6/87
 To: Mr. T. Dukes To Wayne
 From: P. French
 Subject: Order No. 1254
 No. of Pages (Including Cover Sheet): 2

REC'D FAX/FE
JUN 9 A 7:40

Comments:

1254-1255
1254-1257
1254-1257
1254-1257

If transmission is interrupted/received incomplete, please contact Andrea Hudson at 403.297-0400 or fax no. 403.262-3510

CONFIDENTIALITY NOTE TO AN UNINTENDED RECIPIENT: Please be advised the documents accompanying this telecopy transmission contain information belonging to ~~Westcoast Gas Services Inc.~~, which may be confidential and/or legally privileged, and is intended **ONLY** for the use of the individual or entity named above. If you are not the intended recipient, please be notified that the taking of any action in reliance on the contents of this telecopied information is prohibited. If you have received this telecopy in error, please immediately notify us by telephone and arrange for return of the original documents to us.

ENGAGE

June 6, 1997

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

REC'D DOE/FE
JUN 11 1997 A 7:40

Attention: Mr. Thomas Dukes
Senior Analyst
Office of Natural Gas & Petroleum
Import and Export Activities

Dear Mr. Dukes:

Re: Westcoast Gas Services Inc. Long Term Authorization to Import Gas from Canada to the United States for sale to Westcoast Gas Services (U.S.A.) Inc. For a Term of 10 Years from November 1, 1998 to October 31, 2008.
FE Docket No. 96-82-NG, DOE/FE Order No. 1254

Further to our correspondence of June 2, 1997, forwarding revisions to the above captioned Order, Westcoast Gas Services Inc. respectfully requests that the U.S. Department of Energy, Fossil Energy (the "Department"), allow Westcoast to withdraw its request to revise FE Docket No. 96-82-NG, DOE/FE Order No. 1254. The information originally filed with the Department remains in effect. Details of necessary revisions, if any, will be forwarded to the Department in due course.

Please do not hesitate to contact the undersigned at (403) 297-0356 if further information is required.

Yours truly,

ENGAGE ENERGY CANADA, L.P.
(successor in interest to
WESTCOAST GAS SERVICES INC.)



Patricia French
Manager, Regulatory Affairs



June 4, 1998

via courier

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

Attention: Mr. Wayne Peters

Dear Mr. Peters:

Re: FE DOCKET NO. 96-82-NG, DOE / FE ORDER NO. 1254

REC'D DOE/FE
1998 JUN -5 PM 1:44

The above captioned Import Authorization was granted to Westcoast Gas Services Inc. ("WGSi"). As outlined below, all assets of WGSi have now been transferred to the new entity Engage Energy Canada, L.P. ("Engage Canada"). Engage Canada respectfully requests that U. S. Department of Energy Import Authorization FE DOCKET NO. 96-82-NG; DOE/FE ORDER NO. 1254 be transferred from WGSi to Engage Canada. In support of this request, Engage Canada submits the following information and documentation:

1. WGSi is a company engaged in, among other matters, the business of purchasing gas produced in Canada for resale to export customers in the United States of America. WGSi is a wholly owned subsidiary of Westcoast Energy Inc. ("WEI"). Both WGSi and WEI are companies incorporated under the laws of Canada.
2. Coastal Gas Marketing Canada, a Division of Coastal Canada Petroleum Inc., ("CGMC") is a body corporate incorporated under the laws of New Brunswick. CGMC is a wholly owned subsidiary of Coastal Corporation; a Company incorporated under the laws of Delaware.
3. 716883 Alberta Ltd. is a body corporate incorporated under the laws of Alberta.
4. St. Clair PipeLines (1996) Ltd. ("SCPL") is a body corporate incorporated under the laws of Canada and an indirect wholly owned subsidiary of Westcoast Energy Inc.

5. Pursuant to a Limited Partnership Agreement dated December 4, 1996 (the "**Original Agreement**") and a Certificate of Limited Partnership dated December 5, 1996, as amended December 30, 1996, WGSJ, CGMC and SCPL (the "**Limited Partners**") were parties to a new limited partnership (the "**Limited Partnership**"). The General Partner in the Original Agreement was 716883 Alberta Ltd. The name of the Limited Partnership was Newco Canada, L.P. ("**Newco Canada**").
6. Newco Canada, L.P. ("**Newco Canada**") was a limited partnership formed in accordance with the *Partnership Act* (Alberta), R.S.A. 1980, C. P02, to carry on the business of, inter alia, purchasing, selling and marketing of natural gas and other energy products and services in Canada.
7. An Amended Limited Partnership Agreement (the "**Amended Agreement**") was executed December 30, 1996 changing the name of the Limited Partnership to Engage Energy Canada, L.P. The Amended Agreement was filed with Alberta Corporate Registry on January 8, 1997.
8. The General Partner in the Amended Agreement was Newco Canada, Inc. (formerly 716883 Alberta Ltd.).
9. The Limited Partners in the Amended Agreement were CGMC, WGSJ and SCPL.
10. On February 21, 1997, an Amended and Restated Certificate of Limited Partnership (the "**Amended and Restated Certificate**") and an Amended and Restated Limited Partnership Agreement (the "**Amended and Restated Agreement**") were executed and filed with Corporate Registry on March 14, 1997.
11. Engage Energy Canada, Inc. (formerly Newco Canada, Inc.), an Alberta Corporation, is the General Partner in the Amended and Restated Certificate and Amended and Restated Agreement.
12. The Limited Partners in the Amended and Restated Certificate and Amended and Restated Agreement are CGMC, WGSJ and SCPL.
13. Effective June 1, 1997, all assets of WGSJ, CGMC and SCPL were transferred to the Limited Partnership and all contractual arrangements were finalized to entitle Engage Energy Canada, L.P. to carry on the businesses of WGSJ, CGMC and SCPL.
14. Engage Energy Canada, L.P., (formerly Westcoast Gas Services Inc.) applied for and received from the U.S. Department of Energy, authorization to export gas to its affiliate

Company in the United States, Engage Energy USA, L.P., (formerly Westcoast Gas Services (U.S.A.), Inc.). The authorization was granted in FE Docket No. 96-82-NG and DOE/FE Order No. 1254 on February 13, 1997 and is effective from November 1, 1998 until October 31, 2008.

15. Engage Energy Canada Inc. respectfully requests that, effective on date of issue, the name of the holder of the above noted import authorizations be changed from Westcoast Gas Services Inc. to Engage Energy Canada, L.P.

Attached is a copy of the Amended and Restated Certificate of Limited Partnership together with our cheque in the amount of \$50.00 US, payable to the Treasurer of the United States in payment for the name change fee application. If further information or documentation is required, please contact the undersigned at (403) 297-1479.

Yours truly,

ENGAGE ENERGY CANADA, L.P.



Josie M. Verellen,
Regulatory Affairs Assistant

Cc: Patricia French

Enclosure - Cheque \$50.00 US

**AMENDED AND RESTATED CERTIFICATE
OF
LIMITED PARTNERSHIP**

UNDER SECTION 51 OF THE PARTNERSHIP ACT, R.S.A. 1980, c. P-2, as amended

We, the undersigned, do hereby certify that we have entered into an agreement made as of the 21st day of February, 1997 (the "Amended and Restated Limited Partnership Agreement"), a copy of which is attached hereto as Schedule "A" and which forms a part of this Certificate, and that we desire to amend the Certificate of Limited Partnership dated December 5, 1996, as amended by the Amended Certificate of Limited Partnership of January 8, 1997, to reflect the terms and provisions of the Amended and Restated Limited Partnership Agreement in the manner indicated below.

This Amended and Restated Certificate of Limited Partnership is amended and restated to the Amended Certificate of Limited Partnership filed January 8, 1997.

Unless otherwise defined below, words that are capitalized have the same meaning as in the Amended and Restated Limited Partnership Agreement.

1. **Name**

The name of the limited partnership is ENGAGE ENERGY CANADA, L.P. (the "Limited Partnership").

2. **Character of Business**

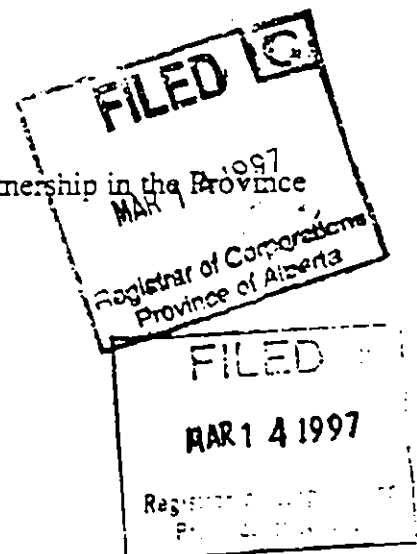
Section 2 of the Amended Certificate of Limited Partnership is deleted and replaced with the following:

The purposes of the Limited Partnership are to as set out in Section 2.4 of the Amended and Restated Limited Partnership Agreement.

3. **Registered Place of Business/Principal Place of Business**

The registered principal place of business of the Limited Partnership in the Province of Alberta is:

Canada Trust Tower
1100, 421-7th Ave. S.W.
Calgary, Alberta
T2P 4K9



The principal office of the Limited Partnership in Canada is:

Canada Trust Tower
1100, 421-7th Ave. S.W.
Calgary, Alberta
T2P 4K9

4. Name and Addresses

Section 4 of the Amended Certificate of Limited Partnership is amended by changing the reference from Schedule "A" to Schedule "B".

The names and addresses of the Partners are as set forth in Schedule "B", which is attached hereto and forms part of this Certificate.

5. Powers

Section 5 of the Amended Certificate of Limited Partnership is amended to provide that the powers of the General Partner are "as more fully set out in Section 6.1 of the Amended and Restated Limited Partnership Agreement."

The powers of the General Partner include all powers, statutory and otherwise, possessed by general partners under the laws of the *Partnership Act* (Alberta), R.S.A., 1980, c. P-2 (the "Act"), as more fully set out in Section 6.1 of the Amended and Restated Partnership Agreement.

6. Officers

Section 6 of the Amended Certificate of Limited Partnership is deleted and replaced with the following:

The officers of the Limited Partnership shall be appointed by the General Partner all as more fully set out in Section 6.3 of the Amended and Restated Limited Partnership Agreement.

7. Term

Section 7 of the Amended Certificate of Limited Partnership is deleted and replaced with the following:

The Partnership shall dissolve and its business and affairs shall be wound up on the first to occur of the following:

- i. the unanimous written consent of the Partners;

- ii. the retirement, resignation, expulsion or Bankruptcy of the General Partner or the occurrence of any other event that terminates the continued membership of a General Partner in the Partnership, unless the business of the Partnership is continued by any remaining General Partners, or a Person who becomes a General Partner forthwith on the retirement, resignation, expulsion or Bankruptcy of the General Partner and with the consent of all the remaining Partners within 90 days following the occurrence of such event.

all as set out in Section 11.1 of the Amended and Restated Limited Partnership.

8. Contributions of Partners

Section 8 of the Amended Certificate of Limited Partnership is amended by changing the reference from Schedule "A" to Schedule "B".

The contributions of the Partners are as set forth in Schedule "B" hereto and no other property has been contributed to the Limited Partnership by a Partner.

9. Additional Contributions

Section 9 of the Amended Certificate of Limited Partnership is amended by adding the phrase "except as provided for in Article 4 and s. 11.3 of the Amended and Restated Limited Partnership Agreement".

No Partner of the Limited Partnership is required or permitted to make any additional Capital Contribution to the Limited Partnership, except as provided for in Article 4 and Section 11.3 of the Amended and Restated Limited Partnership Agreement.

10. Return of Contributions and Distributions

Section 10 of the Amended Certificate of Limited Partnership is deleted and replaced with the following:

No Partners are entitled to a return, or to demand a return, of any of such Partner's Capital Contribution, as more fully set out in section 4.5 of the Amended and Restated Limited Partnership Agreement, and No Partners are entitled to any distribution except as provided for in section 5.2 of the Amended and Restated Limited Partnership Agreement.

11. Share of Profits

Section 11 of the Amended Certificate of Limited Partnership is deleted and replaced with the following:

The share of the profits or other compensation by way of income which each Limited Partner is entitled to by reason of its contribution is set out in section 5.1 of the Amended and Restated Limited Partnership Agreement.

12. Right of Assignment

Section 12 of the Amended Certificate of Limited Partnership is deleted and replaced with the following:

No Limited Partner may assign all or any part of its Partnership Interest in the Limited Partnership except by agreement of all of the Partners, or as provided for and in the manner set out in Section 3.3, 3.5, 3.6 and 3.7 of the Amended and Restated Limited Partnership Agreement.

13. Admission of Additional Limited Partners

Section 13 of the Amended Certificate of Limited Partnership is amended by adding the phrase "except in accordance with Section 3.4 of the Amended and Restated Limited Partnership Agreement."

No additional Partners may be admitted except in accordance with Section 3.4 of the Amended and Restated Limited Partnership Agreement.

14. Priority Among Limited Partners

There is no right of one or more Limited Partners to priority over other Limited Partners with respect to a return of contributions or to compensation by way of income.

15. Rights of Withdrawal

No right is given to any Partner of the Limited Partnership to withdraw from the Limited Partnership.

16. Right to Demand Property

No Limited Partner has any right to demand or receive property, other than cash, in return for its contribution.

DATED at the City of Houston, Texas this 21st day of February, 1997.

General Partner:


ENGAGE ENERGY CANADA, INC.

Per: Coert 


Limited Partners:

COASTAL GAS MARKETING CANADA
by POWER OF ATTORNEY in favour
of the General Partner

Per: Coert  JW
WESTCOAST GAS SERVICES INC.
by POWER OF ATTORNEY in favour
of the General Partner

Per: Coert 

ST. CLAIR PIPELINES (1996) LTD.
by POWER OF ATTORNEY in favour
of the General Partner

Per: Coert 



SCHEDULE "A"

This is Schedule "A" attached to and forming part of
the Amended and Restated Certificate of Limited Partnership of
Engage Energy Canada, L.P. under s. 51 of the Partnership Act of Alberta

AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT

FILED
MAR 14 1997
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UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

ENGAGE ENERGY CANADA, L.P.
(Successor to Westcoast Gas
Services Inc.)

FE DOCKET NO. 96-82-NG

APR 30 1998
DOE/FE

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

DOE/FE ORDER NO. 1254-A

DOE/FE Order No. 1254 (Order 1254), issued in FE Docket No. 96-82-NG on February 13, 1997, authorized Westcoast Gas Services Inc. (WGSi), a Canadian corporation with its principal place of business in Calgary, Alberta, Canada, to import up to 25,000 Mcf per day of natural gas from Canada for a period of 10 years beginning November 1, 1998, and extending through October 31, 2008.^{1/} Deliveries under Order 1254 have not yet begun.

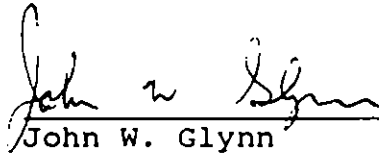
Effective June 1, 1997, all assets of WGSi (and others) were transferred to a new entity, Engage Energy Canada, L.P. (Engage Canada), and all contractual arrangements were finalized to entitle Engage Canada carry on the business of WGSi. On June 5, 1998, Engage Canada requested a corresponding transfer of Order 1254.

Accordingly, pursuant to section 3 of the Natural Gas Act, the import authorization conferred by DOE/FE Order No. 1254 is

^{1/} 1 FE § 71,375.

transferred from Westcoast Gas Services Inc. to Engage Energy Canada, L.P. (Engage Canada), effective the date of this Order. Engage Canada shall be bound by all terms and conditions set forth in Order 1254.

Issued in Washington, D.C., on June 16, 1998.



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