

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

Androscoggin Energy LLC

)

FE Docket No. 98-⁹¹~~94~~-NG

APPLICATION OF
ANDROSCOGGIN ENERGY LLC
FOR AUTHORIZATION TO IMPORT NATURAL GAS

Pursuant to Section 3 of the Natural Gas Act, 15 U.S.C. § 717b ("NGA"), and Sections 590.201, *et seq.*, of the Administrative Procedures of the Department of Energy ("DOE"), Office of the Assistant Secretary for Fossil Energy ("FE"), 10 C.F.R. § 590.201, *et seq.*, Androscoggin Energy LLC ("Androscoggin") hereby applies for authorization to import from Canada up to 160.1 Bcf of natural gas (approximately 159,954,000 MMBtu) over a period of ten years under the terms of five long-term gas purchase contracts. This request is hereinafter referred to as the "Application". The natural gas will be used as fuel at Androscoggin's cogeneration facility to be constructed near Jay, Maine.

I.

Communications regarding this Application should be addressed to:

REC'D DOE/FE
MAY 27 1998
REC'D DOE/FE
MAY 27 1998

Mr. Bryan E. Schueler
Androscoggin Energy LLC
Suite 150
650 Dundee Road
Northbrook, Illinois 60062
FAX: (847) 559-1805

Phillip G. Lookadoo, Esq.
Brian J. McManus, Esq.
Reid & Priest LLP
701 Pennsylvania Avenue, N.W.
Washington, D.C. 20004
FAX: (202) 508-4321

II.

The ten-year authorization sought herein will permit Androscoggin to import up to 16.01 Bcf per year and 160.1 Bcf over ten years commencing with the date of the first deliveries of gas under the requested import authorization. All of the gas will be purchased by Androscoggin from five gas suppliers, AltaGas Services, Inc., Beau Canada Exploration Ltd., Producers Marketing Ltd., Renaissance Energy Ltd., and Rio Alto Exploration Ltd. (the "Suppliers"), pursuant to five Gas Purchase Agreements executed between Androscoggin and each of the Suppliers for Canadian gas supplies produced in the province of Alberta.¹ Under the Gas Purchase Agreements, Androscoggin will take delivery of the gas at various points on the pipeline facilities owned by NOVA Gas Transmission Ltd. ("NOVA").

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1. The five Gas Purchase Agreements (copies of which are attached hereto as Exhibit A) were executed on the following dates:

AltaGas Services Inc.	April 22, 1997
Beau Canada Exploration Ltd.	January 27, 1997, as amended June 30, 1997
Producers Marketing Ltd.	February 12, 1997
Renaissance Energy Ltd.	March 11, 1997
Rio Alto Exploration Ltd.	May 24, 1997

NOVA will transport the gas to an interconnection with the pipeline facilities of TransCanada Pipelines Limited ("TransCanada") near Empress, Alberta. TransCanada will then transport the gas from Alberta to the U.S. - Canadian border near East Hereford, Quebec and Pittsburg, New Hampshire at an interconnection of certain proposed pipeline facilities proposed to be constructed in Canada by TransQuebec and Maritimes Pipeline, Inc. ("TQM"), an affiliate of TransCanada, and proposed to be constructed in the U.S. by Portland Natural Gas Transmission System Limited ("PNGTS"). From the U.S. - Canadian border, PNGTS will deliver the gas to Androscoggin near Jay, Maine, where the gas will be used as fuel for Androscoggin's proposed 150 MW cogeneration facility to be constructed adjacent to International Paper Company's ("International Paper") Androscoggin Mill near Jay, Maine.

PNGTS's pipeline facilities to be relied upon to transport the gas from the border crossing are part of a 142-mile long, 24 inches in diameter, pipeline extending from Pittsburg, New Hampshire to Westbrook, Maine, where PNGTS's 24-inch mainline will interconnect with proposed pipeline facilities to be jointly owned and operated by PNGTS and Maritimes and Northeast Pipeline, L.L.C. PNGTS will also construct a 12-inch diameter lateral extending 43.5 miles from a tap on PNGTS's 24-inch mainline near Rumford, Maine, through which PNGTS will transport the gas to Androscoggin's cogeneration facility near Jay, Maine.

Construction of PNGTS's pipeline and appurtenant facilities has been authorized by orders of the Federal Energy Regulatory Commission ("FERC"), acting pursuant to Sections 3 and 7(c) of the NGA, 15 U.S.C. §§ 717b, 717f(c), issued on July 31, 1997 and September

24, 1997 in *Portland Natural Gas Transmission System*, Docket Nos. CP96-248-000, *et al.*, 80 FERC ¶ 61,134, and 80 FERC ¶ 61,388 (1997).

In authorizing the construction of PNGTS's pipeline facilities, the FERC conditioned its approval on, among other matters, the issuance of an order of the National Energy Board of Canada ("NEB") approving the construction of the related facilities to be constructed by TQM and TransCanada on the Canadian side of the border. While such requisite authorization has been requested from the NEB, that agency has not yet granted its approval.

The steam produced at Androscoggin's cogeneration facility through the consumption of the natural gas imported from Canada will be sold to International Paper, to the extent of its steam requirements, for use in its adjacent mill located near Jay, Maine. International Paper will also rely upon the electricity produced by the facility, to the extent of its electrical requirements, and electrical energy produced by the cogeneration facility in excess of the needs of International Paper will be sold by Androscoggin to the New England Power Pool or other wholesale purchasers. In addition, on any day when the natural gas imported by Androscoggin exceeds its requirements for fuel at the cogeneration facility, such natural gas will be sold to third parties.

The gas imported by Androscoggin will provide a clean burning fuel for both the production of steam and the generation of electricity by means of three highly efficient topping cycle facilities. As previously indicated, International Paper has committed to purchase steam and electricity produced by Androscoggin's facility, thereby enabling International Paper to discontinue use of its own less efficient fossil fuel facilities upon which it has relied in meeting its steam requirements and a portion of its electrical needs.

In order that Androscoggin may obtain financing and, subsequently, commence and complete construction of its cogeneration facilities and have them available when PNGTS's pipeline facilities commence commercial operation, which is presently expected to be November 1, 1998, Androscoggin requests that the authorization sought herein be issued as expeditiously as possible.

Androscoggin respectfully requests that such authorization remain in effect for the term of the five Gas Purchase Agreements, each of which extends for ten years from the date of initial deliveries of gas thereunder. Androscoggin expects that initial deliveries will occur under the Gas Purchase Agreements, upon the completion of construction of Androscoggin's cogeneration facility and the necessary pipeline facilities, no earlier than November 1, 1998.

III.

Androscoggin's request to import natural gas from Canada pursuant to the five Gas Purchase Agreements will be consistent with the public interest. Under Section 3 of the NGA, 15 U.S.C. § 717b, the importation of natural gas is to be authorized unless there is a finding that it "will not be consistent with the public interest." Furthermore, as amended by Section 201 of the Energy Policy Act of 1992, Pub. L. 102-486, 106 Stat. 2776, 2866, Section 3(c) of the NGA specifies that:

... 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, shall be deemed to be consistent with the public interest, and applications for such importation ... shall be granted without modification or delay.

15 U.S.C. § 717b(c). Since Canada is a nation with which a free trade agreement is in effect, Androscoggin respectfully submits that the authorization sought herein to import natural gas from Canada meets the criterion of Section 3(c) and, therefore, is consistent with the public interest.

IV.

To Androscoggin's knowledge, except as otherwise referenced in this Application, the same or a related matter is not being considered by any part of the DOE, including the FERC, or any other Federal agency or department that would otherwise affect the construction of the facilities of PNGTS or the importation of natural gas at Pittsburg, New Hampshire.

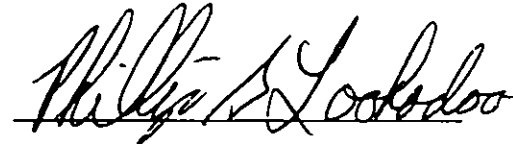
In compliance with Section 590.202(b)(3) of DOE's Administrative Procedures, 10 C.F.R. § 590.202(b)(3), Androscoggin hereby states that it is a limited liability corporation organized under the laws of the State of Delaware. Polsky Energy Corporation of Maine, Inc., an Illinois corporation and a wholly-owned subsidiary of Polsky Energy Corporation ("PEC"), a Delaware corporation, holds a 50% interest in Androscoggin. The remaining 50% interest in Androscoggin is held by Androscoggin Energy, Inc., a wholly-owned subsidiary of Polsky Energy Corporation. Michael P. Polsky, an individual, owns 100% of the outstanding stock of PEC.

Further, in support of its Application, Androscoggin submits an Opinion of Counsel, as required by Section 590.202(c) of the Administrative Procedures, 10 C.F.R. § 590.202(c), that addresses the corporate authorization of Androscoggin to engage in the importation of natural gas. This Opinion of Counsel is contained in Exhibit B.

WHEREFORE, Androscoggin respectfully requests that the DOE/FE find, pursuant to Section 3 of the NGA, 15 U.S.C. § 717b, that the importation of natural gas from Canada, for ten years from the date of initial deliveries under the Gas Purchase Agreements for the purposes described in this Application, is consistent with the public interest. Further, Androscoggin specifically requests that it be authorized to import an aggregate volume of natural gas, not to exceed 160.1 Bcf, for ten years from the date of initial deliveries of natural gas under the Gas Purchase Agreements. Finally, Androscoggin requests that the authorization requested herein be issued as expeditiously as possible in order to allow Androscoggin to secure financing and commence and complete construction of its proposed cogeneration facility by the time that the necessary pipeline facilities become operational.

Respectfully submitted,

Androscoggin Energy LLC



Phillip G. Lookadoo
Brian J. McManus
Reid & Priest LLP
701 Pennsylvania Avenue, N.W.
Washington, D.C. 20004
Voice: (202) 508-4000
FAX: (202) 508-4321
Its Attorneys

October 30, 1997

VERIFICATION

WASHINGTON,
DISTRICT OF COLUMBIA

)
) ss:

Phillip G. Lookadoo, being duly sworn, deposes and says that he is a duly authorized representative of Androscoggin Energy LLC; that he has read the foregoing document; that he is familiar with the contents thereof; that the statements contained therein are true and correct to the best of his knowledge, information, and belief; that he is authorized to file the same with the Department of Energy, Office of Fossil Energy; and that to the best of his knowledge, information, and belief, the same or a related matter directly affecting the facilities necessary for the importation of natural gas from Canada for consumption by Androscoggin near Jay, Maine, other than as specifically referenced in the foregoing document, is not being considered by any other part of the Department of Energy, including the Federal Energy Regulatory Commission, or any other Federal agency or department.

Phillip G. Lookadoo
Phillip G. Lookadoo

SUBSCRIBED AND SWORN TO
before me this 30th day of October, 1997.

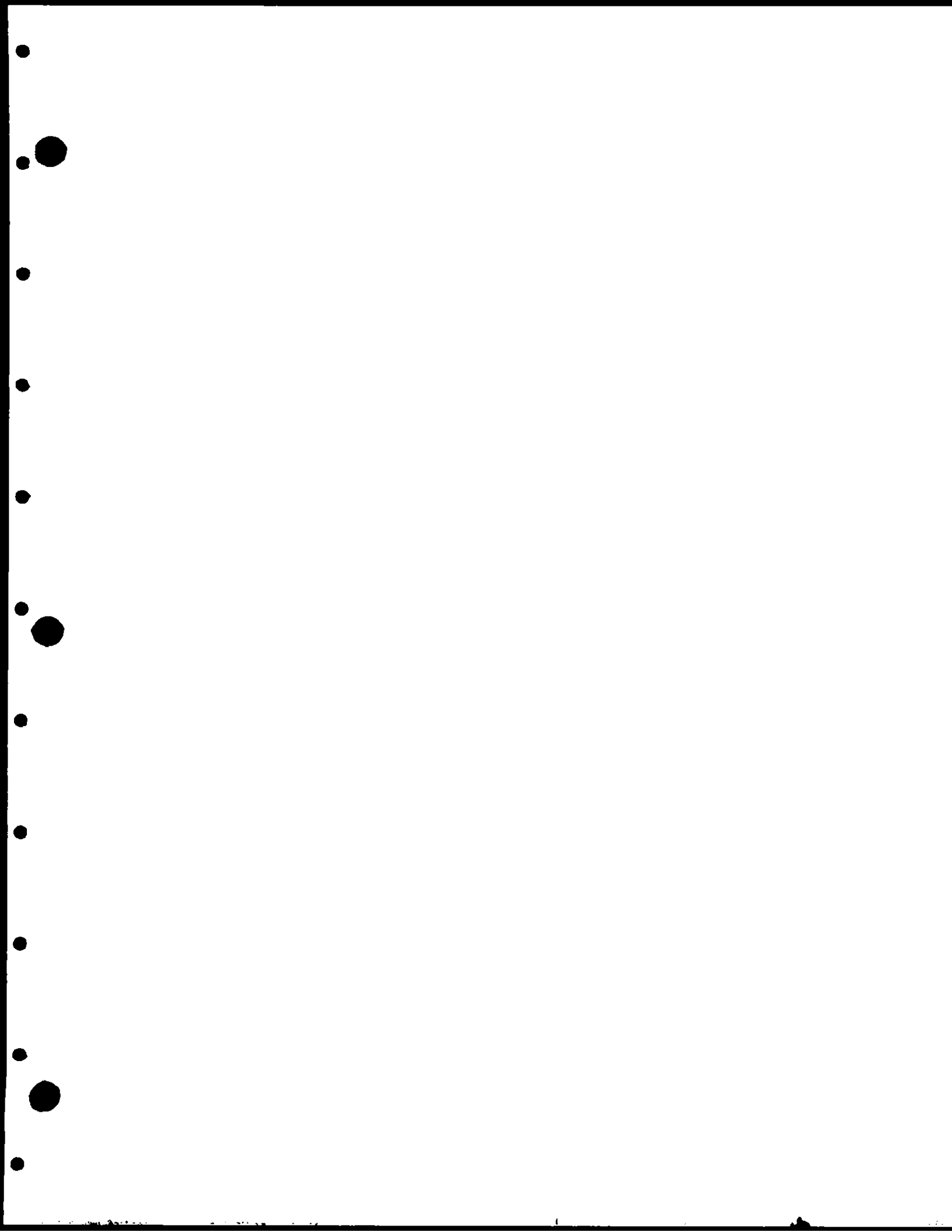
Margaret P. Shaver
Notary Public

My commission expires: *July 14, 2001*



ANDREWS OFFICE PRODUCTS CAPITOL HEIGHTS, MD (K)

EXHIBIT A
GAS PURCHASE AGREEMENTS
between
ANDROSCOGGIN ENERGY LLC
and
ALTAGAS SERVICES INC.
BEAU CANADA EXPLORATION LTD.
PRODUCERS MARKETING LTD.
RENAISSANCE ENERGY LTD.
RIO ALTO EXPLORATION LTD.



GAS SALES AGREEMENT

between

ALTAGAS SERVICES INC.

AND

ANDROSCOGGIN ENERGY LLC

Dated as of April 22, 1997.

ARTICLE I	
<u>DEFINITIONS OF TERMS</u> 1	
Section 1.1	<u>Definitions</u> 1
ARTICLE II	
<u>CONDITIONS PRECEDENT</u> 7	
Section 2.1	<u>Conditions Precedent</u> 7
Section 2.2	<u>Notification</u> 9
Section 2.3	<u>Satisfaction of Conditions Precedent</u> 10
Section 2.4	<u>Review of Permits</u> 10
Section 2.5	<u>Regulatory</u> 11
ARTICLE III	
<u>SCOPE OF AGREEMENT</u> 11	
Section 3.1	<u>Purchase and Sale</u> 11
Section 3.2	<u>Deliveries Prior to Initial Delivery Date</u> 12
Section 3.3	<u>Minimum Quarterly Quantity; Minimum Annual Quantity; Payment</u> 13
ARTICLE IV	
<u>DELIVERIES</u> 14	
Section 4.1	<u>Quantity</u> 14
Section 4.2	<u>Uniform Deliveries</u> 15
Section 4.3	<u>Gas Imbalances</u> 15
ARTICLE V	
<u>SELLER'S SUPPLY WARRANTY</u> 15	
Section 5.1	<u>Warranty and Covenant of Adequate Supply and Reserves</u> 15
ARTICLE VI	
<u>TERM OF AGREEMENT</u> 16	
Section 6.1	<u>Term</u> 16
ARTICLE VII	
<u>TRANSPORTATION</u> 16	
Section 7.1	<u>NOVA Transportation</u> 16
Section 7.2	<u>NOVA Receipt Point Firm Service</u> 16
Section 7.3	<u>NOVA Delivery Point Firm Service</u> 16
Section 7.4	<u>Downstream Transportation</u> 17

ARTICLE VIII		
	<u>PRICE</u>	18
Section 8.1	18
Section 8.2	<u>Buyer's Letter of Credit</u>	18
Section 8.3	<u>Market Risk Assessment</u>	19
Section 8.4	<u>Taxes</u>	20
ARTICLE IX		
	<u>BILLINGS AND PAYMENTS</u>	20
Section 9.1	<u>Billings and Payments</u>	20
Section 9.2	<u>Payment</u>	20
Section 9.3	<u>Verification</u>	21
Section 9.4	<u>Security</u>	21
Section 9.5	<u>Interest on Late Payments</u>	22
Section 9.6	<u>Failure to Pay</u>	22
Section 9.7	<u>Corrections of Errors</u>	22
Section 9.8	<u>Non-Business Days</u>	22
ARTICLE X		
	<u>POINT OF DELIVERY</u>	23
Section 10.1	<u>Point of Delivery</u>	23
ARTICLE XI		
	<u>DELIVERY PRESSURE</u>	23
Section 11.1	<u>Delivery Pressure</u>	23
ARTICLE XII		
	<u>QUALITY</u>	23
Section 12.1	<u>Quality</u>	23
Section 12.2	<u>Non-Conforming Gas</u>	23
ARTICLE XIII		
	<u>MEASUREMENT OF GAS</u>	23
Section 13.1	<u>Unit of Measure</u>	23
Section 13.2	<u>Meters</u>	24
Section 13.3	<u>Reading and Testing</u>	24
Section 13.4	<u>Meter Records</u>	24
ARTICLE XIV		
	<u>POSSESSION, TITLE AND WARRANTY</u>	24
Section 14.1	<u>Possession and Title</u>	24

Section 14.2	<u>Warranty</u>	24
ARTICLE XV		
<u>FORCE MAJEURE</u>		
Section 15.1	<u>Burden of Proof</u>	25
Section 15.2	<u>Event of Force Majeure</u>	25
Section 15.3	<u>Settlement of Strikes, Lockouts, or Other Labour</u>	
	<u>Disputes</u>	25
Section 15.4	<u>Force Majeure Curtailment</u>	26
Section 15.5	<u>Impossibility of Performance due to an Event of</u>	
	<u>Force Majeure</u>	26
ARTICLE XVI		
<u>LAWS AND REGULATORY BODIES</u>		
Section 16.1	<u>Laws and Regulatory Bodies</u>	27
ARTICLE XVII		
<u>TRANSFER AND ASSIGNMENT</u>		
Section 17.1	<u>Assignments</u>	27
ARTICLE XVIII		
<u>NOTICE</u>		
Section 18.1	<u>Notice</u>	28
ARTICLE XIX		
<u>DEFAULT AND REMEDIES</u>		
Section 19.1	<u>Definition</u>	29
Section 19.2	<u>Remedies for Breach</u>	30
Section 19.3	<u>Limitation</u>	31
Section 19.4	<u>Financing Parties</u>	31
ARTICLE XX		
<u>ARBITRATION</u>		
Section 20.1	<u>Arbitration</u>	32
ARTICLE XXI		
<u>REPRESENTATIONS AND WARRANTIES</u>		
Section 21.1	<u>Seller's Representations and Warranties</u>	34
Section 21.2	<u>Buyer's Representations and Warranties</u>	34

ARTICLE XXII

	<u>MISCELLANEOUS PROVISIONS</u>	35
Section 22.1	<u>Captions</u>	35
Section 22.2	<u>Other Agreements</u>	35
Section 22.3	<u>Binding Effect</u>	35
Section 22.4	<u>Non-Waiver of Defaults</u>	36
Section 22.5	<u>Written Amendments</u>	36
Section 22.6	<u>Severability and Regeneration</u>	36
Section 22.7	<u>Survival</u>	36
Section 22.8	<u>Further Assurances</u>	36
Section 22.9	<u>Limitation of Liability</u>	36
Section 22.10	36

GAS SALES AGREEMENT

This GAS SALES AGREEMENT (this "Agreement") is made as of the 22nd day of April 1997, by and between ALTAGAS SERVICES INC., a Canadian corporation ("Seller"), and ANDROSCOGGIN ENERGY LLC, a Delaware limited liability corporation ("Buyer").

WITNESSETH

WHEREAS, Seller is engaged in the business of purchasing and reselling natural gas;

WHEREAS, Buyer proposes to construct, own and operate a natural gas-fired electric generation facility in the City of Jay, State of Maine, which facility is expected, but not guaranteed, to commence commercial operation by November 1, 1998;

WHEREAS, in accordance with the terms and conditions of this Agreement, Seller is prepared to sell and deliver on a Firm Basis (as defined herein), and Buyer is prepared to purchase and receive on a Firm Basis, Gas required for the operation of Buyer's Facility (as defined herein);

WHEREAS, Buyer has or shall have received all required material governmental authorizations to construct and operate Buyer's Facility;

WHEREAS, Buyer has entered or shall enter into natural gas transportation contracts which shall provide Buyer the necessary transportation services for the delivery of the Quantity of Gas (as defined herein) to be sold and delivered, or caused to be delivered, by Seller to, or for the account of, Buyer at the Point of Delivery (as defined herein) for further transportation by Buyer to Buyer's Facility; and

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and intending to be legally bound, Seller and Buyer agree as follows:

ARTICLE I DEFINITIONS OF TERMS

Section 1.1 Definitions

For purposes of this Agreement, all appendices and recitals, except where another meaning is expressly stated, the following capitalized words and phrases shall have the following meanings:

"Actual Purchased Quantity" shall have the meaning set forth in Sub-section 3.3(b) hereof.

"AEUB" means the Alberta Energy and Utilities Board, or its successor.

"AEUB Reserves Under Control Locations Listing" means the listing of natural gas reserves designated by the AEUB.

"Agreement Year", except for the first and last Agreement Year, means a period of twelve (12) consecutive Months beginning on November 1st of each year subsequent to the year in which the Initial Delivery Date occurs; with respect to the first Agreement Year shall mean the period commencing on the Initial Delivery Date and ending at 8:00 a.m. Mountain Standard Time on the November 1st next following, and, with respect to the last Agreement Year, if the Initial Delivery Date is November 1, 1998, the last Agreement Year means the period commencing at 8:00 a.m. Mountain Standard Time on November 1, 2007, and ending at 8:00 a.m. Mountain Standard Time on November 1, 2008, and if the Initial Delivery Date occurs after November 1, 1998, the last Agreement Year means the period commencing at 8:00 a.m. Mountain Standard Time on the November 1 at the end of the ninth Agreement Year and ending at 8:00 a.m. Mountain Standard Time on the tenth anniversary of the Initial Delivery Date; and provided that in any Agreement Year containing less than or more than 365 Days, the obligations of the parties hereunder shall be prorated based on a fraction, the numerator of which is the number of Days in the Agreement Year in question and the denominator of which is 365, or 366 in any year that includes February 29.

"Annual Purchase Deficiency" shall have the meaning set forth in Sub-section 3.3(b).

"Arbitration" shall have the meaning set forth in Article XX.

"Arbitrator" shall have the meaning set forth in Article XX.

"Board" shall have the meaning set forth in Article XX.

"BCICAC" shall have the meaning set forth in Section 20.1 hereof.

"Business Day" means any Day other than Saturday, Sunday or other Day on which banks are authorized to be closed in the State of Maine or in the Province of Alberta.

"Buyer's Facility" means the natural gas fired combined cycle electric generation facility of approximately 150 Megawatts to be constructed by Buyer near International Paper Company's facility located near the City of Jay, State of Maine.

"Canadian Regulatory Authorities" means each governmental agency or other authority in Canada, which has jurisdiction over the subject matter of this Agreement including, without limitation, the Alberta Energy and Utilities Board, the Alberta Lieutenant Governor in Council, the National Energy Board and the Governor in Council for Canada.

"Corporate Supply Pool" means the quantity of natural gas reserves owned by those producers who are contractually committed to sell Gas to Seller for resale to Buyer under this Agreement.

"Cover Gas" shall have the meaning set forth in Sub-section 3.1(b).

"m³" or "cubic meter" means that quantity of gas which at a temperature of fifteen (15) degrees Celsius and at a pressure of 101.325 kilopascals absolute occupies one cubic meter.

"Day" means a period of twenty-four consecutive hours, beginning and ending at 8:00 a.m. Mountain Standard Time or at such other hour as Seller and Buyer shall agree upon in writing.

"Delivery Month" shall have the meaning set forth in Article IX hereof.

"Event of Default" shall have the meaning set forth in Section 19.1.

"Event of Force Majeure" means any: act of God; strike, lockout, or other industrial disturbance; act of the public enemy, war, blockade, insurrection, riot, arrest and restraint of government or people, civil disturbance; epidemic; landslide; lightning; earthquake; fire; storm; flood; washout; explosion; breakage or accident to machinery or line of pipe; freezing of wells or delivery facilities; unforeseeable inability to obtain materials (other than Gas), equipment, supplies, or labour; any act or omission of any natural gas transportation pipeline used by Seller or Buyer that is excused under a relevant agreement by any event or occurrence of the character herein defined as an Event of Force Majeure; the curtailment or interruption of firm transportation service which affects Buyer's receipt of or ability to transport Gas downstream of the Point of Delivery or Seller's delivery of Gas at the Point of Delivery, whether or not it is claimed as an Event of Force Majeure by the natural gas pipeline, and which is not attributable to a breach by Buyer or Seller, respectively, of its obligations to the interrupting/curtailing pipeline; a binding order, directive or restraint issued or imposed by any governmental authority, regulatory body or court having jurisdiction over Seller or Buyer; an inability to obtain or maintain, or a revocation or adverse amendment of, any license, permit, approval or authorization of any governmental authority or regulatory body having jurisdiction; or any other cause, whether of the kind herein enumerated or otherwise, not within the reasonable control and without the fault or negligence of the Party claiming the Event of Force Majeure. It is expressly agreed that none of the following shall constitute an Event of Force Majeure hereunder: Buyer's inability economically to use or resell Gas purchased under this Agreement; Buyer's loss of steam markets for reasons other than any event enumerated above as an Event of Force Majeure; Buyer's loss of electric markets for reasons other than any event enumerated above as an Event of Force Majeure; failure of any power purchaser to accept and pay for electrical power under Buyer's power purchase contract(s) for reasons other than any event enumerated above as an Event of Force Majeure; Seller's economic hardship or inability to obtain Gas supplies at a desirable or economic price; depletion of Seller's reserves; lack of financial resources or available funds or similar financial predicament which is due to the inability to pay any amount which a financially sound entity would be expected to pay; economic hardship of a supplier providing Gas to Seller; either Party's operational or transportation balancing requirements; or any transportation difficulty or impediment that does not directly affect Buyer's receipt of or ability to transport Gas downstream of the Point of Delivery or Seller's delivery of Gas at the Point of Delivery; or any transportation difficulty or impediment attributable to having interruptible transportation service in place.

"F.E.R.C." means the Federal Energy Regulatory Commission, or its successor, of the United States.

"Financing Documents" means any and all loan agreements, notes, indentures, security agreements, subordination agreements, mortgages, partnership agreements, subscription agreements, participation agreements and other documents relating to the construction, interim and long-term financing (both debt and any third-party equity) of Buyer's Facility and any refinancing thereof (including a leveraged lease pursuant to which Buyer is the lessee of Buyer's Facility) provided by the Financing Parties, including any and all modifications, extensions, renewals and replacements of any such financing or refinancing.

"Financing Parties" means (i) any and all lenders providing the construction, interim or long-term financing or refinancing of Buyer's Facility (including a leveraged lease), and any trustee or agent acting on their behalf, and (ii) any and all equity investors providing any such financing or refinancing of Buyer's Facility, and any trustee or agent acting on their behalf.

"Firm Basis" means the obligation of Seller to provide Buyer a Quantity of Gas on a non-interruptible basis and Buyer's obligation to purchase a Quantity of Gas on a non-interruptible basis.

"Gas" means natural gas of the quality specified in Article XII hereof.

"GJ" means one gigajoule and is equal to one billion (1,000,000,000) Joules.

"Gas Inventory Charge" or "GIC" means a payment of \$0.40 (Canadian dollars) per GJ.

"Heating Value of Gas" means when applied to a cubic meter of Gas, the number of Joules expressed in MJ per m³, produced by the complete combustion at constant pressure of one (1) cubic meter of Gas with air, with the Gas free of water vapor and the temperature of the Gas, air and products of combustion to be at a standard temperature and all water formed by combustion reaction to be condensed to the liquid state determined in accordance with NOVA's tariff at the Point of Delivery.

"Initial Delivery Date" means the Day certified in writing to Seller by Buyer to be the Day on which Buyer shall first take delivery of the Gas Seller shall deliver at the Point of Delivery.

"Interest Rate" means (i) the publicly announced prime interest rate per annum for Canadian Dollar commercial loans made in Canada by the Royal Bank of Canada, or its successor bank, in effect for the first Business Day of the Month for which interest is being calculated plus (ii) two (2) percent per annum, but in no event greater than the maximum interest rate allowed by law.

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

"Maximum Daily Quantity" or "MDQ" means a Quantity of Gas equal to 7,000 GJ per Day at the Point of Delivery.

"Minimum Annual Quantity" or "MAQ" means eighty-five percent (85%) of the Quantity of Gas resulting from multiplying the MDQ by 365 Days (366 Days in an Agreement Year that includes February 29) and reducing the product obtained by the Volume Deficiency, if any, for the same period.

"Minimum Quarterly Quantity" means eighty percent (80%) of the Quantity of Gas resulting from multiplying the MDQ by the number of Days in each quarter of an Agreement Year (i.e., the three month periods ending January 31, April 30, July 31, and October 31 in each Agreement Year) and reducing the product obtained by the Volume Deficiency, if any, for each such quarter.

"MJ" means one megajoule and is equal to one million (1,000,000) Joules.

"Month" means the period beginning at 8:00 a.m. Mountain Standard Time on the first Day of a given calendar month and ending 8:00 a.m. Mountain Standard Time on the first Day of the next succeeding calendar month. *

"Natural Gas Reserves" means reserves of unprocessed raw gas.

"NEB" means the National Energy Board of Canada, or its successor.

"NOVA" means NOVA Gas Transmission Ltd., its successors and assigns.

"NOVA Delivery Point Firm Service" means firm gas transportation service under NOVA's Rate Schedule FS, or its successor rate schedule, from the Point of Delivery to the interconnection of the NOVA Facilities with TransCanada's facilities at Empress, Alberta.

"NOVA Delivery Point Service Agreement" means an agreement between NOVA and Buyer respecting NOVA Delivery Point Firm Service to be provided pursuant to NOVA Rate Schedule FS, or its successor rate schedule.

"NOVA Facilities" means NOVA's pipelines and other NOVA facilities or any part or parts thereof for the gathering, treating, transporting, storing, distribution, exchange, handling or delivery of any Gas.

"NOVA Fuel Gas" means the Gas, if any, used as compressor fuel at the NOVA facilities for deliveries from the Receipt Point(s) to the Point of Delivery.

"NOVA Inventory Transfer" or "NIT" means the location of the point on the NOVA Facilities designated by NOVA, on the date of this Agreement as NOVA Inventory Transfer.

"NOVA Receipt Point Firm Service" means firm gas transportation service under NOVA's Rate Schedule FS, or its successor rate schedule, from each Receipt Point to the Point of Delivery.

"NOVA Receipt Point Service Agreement" means an agreement between NOVA and Seller respecting NOVA Receipt Point Firm Service to be provided pursuant to NOVA Rate Schedule FS, or its successor rate schedule.

"Party" or "Parties" means a signatory or the signatories to this Agreement, and its or their successor and permitted assigns, as the case may be.

"Point of Delivery" shall have the meaning set forth in Article X.

"Portland" means Portland Natural Gas Transmission System Limited (a Maine general partnership), its successors and assigns.

"Portland Firm Service Agreement" means an agreement for firm gas transportation service between Portland and Buyer under Portland's Rate Schedule FT, or its successor rate schedule, from the point of interconnection between TransCanada's facilities and Portland's facilities at or near Sabrevois, Quebec, to Buyer's Facility.

"Quantity of Gas" means an amount of Gas expressed in GJs determined by the product of the applicable Volume of Gas and the applicable Heating Value of Gas.

"Quarterly Purchase Deficiency" shall have the meaning set forth in Sub-section 3.3(b).

"Receipt Point" means any inlet valve of the NOVA Facilities at which Seller is able and authorized to deliver Gas into the NOVA Facilities.

"Scheduled Delivery Quantity" for any period means the Quantity of Gas that Buyer requests Seller to deliver during such period in accordance with Sub-section 4.1(b), but in no event shall the Scheduled Delivery Quantity for any Day exceed the MDQ.

"10³m³" means thousand cubic meters.

"Term" shall have the meaning set forth in Section 6.1.

"TransCanada" means TransCanada PipeLines Limited, a Canadian corporation, its successors and assigns.

"TransCanada Firm Service Agreement" means an agreement for firm gas transportation service between TransCanada and Buyer under TransCanada's FS Toll Rate, or its successor rate, from the point of interconnection between the NOVA Facilities and TransCanada's facilities near Empress, Alberta, to the point of interconnection between TransCanada's facilities and Portland's facilities at or near Sabrevois, Quebec.

"U.S. Regulatory Authorities" means each governmental agency or other authority in the United States of America which has jurisdiction over the subject matter of this Agreement including without limitation, F.E.R.C.

"Volume Deficiency" shall have the meaning set forth in Sub-section 3.1(b).

"Volume of Gas" means an amount of Gas expressed in 10^3m^3 .

ARTICLE II CONDITIONS PRECEDENT

Section 2.1 Conditions Precedent

(a) Except as provided in Section 2.3, Seller shall have no obligation to sell, deliver or cause to be delivered to Buyer, and Buyer shall have no obligation to pay for, purchase, receive or cause to be received from Seller, at the Point of Delivery, the Quantity of Gas specified in this Agreement, unless and until all of the following conditions precedent have been satisfied.

(i) On or before November 1, 1997, Seller shall have applied for or shall have caused its producers to have applied for and, on or before the date that NOVA prescribes for execution of the necessary NOVA Receipt Point Service Agreement, Seller shall have entered into all necessary firm natural gas transportation agreements, including but not limited to the NOVA Receipt Point Service Agreement(s), or where applicable transportation precedent agreements, to provide Seller transportation service, up to at least the MDQ for every Day during the Term of this Agreement, from the Receipt Points to the Point of Delivery for the delivery of the Quantity of Gas to be sold, delivered or caused to be delivered by Seller to or for the account of Buyer at the Point of Delivery, for deliveries to commence on November 1, 1998; provided, however, that if Buyer is unable to obtain transportation from TransCanada and Portland commencing on November 1, 1998, the execution of the contracts with NOVA providing for commencement of deliveries effective as and from the date such service by TransCanada and Portland commences, but no later than November 1, 1999, shall satisfy this condition precedent; and

(ii) On or before November 1, 1997, Buyer shall have applied for and, on or before the date that NOVA prescribes for execution of the necessary NOVA Delivery Point Service Agreement, Buyer shall have entered into all necessary firm natural gas transportation agreements, including but not limited to the NOVA Delivery Point Service Agreement, or where applicable transportation precedent agreements, to provide Buyer transportation service, for every Day during the Term of this Agreement, from the Point of Delivery to the receipt point on TransCanada's facilities at Empress, Alberta, sufficient to receive from Seller and transport to TransCanada's facilities the Quantity of Gas to be sold, delivered or caused to be delivered by Seller to or for the account of Buyer at the Point of Delivery, for deliveries to commence on November 1, 1998; provided, however, that if Buyer is unable to obtain transportation from TransCanada and Portland commencing on November 1, 1998, the execution of the contract(s) with NOVA providing for commencement of such deliveries no later than November 1, 1999, shall satisfy this condition precedent; and

(iii) On or before November 1, 1997, Buyer shall have applied for and, on or before the date that TransCanada prescribes for execution of the necessary TransCanada Firm Service Agreement, Buyer shall have entered into all necessary firm natural gas transportation agreements, including but not limited to the TransCanada Firm Service Agreement, or where applicable transportation precedent agreements, to provide Buyer transportation service, for every Day during the Term of this Agreement, from the receipt point on TransCanada's facilities at Empress, Alberta, to the receipt point on Portland's facilities, sufficient for the transportation of the Quantity of Gas to be sold, delivered or caused to be delivered by Seller to or for the account of Buyer at the Point of Delivery, for deliveries to commence on November 1, 1998; provided, however, that the execution of the contract(s) with TransCanada providing for commencement of such deliveries no later than November 1, 1999, shall satisfy this condition precedent; and

(iv) On or before November 1, 1997, Buyer shall have applied for and, on or before the date that Portland prescribes for execution of the necessary Portland Service Agreement, Buyer shall have entered into all necessary firm natural gas transportation agreements, including but not limited to the Portland Service Agreement, or where applicable transportation precedent agreements, to provide Buyer transportation service, for every Day during the Term of this Agreement, from the receipt point on Portland's facilities to Buyer's Facility, sufficient for the delivery of the Quantity of Gas to be sold, delivered or caused to be delivered by Seller to or for the account of Buyer at the Point of Delivery, for deliveries to commence on November 1, 1998; provided, however, that the execution of the contract(s) with Portland providing for commencement of such deliveries no later than November 1, 1999, shall satisfy this condition precedent; and

(v) On or before November 1, 1997, Seller shall have applied for and shall have obtained not later than November 1, 1998, all necessary, final and non-appealable regulatory and governmental authorization or assurances, in form and substance acceptable to Seller, including, but not limited to, provincial natural gas removal permits, sufficient to satisfy Seller's obligations as set forth in Article III hereof; and

(vi) On or before November 1, 1997, Buyer shall have applied for and obtained not later than November 1, 1998, all necessary, final and non-appealable regulatory and governmental authorizations or assurances, in form and substance acceptable to Buyer, including but not limited to an export license for the removal of gas from Canada and an import license from the U.S. Department of Energy for the import of gas from Canada into the United States, sufficient to satisfy Buyer's obligations as set forth in Article III hereof; and

(vii) On or before the Initial Delivery Date, NOVA, TransCanada, Portland and other transporters, if any, referred to in Sub-section 2.1(a)(i), (ii), (iii) and (iv) hereof, shall have obtained all necessary, final and non-appealable regulatory and governmental authorizations or assurances, and shall have constructed and put into service all necessary facilities, to enable Seller to deliver to the Point of Delivery and Buyer to take delivery at the Point of Delivery and transport to the Buyer's Facility, the Quantity of Gas, up to the MDQ, to be sold, delivered or caused to be delivered by Seller to or for the account of Buyer hereunder; and

(viii) On or before November 1, 1999 the Initial Delivery Date shall have occurred pursuant to this Agreement; and

(ix) On or before November 1, 1997, Buyer shall have applied for and obtained not later than November 1, 1998, all necessary, final and non-appealable regulatory authorizations and all site and environmental permits, in form and substance acceptable to Buyer, sufficient for Buyer to construct and operate Buyer's Facility; and

(x) On or before November 1, 1997, Buyer shall have secured financing, in form and substance acceptable to Buyer, adequate and sufficient for the construction and completion of Buyer's Facility; and

(xi) On or before November 1, 1998, Buyer shall have drawn down on such financing for at least \$500,000; and

(xii) On or before November 1, 1997, the Financing Parties, providing the construction financing for Buyer's Facility, shall have been satisfied, in their sole discretion, with the creditworthiness of Seller in general and as required to perform the Seller's obligations under this Agreement for the Term of this Agreement. -

Section 2.2 Notification

(a) Seller shall notify Buyer, in writing, upon the satisfaction by Seller of Seller's conditions precedent in Sub-section 2.1(a), paragraphs (i), (v), and (vii) hereof.

(b) Buyer shall notify Seller, in writing, upon the satisfaction by Buyer of Buyer's conditions precedent in Sub-section 2.1(a), paragraphs (ii), (iii), (iv), (vi), (vii), (viii), (ix), (x), (xi) and (xii) hereof.

(c) Each Party shall keep the other Party regularly informed as to its progress in satisfying the conditions precedent in Section 2.1.

(d) Buyer may request that Seller extend the date for satisfying, or waive, any of the conditions precedent set forth in Sub-section 2.1(a), paragraphs (ii), (iii), (iv), (vi), (vii), (viii), (ix), (x), (xi) and (xii).

(e) Seller may request that Buyer extend the date for satisfying, or waive, any of the conditions precedent set forth in Sub-section 2.1(a), paragraphs (i), (v), and (vii).

(f) Seller, in its sole discretion, may refuse to grant Buyer's request or requests for extension or waiver pursuant to Sub-section 2.1(d).

(g) Buyer, in its sole discretion, may refuse to grant Seller's request or requests for extension or waiver pursuant to Sub-section 2.1(e).

Section 2.3 Satisfaction of Conditions Precedent

Upon satisfaction or waiver of all the conditions precedent in Section 2.1 hereof, Seller's obligation to sell, deliver or cause to be delivered and Buyer's obligation to pay for, purchase, receive, or cause to be received, the Quantity of Gas specified in this Agreement in accordance with Section 3.1 hereof shall become effective. Seller and Buyer shall cooperate reasonably with each other in satisfying any condition precedent in Section 2.1 hereof. Each Party shall be responsible for bearing its own costs of cooperating with the other Party to satisfy any of the conditions precedent set forth in Section 2.1.

If any of the conditions precedent included in Section 2.1 hereof have not been satisfied or waived by the date specified in Section 2.1, then either Party may thereafter terminate this Agreement by giving thirty (30) Days written notice to the other Party of its intention to terminate, and this Agreement shall terminate and shall thereafter be of no further force and effect.

Section 2.4 Review of Permits

(a) Upon receipt by either Party of any certificate, permit, license or authorization described in Section 2.1 above, such Party (the "Transmitting Party") shall within twenty (20) Days transmit to the other Party (the "Receiving Party") a copy of such certificate, permit, license or authorization along with the Transmitting Party's acceptance or rejection of same.

(b) In the event any such certificate, permit, license or authorization is rejected by a Transmitting Party hereunder, the Parties agree that they shall negotiate in good faith as to what actions, if any, should be undertaken. The Transmitting Party may not reject a certificate, permit, license or authorization unless:

(i) such rejection is accompanied by a written statement setting forth the reasons for rejecting the authorization; and

(ii) the reasons set forth in said statement are demonstrated to be based on a material adverse impact to such Transmitting Party.

(c) In the event the objection of any Transmitting Party hereunder is not satisfied to that Party's reasonable satisfaction within thirty (30) Days, such Party may terminate this Agreement by giving ninety (90) Days' written notice to the other Party of its intention to terminate. No such termination shall occur if within such ninety-(90) Day period the Party receiving such notice agrees to amend this Agreement as reasonably required to eliminate the material adverse effect on the objecting Party or to provide indemnity to such Party against such material adverse effect in form and substance reasonably acceptable to such Party.

Section 2.5 Regulatory

(a) If:

(i) NOVA changes the delivery pressure, quality or measurement provisions of its tariffs in a manner that has a material adverse impact on either Party or on any producer who is contractually committed to sell Gas to Seller for resale to Buyer under this Agreement; or

(ii) A government or regulatory body having jurisdiction changes the royalty or tax regime in a manner that has a material and adverse impact on either Party or on any producer who is contractually committed to sell Gas to Seller for resale to Buyer under this Agreement;

such Party (the "Transmitting Party") shall within twenty (20) Days transmit to the other Party (the "Receiving Party") a copy of the tariff or documents setting forth such change along with the Transmitting Party's acceptance or rejection of same, and the Receiving Party shall, within twenty (20) Days after receipt thereof, give notice to the Transmitting Party of its acceptance or rejection of such change. The Receiving Party shall be deemed to have accepted any such change and the terms or conditions thereof which it does not reject within such twenty (20) Day period.

(b) In the event that any change described in this Section 2.5 is rejected by either Party hereunder, the Parties agree that they shall negotiate in good faith as to what actions, if any, should be undertaken. No Party may reject such change unless:

(i) such rejection is accompanied by a written statement setting forth the reasons for rejecting the change; and

(ii) the reasons set forth in said statement are demonstrated to be based on a material adverse impact to such Party or to any producer who is contractually committed to sell Gas to Seller for resale to Buyer under this Agreement.

(c) If the Parties cannot agree as to what actions should be undertaken, then either Party may refer the matter to arbitration in accordance with Article XX.

ARTICLE III
SCOPE OF AGREEMENT

Section 3.1 Purchase and Sale

(a) Subject to all of the terms, conditions, and limitations set forth in this Agreement, commencing on the Initial Delivery Date Seller shall sell, deliver or cause to be delivered to Buyer on a Firm Basis, and Buyer shall purchase, receive or cause to be received at the Point of Delivery on a Firm Basis and pay for, a Quantity of Gas equal to the Scheduled Delivery Quantity.

(b) In the event Seller is unable, except due to an Event of Force Majeure, to deliver all or a portion of the Scheduled Delivery Quantity on any Day in accordance with the terms and conditions of this Agreement, then a "Volume Deficiency" for such Day equal to the difference between the Scheduled Delivery Quantity and the Quantity of Gas delivered by Seller shall exist. If a Volume Deficiency occurs, Buyer shall have the right to purchase the Volume Deficiency from other fuel suppliers. Should Buyer purchase fuel from a third party to replace any Volume Deficiency ("Cover Gas"), Buyer will first endeavor to acquire the Cover Gas at the lowest price reasonably available at the Point of Delivery, it being understood however, that Buyer's primary consideration in purchasing Cover Gas will be to obtain delivery of same at Buyer's Facility when needed. Upon receipt of Buyer's detailed invoice for its cost of Cover Gas, Seller shall, within ten (10) Days of receipt of such invoice, reimburse all of Buyer's reasonable incremental costs except consequential damages, incurred in obtaining such Cover Gas. Buyer's invoice shall be based on the amount, if any, by which Paragraph (i) below exceeds Paragraph (ii) below:

- (i) The amount that Buyer paid for the Cover Gas per GJ plus any incremental demand charges of any kind resulting from such Volume Deficiency; and
- (ii) The applicable price per GJ computed pursuant to Section 8.1; such difference then being multiplied by the Quantity of Gas comprising the Cover Gas.

Buyer's remedy of Cover Gas for Seller's failure to deliver the Volume Deficiency shall be as set forth in this Sub-section 3.1(b) and shall be Buyer's sole remedy in contract and in tort for Seller's breach of its obligation to deliver the Scheduled Delivery Quantity. If Seller's failure constitutes an Event of Default under Article XIX hereof, Buyer also has the right to terminate the Agreement as provided in Article XIX. The provision of Section 22.9 shall apply to any failure to deliver by Seller whether or not such failure is an Event of Default.

Section 3.2 Deliveries Prior to Initial Delivery Date

Notwithstanding any other provision of this Agreement, if Buyer wishes to purchase and Seller wishes to sell a Quantity of Gas for initial synchronization, performance testing and operation of Buyer's Facility for a Quantity of Gas less than forty-five percent (45%) of the MDQ ("Initial Synchronization Gas") prior to the Initial Delivery Date on terms and at a price per GJ to be agreed to by Seller and Buyer in writing, then Seller may sell, deliver or cause to be delivered such Quantity of Gas to the Point of Delivery for Buyer's account. If Buyer requires a Quantity of Gas on a Firm Basis for the purpose of conducting performance testing of Buyer's Facility for a Quantity of Gas equal to or in excess of forty-five percent (45%) of the MDQ ("Test Gas") prior to the Initial Delivery Date, then Seller shall have the right but not the obligation to make Test Gas available to Buyer on a Firm Basis at the price of \$1.775 per GJ at any time prior to November 1, 1999, plus costs incurred by Seller to transport such Gas to the Point of Delivery.

Section 3.3 Minimum Quarterly Quantity; Minimum Annual Quantity; Payment

(a) Buyer shall purchase from Seller in each Agreement Year an aggregate Quantity of Gas at least equal to the Minimum Annual Quantity; provided further that Buyer shall nominate and take during the three month period ending January 31, April 30, July 31, and October 31 in each Agreement Year an aggregate Quantity of Gas at least equal to the Minimum Quarterly Quantity; provided, further, that Buyer's minimum purchase obligations hereunder do not entitle or obligate Buyer to take a Quantity of Gas on any Day in excess of the MDQ.

(b) If for any three month period ending January 31, April 30, July 31, and October 31 in each Agreement Year, the Minimum Quarterly Quantity exceeds the total Quantity of Gas taken and paid for by Buyer (the "Quarterly Purchase Deficiency"), then within thirty (30) Days after Buyer's receipt of Seller's notice, which Seller shall render within thirty (30) Days after the end of each such quarter of an Agreement Year in which a Quarterly Purchase Deficiency has occurred, Buyer shall pay to Seller a sum equal to the Quarterly Purchase Deficiency multiplied by the GIC for such Agreement Year. If for any Agreement Year (i) the total Quantity of Gas taken and paid for by Buyer under this Agreement (the "Actual Purchased Quantity") is less than the Minimum Annual Quantity (the "Annual Purchase Deficiency"), and (ii) the Annual Purchase Deficiency exceeds the sum of the Quarterly Purchase Deficiencies for each quarter of that Agreement Year, then within thirty (30) Days after Buyer's receipt of Seller's notice, which Seller shall render within ninety (90) Days after the end of such Agreement Year in which an Annual Purchase Deficiency has occurred, Buyer shall pay to Seller a sum equal to (1) the amount by which the Annual Purchase Deficiency exceeds the sum of the Quarterly Purchase Deficiencies for each quarter of that Agreement Year multiplied by (2) the GIC for such Agreement Year.

(c) On any Day, in the event that Buyer nominates less than the MDQ, whether as a result of an Event of Force Majeure or otherwise, Seller shall have the right to sell Gas to third parties equal to the MDQ less the Quantity of Gas nominated by Buyer.

(d) If, after the Initial Delivery Date, Buyer requires additional quantities of Gas in excess of those Buyer has under contract on the Initial Delivery Date and which Gas Buyer requires for use in Buyer's Facility for a known period of time that exceeds six (6) consecutive months and which will not be required sooner than one hundred twenty (120) Days after the date on which Buyer determines that it requires such additional quantities of Gas, then Buyer shall advise Seller of the quantity required and the terms and conditions upon which Buyer is prepared to purchase such quantities of Gas. Seller shall have sixty (60) Days from receipt of Buyer's notice to elect to supply a pro rata portion of such additional Gas, with such pro rata portion determined as the total daily quantity of additional gas required by Buyer multiplied by a factor equal to the MDQ divided by 43,000 GJ; provided, however, that if other entities with similar rights of first refusal do not elect to supply their proportionate share of such quantity, Buyer shall so advise Seller and Seller shall have thirty (30) Days from the date that Buyer notifies Seller that such other entities have not elected to supply their pro rata portion of this additional quantity to elect to supply some or all of the unelected portion.

ARTICLE IV
DELIVERIES

Section 4.1 Quantity

(a) Buyer shall give Seller written notice approximately six (6) months prior to the anticipated Initial Delivery Date.

(b) Buyer shall give Seller thirty (30) Days written notice prior to the occurrence of the Initial Delivery Date. Commencing with the Initial Delivery Date and continuing throughout the Term of this Agreement, Buyer shall provide Seller with schedules showing the Scheduled Delivery Quantity (up to the MDQ) which Buyer requests to be sold, delivered or caused to be delivered by Seller to Buyer at the Point of Delivery, in accordance with the following procedures;

- (i) Buyer shall deliver to Seller a written nomination schedule showing the Scheduled Delivery Quantity for each Day of the upcoming Month not later than four (4) Business Days prior to the date by which Buyer and Seller must make nominations to NOVA and the other pipelines transporting the Gas that Seller delivers for Buyer's account at the Point of Delivery during such Month under this Agreement.
- (ii) Buyer shall give Seller at least four (4) hours' notice prior to a proposed change in a daily Scheduled Delivery Quantity from that set forth in the nomination provided for in Sub-section 4.1(b)(i) and Seller shall accept notice. Notice of any such change shall be provided in writing, or by telephone simultaneously reduced to writing and delivered by telecopier, and shall be provided to Seller in accordance with Article XVIII hereof.
- (iii) After the Initial Delivery Date, at least fifteen (15) Days prior to the first Day of each February, May, August and November, Buyer shall furnish Seller a written schedule of the estimated Scheduled Delivery Quantity for purchase and delivery during each Month of the quarter of an Agreement Year beginning on that date.

(c) Buyer shall purchase from Seller a minimum Monthly volume of Seller's Gas equal to the Quantity of Gas calculated, on a daily basis, as the MDQ divided by 31,000 GJ multiplied times Buyer's actual total daily purchases of Gas, provided that such Quantity of Gas, on a daily basis, shall not exceed the MDQ. Buyer agrees to make available from time-to-time, on Seller's request, such reasonable information as is required by Seller to reasonably confirm Buyer's compliance with this provision regarding Buyer's purchasing practices.

(d) Buyer shall comply with all reasonable requests by Seller for additional information requested by Seller as necessary to sell, deliver or cause to be delivered the Quantity

of Gas contemplated under this Agreement and to comply with the valid reporting or other requirements of any administrative or regulatory agency having jurisdiction.

Section 4.2 Uniform Deliveries

The Quantity of Gas sold in accordance with this Agreement shall be delivered or caused to be delivered to the Point of Delivery to Buyer or for Buyer's account and received or caused to be received at the Point of Delivery by Buyer or for Buyer's account, as reasonably practicable, at hourly rates of flow that are uniform over the course of a Day.

Section 4.3 Gas Imbalances

Seller and Buyer agree to cooperate with each other to have delivered and received a Quantity of Gas at the Point of Delivery equal to the Scheduled Delivery Quantity; provided, however, to the extent that either Party causes deliveries or receipts of a Quantity of Gas at the Point of Delivery to not equal the Scheduled Delivery Quantity for reasons other than an Event of Force Majeure, the responsible Party shall indemnify the other Party, in an amount equal to the costs, charges, and penalties, if any, that the other Party has incurred with a gas transporter as a result of a gas imbalance.

ARTICLE V SELLER'S SUPPLY WARRANTY

Section 5.1 Warranty and Covenant of Adequate Supply and Reserves

(a) Seller covenants to reserve for the performance of its obligations under this Agreement a portion of its Corporate Supply Pool as recognized by the AEUB for the amount of reserves that is required to meet the MDQ for the lesser of seven (7) Agreement Years (or such longer period as required by the Canadian Regulatory Authorities) or the balance of the Term. Seller covenants and agrees that it will, thereafter as necessary from time to time, but no later than is required by the AEUB, dedicate sufficient proved and probable Natural Gas Reserves from pools or fields in the Province of Alberta as shall be required by Canadian Regulatory Authorities to maintain all required authorizations, at the MDQ, for the full remaining Term of this Agreement. Seller also covenants to provide evidence to the AEUB and NEB of otherwise uncommitted reserves that are sufficient to meet the requirements of the AEUB and the NEB to maintain the long-term export license from the NEB and the long-term removal permit from the AEUB.

(b) Seller shall provide to the Buyer a recent AEUB print-out of the AEUB Reserves Under Control Locations Listing of the Seller's Corporate Supply Pool forthwith upon execution of this Agreement. Seller shall provide to the Buyer updates of such information as to Seller's Natural Gas Reserves within 30 Days of the receipt of a Notice from the Buyer requesting such information, not to be requested more than once in any Agreement Year.

(c) Seller warrants to the Buyer that the Seller will deliver to the Buyer, subject to and in accordance with the provisions of this Agreement, sufficient quantities of Gas to satisfy its obligations under this Agreement and, subject to Force Majeure, will do all things necessary to assure such performance.

ARTICLE VI TERM OF AGREEMENT

Section 6.1 Term

Subject to the other provisions of this Agreement, this Agreement shall become effective as of the date first above written, and shall continue in full force and effect for a term of (the "Term") ten (10) Agreement Years from and after the Initial Delivery Date. The Term will not be extended as a result of any Event of Force Majeure.

ARTICLE VII TRANSPORTATION

Section 7.1 NOVA Transportation

The Parties acknowledge that the Gas to be sold by Seller to Buyer under this Agreement is to be transported from each Receipt Point through the NOVA Facilities to the Point of Delivery.

Section 7.2 NOVA Receipt Point Firm Service

Seller shall, or shall cause its producers to, maintain a NOVA Receipt Point Service Agreement or NOVA Receipt Point Service Agreements with NOVA for NOVA Receipt Point Firm Service effective as and from November 1, 1998 (provided, however, that if Buyer is unable to obtain transportation from TransCanada and Portland commencing on November 1, 1998, then such NOVA contract(s) shall be effective as and from the date such service by TransCanada and Portland commences, but no later than November 1, 1999), for the Term of this Agreement, for a daily Quantity of Gas equal to at least the MDQ plus NOVA Fuel Gas required to transport the MDQ on the NOVA Facilities, from such Receipt Points as Seller may determine as necessary or desirable from time to time during the Term of this Agreement to the Point of Delivery.

Section 7.3 NOVA Delivery Point Firm Service

Buyer shall maintain a NOVA Delivery Point Service Agreement with NOVA for NOVA Delivery Point Firm Service effective as and from November 1, 1998 (provided, however, that if Buyer is unable to obtain transportation from TransCanada and Portland commencing on November 1, 1998, then such NOVA contract(s) shall be effective as and from the date such service by TransCanada and Portland commences, but no later than November 1,

1999), for the Term of this Agreement, for a daily Quantity of Gas equal to at least the MDQ, from the Point of Delivery to the interconnection of the NOVA Facilities with TransCanada's facilities at Empress, Alberta. Buyer shall have the option at any time during the Term of this Agreement to appoint Seller to act as Buyer's exclusive agent, under an agency agreement recognized by NOVA, for that portion of Buyer's NOVA Delivery Point Firm Service equal to the MDQ under this Agreement and, thereafter, Seller shall be (i) responsible for the administration, nomination, and daily balancing of the firm transportation under Buyer's NOVA Delivery Point Service Agreement of the Quantity of Gas purchased by Buyer under this Agreement; and (ii) entitled on any Day to utilize any portion of that capacity under Buyer's NOVA Delivery Point Service Agreement, for which Seller has been designated as Buyer's agent hereunder and which is not utilized on such Day to transport gas sold to Buyer hereunder; provided, however, that upon termination of this Agreement or upon sixty (60) days prior notice by either Party, Seller's agency rights and obligations to Buyer with regard to Buyer's NOVA Delivery Point Service Agreement under this Section 7.3 shall terminate either simultaneously with the termination of this Agreement or with the end of such sixty (60) day notice period, as applicable. Accordingly, if Buyer exercises such option, then, for each Delivery Month after commencement of such agency relationship, Buyer shall issue an invoice to Seller for an amount equal to the 100% load factor equivalent of the total costs charged by NOVA under such NOVA Delivery Point Service Agreement, expressed on a per GJ basis, for such Delivery Month multiplied by the total quantity of gas, if any, transported to, or for the account of, Seller or any third party using part or all of the unutilized transportation capacity made available to Seller under that portion of Buyer's NOVA Delivery Point Service Agreement for which Seller is appointed as Buyer's agent pursuant to this Section 7.3. Buyer and Seller also agree to enter into a separate "stripping rights agreement" on or before November 1, 1997, whereby Seller shall have the right to strip certain liquid and liquefiable hydrocarbons from the Gas sold and delivered to Buyer under this Agreement with such stripping to occur at or prior to the delivery of such Gas into TransCanada's facilities at Empress, Canada; provided, however, that such separate agreement shall require Seller to purchase and deliver to Buyer an additional quantity of Gas necessary to replace the GJ's of hydrocarbons stripped from such Gas, so that the GJ's of Gas which are ultimately delivered to Buyer, or for Buyer's account, (after such stripping) into TransCanada's facilities at Empress, Canada, shall equal the GJ's in the Quantity of Gas originally delivered to Buyer at the Delivery Point.

Section 7.4 Downstream Transportation

Buyer shall maintain the NOVA Delivery Point Service Agreement, the TransCanada Service Agreement, the Portland Service Agreement and all other necessary firm transportation downstream of the Point of Delivery, effective as and from November 1, 1998 (provided, however, that if Buyer is unable to obtain transportation from TransCanada and Portland commencing on November 1, 1998, then such contract(s) shall be effective as and from the date such service by TransCanada and Portland commences, but no later than November 1, 1999), for the Term of this Agreement, provided such service is sufficient for the transportation of the Quantity of Gas to be sold, delivered or caused to be delivered by Seller to or for the account of Buyer at the Point of Delivery, less any fuel consumed by any applicable upstream transporter(s).

ARTICLE VIII
PRICE

Section 8.1 Price

Commencing upon the Initial Delivery Date and thereafter during the Term of the Agreement, Buyer shall pay to Seller for each GJ of Gas delivered to the Point of Delivery (all prices in this Agreement are expressed in Canadian dollars), with each price per GJ applicable to all Gas delivered during the twelve Months beginning with the date specified for each such price:

November 1, 1998	\$1.775
November 1, 1999	\$1.819
November 1, 2000	\$1.865
November 1, 2001	\$1.911
November 1, 2002	\$1.959
November 1, 2003	\$2.008
November 1, 2004	\$2.058
November 1, 2005	\$2.110
November 1, 2006	\$2.163
November 1, 2007	\$2.217

If the Initial Delivery Date occurs after November 1, 1998, then the above price schedule is extended by one year with a price of \$2.272 per GJ applicable for deliveries beginning on November 1, 2008.

Section 8.2 Buyer's Letter of Credit

(a) The prices specified in Section 8.1 are equivalent, on a net present value basis at a discount rate of ten percent (10%), to a fixed price of \$1.95 per GJ fixed for ten years. In the event of an early termination of this Agreement by Buyer or a termination of this Agreement by Seller due to an Event of Default under this Agreement by Buyer, depending on the date of such termination or default, Seller might not receive the fixed price of \$1.95 per GJ for all of the Gas delivered to Buyer prior to such termination or default.

(b) Thirty Days after the first quarter (three Months) of the first Agreement Year, Buyer shall provide to Seller a letter of credit, payable to Seller, equal to the amount by which \$1.95 exceeds the price paid for Gas delivered and sold to Buyer during that first quarter according to Section 8.1 multiplied by the Quantity of Gas actually delivered and sold to Buyer during such quarter. Thereafter, thirty days after the last Day in each quarter of an Agreement Year in which \$1.95 per GJ exceeds the price applicable thereto under Section 8.1, Buyer shall provide a new letter of credit to Seller which increases the amount of the preceding letter of credit by the amount by which \$1.95 exceeds the price paid for Gas delivered and sold to Buyer during such quarter according to Section 8.1 multiplied by the Quantity of Gas actually delivered and sold to Buyer during such quarter. Upon receipt of each new increased letter of credit, Seller shall return the preceding letter of credit to Buyer. By this method, the letter of credit

provided by Buyer to Seller hereunder shall increase each quarter until the first quarter of an Agreement Year in which the price applicable thereto under Section 8.1 exceeds \$1.95 per GJ.

(c) Beginning thirty Days after the last Day of the first quarter of an Agreement Year in which the price paid for Gas delivered and sold to Buyer during such quarter according to Section 8.1 exceeds \$1.95 per GJ, Buyer shall provide a new letter of credit to Seller which reduces the amount of the preceding letter of credit by the amount by which the price paid for Gas delivered and sold to Buyer during such quarter according to Section 8.1 exceeds \$1.95 per GJ, multiplied by the Quantity of Gas actually delivered and sold to Buyer during such quarter. Upon receipt of each new reduced letter of credit, the preceding letter of credit shall be returned by Seller to Buyer.

(d) Upon the termination of this Agreement, Seller may draw on the letter of credit then held by Seller pursuant to this Section 8.2 for the total amount of such letter of credit; provided, however, that the amount of such letter of credit which Seller may draw shall be reduced by the product of: (i) the Quantity of Gas, if any, delivered to and paid for by Buyer, during any Delivery Month(s) in which the price payable for such Gas exceeds \$1.95 per GJ and (ii) the difference between \$1.95 and the price payable during such Delivery Month(s), provided that such Delivery Month(s) occurred after the last redetermination of the amount of the letter of credit under this Section 8.2. Each letter of credit shall be irrevocable, payable to Seller upon demand, and have a term equal to 120 Days from its issuance; provided, however, that in the event that any letter of credit provided under this Section 8.2 and held by Seller is not replaced at least ten (10) Days prior to the expiration date of such letter of credit, then Seller may draw on such letter of credit and shall place such funds into an escrow account, held in the name of Seller by a bank reasonably acceptable to both Buyer and Seller, to utilize in the place of the replacement letter of credit until the replacement letter of credit is provided by Buyer, at which time the amount in the escrow account shall be refunded to Buyer; provided, further, that no later than sixty (60) Days prior to the Initial Delivery Date Seller and Buyer shall establish an escrow account on terms mutually acceptable to both Buyer and Seller, including the creation of a first priority, perfected lien on such account in favor of Seller, and the costs of establishing and administering such escrow account shall be paid by Buyer. The letter of credit shall be drawn on a bank satisfactory to the Seller. Seller's right to draw on the letter of credit is in addition to any other remedies Seller may have available under Article XIX. The letter of credit required is to be provided by Buyer pursuant to this Section 8.2 shall be a separate letter of credit from that required to be provided by Buyer pursuant to Section 9.4.

Section 8.3 Market Risk Assessment

Each party represents and warrants that:

(a) The prices for Gas contained in Section 8.1 are acceptable to Seller and Buyer given the mutual consideration provided in this Agreement and the market outlook for Gas prices generally over the Term; and

(b) Each Party accepts the risk described in the representation and warranty in Sub-section 8.3(a) above subject to the terms of this Agreement and any applicable order of

a regulatory authority having jurisdiction and each Party shall continue to perform its obligations to the other on every Day during the Term notwithstanding that the prices for Gas contained in Section 8.1 may be below or above the market price of Gas at anytime or from time to time (including, without limitation, any extended period of time during the Term).

Section 8.4 Taxes

(a) The price of Gas sold under this Agreement excludes all provincial and federal sales taxes, goods and services taxes and other similar taxes. Any provincial or federal sales tax, goods and services tax or other similar tax imposed by any lawful authority which by its terms is payable by Buyer, but is to be collected and remitted by Seller shall be added to the amount invoiced by Seller, and shall be paid by Buyer to Seller in the same manner as the amount for Gas invoiced by Seller.

(b) Seller shall pay or cause to be paid and shall be solely responsible for all royalties and payments out of production, together with all applicable federal, provincial, municipal and local taxes, levies or surcharges imposed by authorities that are applicable on Gas delivered hereunder before title to such Gas passes to Buyer at the Point of Delivery. Buyer shall be solely responsible for all royalties, payments, taxes, levies or surcharges that become applicable to Gas after delivery hereunder and passage of title to such Gas from Seller to Buyer at the Point of Delivery.

ARTICLE IX BILLINGS AND PAYMENTS

Section 9.1 Billings and Payments

Commencing with the earlier of November 1, 1999, or the Initial Delivery Date, and continuing with each succeeding Month thereafter ("Delivery Month"), Seller shall present to Buyer, on or before the fifteenth (15) Day of the Month following each Delivery Month, an invoice showing the Quantity of Gas, if any, delivered on each Day during the Delivery Month, the product obtained by multiplying such Quantity of Gas by the applicable price under Section 8.1, the GIC, if any, and the total amounts and charges due and payable to Seller. If the actual Quantity of Gas sold, delivered or caused to be delivered during the Delivery Month is not known or available in time to prepare the invoice, Seller shall estimate the amounts based on Seller's reasonable estimate of the Quantity of Gas sold, delivered or caused to be delivered to Buyer. Seller shall provide, in the succeeding Month's invoice, an adjustment based on any differences between the estimated quantities and the actual Quantity of Gas delivered to Buyer during the Delivery Month.

Section 9.2 Payment

Subject to the provisions of Section 9.7 hereof, Buyer agrees to pay Seller in immediately available Canadian funds the amount invoiced under Section 9.1 hereof by wire transfer to Seller's bank at the address designated in Article XVIII hereof, on or before the twenty-fifth (25th) Day of the Month in which such billing invoice is presented to Buyer. If presentation of an invoice to Buyer occurs after the fifteenth (15th) Day of a Month, then the

payment date shall be postponed by a period equal to the number of Days elapsed between the fifteenth (15th) Day of the Month and the Day on which the invoice was actually received by Buyer.

Section 9.3 Verification

Each Party shall have the right at reasonable hours and upon reasonable notice to examine, on any Business Day on which either Party is open for business, the books, records and charts of the other Party relating to the previous twenty-four (24) month period to the extent necessary to verify the accuracy of any statement, chart or computation made under or pursuant to the provisions of this Agreement. The examination of the books, records or charts will be conducted at the sole expense of the examining Party.

Section 9.4 Security

No later than thirty Days before the Initial Delivery Date, Buyer shall provide Seller a letter of credit as security for Buyer's payments to Seller for Gas delivered and sold to Buyer hereunder. The value of the letter of credit shall be equal to 60 days multiplied by the MDQ and multiplied by the price specified in Section 8.1 and applicable to that first Agreement Year. A new letter of credit shall be provided on the first Day of each subsequent Agreement Year, at an increased amount equal to 60 days multiplied by the MDQ and multiplied by the price specified in Section 8.1 and applicable to such Agreement Year (or in the case of the tenth Agreement Year, a revised letter of credit would be issued during such tenth Agreement Year, if such Agreement Year extended beyond any date on which the price changes under Section 8.1). Upon receipt of each new letter of credit under this Section 9.4, Seller shall return the preceding letter of credit to Buyer. Each letter of credit shall be irrevocable, payable to Seller, drawn on a bank reasonably satisfactory to Seller and shall have a term that is coterminous with the Agreement Year for which it is provided. In the event that any letter of credit provided under this Section 9.4 and held by Seller is not replaced at least ten (10) Days prior to the expiration date of such letter of credit, then Seller may draw on such letter of credit up to the amount that is due to Seller from Buyer for Gas delivered to Buyer by Seller through the date of such draw, and Seller may thereafter suspend delivery of any Gas to Buyer under this Agreement until the replacement letter of credit is provided by Buyer, at which time Seller shall resume the delivery of Gas to Buyer in accordance with this Agreement. If Buyer does not deliver the replacement letter of credit to Seller within 90 days after the expiration of the previous letter of credit, Seller may terminate this Agreement. The first invoice issued by Seller to Buyer under Section 9.1 of this Agreement following the renewal of the letter of credit and resumption of Gas deliveries under this Agreement shall include a credit in the amount of the draw made by Seller pursuant to this Section 9.4 against the previous letter of credit; provided that Buyer must have paid all amounts previously owed to Seller. Seller's right to draw on the letter of credit is in addition to any other remedies Seller may have available under Article XIX. The letter of credit required to be provided by Buyer pursuant to this Section 9.4 shall be a separate letter of credit from that required to be provided by Buyer pursuant to Section 8.2.

Section 9.5 Interest on Late Payments

Should Buyer fail to pay the amount of any invoice when due pursuant to Section 9.2 or should Seller fail to pay the amount of any invoice when due pursuant to Section 3.1(b), interest at the Interest Rate shall accrue on the unpaid portion of the invoice calculated and compounded monthly from the date payment was due until payment is made; provided, however, that Seller and Buyer shall use their best efforts to resolve any dispute regarding the amount of any invoice within thirty (30) Days after notice from one Party to the other Party that it disputes the amount of any invoice; provided, further, that if the resolution of such a dispute requires one Party to refund any amount previously paid to it by the other Party, then such refund shall include interest at the Interest Rate on such amount from the date such amount was originally paid until such amount is refunded.

Section 9.6 Failure to Pay

Should Buyer fail to pay the amount of any invoice when due hereunder, Seller shall give Buyer five Business Days prior written notice of such non-payment and Seller's intention to suspend deliveries and draw on the letter of credit provided under Section 9.4. If Buyer does not make such payment prior to the expiration of such five Business Days, then Seller may, in its sole discretion, draw on the letter of credit provided under Section 9.4 for the amount of such payment and/or suspend deliveries of Gas hereunder. Upon payment of the amount or, in the case of a draw on the letter of credit by Seller, reinstatement of the letter of credit to its original amount, Seller shall as soon as reasonably possible resume deliveries of Gas to Buyer hereunder. In the event of such a suspension by Seller, Buyer shall remain responsible for payments due for the GIC provided for in Section 3.3.

Section 9.7 Corrections of Errors

In the event either Party determines that there is an error in the amount billed in any invoice rendered by Seller, the error shall be adjusted within thirty (30) Days of a final determination of whether an error has occurred; provided, however, any claim therefor shall have been made within sixty (60) Days from the Day the error was determined and within a 24-month period, starting from the date of the invoice. If the error resulted in an overcharge and the invoice has been paid, Seller shall refund the amount of the overcharge with interest at the Interest Rate from the Day the overcharge was paid until the date of the refund to Buyer.

Section 9.8 Non-Business Days

If the payment date under this Article IX falls on a Day that is not a Business Day, then the payment date shall be the nearest Business Day prior to the date that the payment is otherwise due.

ARTICLE X
POINT OF DELIVERY

Section 10.1 **Point of Delivery**

The Point of Delivery for the Quantity of Gas to be sold and delivered by Seller hereunder for purchase and receipt by Buyer or for Buyer's account shall be that point on the NOVA Gas Transmission System designated as Nova Inventory Transfer ("NIT").

ARTICLE XI
DELIVERY PRESSURE

Section 11.1 **Delivery Pressure**

The Quantity of Gas sold, delivered or caused to be delivered by Seller to Buyer at the Point of Delivery shall be at the pressure required by NOVA, as set forth by NOVA in its effective gas tariff, as amended or modified from time to time and as approved by the AEUB.

ARTICLE XII
QUALITY

Section 12.1 **Quality**

The quality of the Quantity of Gas delivered under this Agreement shall meet or exceed the minimum quality specifications established by NOVA in its effective gas tariff, as amended or modified from time to time and as approved by the AEUB.

Section 12.2 **Non-Conforming Gas**

Buyer shall not be obligated to receive and purchase Gas hereunder that fails to conform to the specifications set out in this Article XII; provided, however, should Buyer accept deliveries of any such Gas, Buyer shall nevertheless pay Seller for such Gas received and accepted at the price payable pursuant to Article VIII.

ARTICLE XIII
MEASUREMENT OF GAS

Section 13.1 **Unit of Measure**

The unit of measure for the Quantity of Gas received by or delivered to Buyer at the Point of Delivery shall be one GJ. GJ's delivered to Buyer at the Point of Delivery as specified in Section 10.1 hereof shall be determined by multiplying the applicable Volume of Gas sold, delivered or caused to be delivered to Buyer by the applicable Heating Value of Gas.

Section 13.2 Meters

Meter(s) and other related equipment and facilities installed and maintained by NOVA at the Receipt Point and at the Point of Delivery shall be the exclusive method and means of determining the Quantity of Gas, the Volume of Gas and the Heating Value of Gas sold, delivered or caused to be delivered to Buyer under this Agreement.

Section 13.3 Reading and Testing

Reading, testing, calibration and adjustment of any NOVA meter(s) and related measurement equipment shall be performed according to NOVA's effective gas tariff, as amended or modified from time to time and as approved by the AEUB.

Section 13.4 Meter Records

Each Party shall cooperate and endeavor to obtain and make available to the other Party the charts and records relating to NOVA meters and other related equipment to the extent that such charts and records pertain to the Quantity of Gas delivered under this Agreement to Buyer.

ARTICLE XIV
POSSESSION, TITLE AND WARRANTY

Section 14.1 Possession and Title

Possession of and title to Gas sold by Seller to Buyer hereunder shall pass from Seller to Buyer at the Point of Delivery. As between Seller and Buyer, until the Gas reaches the Point of Delivery, Seller shall be deemed to be in exclusive control and possession and have title to the Gas and be responsible for any loss, damage or injury caused thereby for such Gas, and shall indemnify Buyer and save it harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of adverse claims of any or all persons relating to the Gas or to taxes, license fees or charges therein, that are applicable at or before the title to the Gas passes to Buyer. As between Seller and Buyer, upon delivery of Gas at the Point of Delivery, Buyer shall be deemed to be in exclusive control and possession of and have title to the Gas and be responsible for any loss, damage or injury caused thereby for such Gas, and shall indemnify Seller and save it harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of adverse claims of any or all persons relating to the Gas or to taxes, license fees or charges therein, that are applicable after the title to the Gas passes to Buyer.

Section 14.2 Warranty

Seller warrants that at the time of delivery Seller shall have good title to all gas sold and delivered to Buyer under this Agreement free and clear of all liens, encumbrances and claims whatsoever and that Seller shall indemnify Buyer and save it harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of adverse

claims of any or all persons relating to the Gas or to royalties, taxes, license fees or charges thereon, that are applicable before the title to the Gas passes to Buyer.

ARTICLE XV **FORCE MAJEURE**

Section 15.1 Burden of Proof

In the event that the Parties are unable in good faith to agree that an Event of Force Majeure has occurred, the Parties shall submit the dispute for resolution pursuant to Article XX hereof; provided, however, the burden of proof as to whether an Event of Force Majeure has occurred shall be upon the Party claiming an Event of Force Majeure.

Section 15.2 Event of Force Majeure

If either Party is rendered wholly or partially unable to perform its obligations under this Agreement because of an Event of Force Majeure that Party shall be excused from whatever performance is affected by the Event of Force Majeure to the extent so affected; provided, however:

(a) the non-performing Party, as soon as reasonably practicable after learning of the occurrence of the inability to perform due to an Event of Force Majeure, provides written notice to the other Party giving the particulars of the occurrence, including an estimation of its expected duration and probable impact on the performance of its obligations under this Agreement, and continues to furnish timely regular reports with respect thereto during the Event of Force Majeure;

(b) the non-performing Party shall exercise all reasonable efforts to continue to perform its obligations under this Agreement and to remedy expeditiously its inability to so perform;

(c) the non-performing Party shall provide the other Party with prompt notification of the cessation of the Event of Force Majeure giving rise to the excuse from performance; and

(d) no obligation of either Party that arose prior to the occurrence of the Event of Force Majeure shall be excused as a result of the occurrence.

Section 15.3 Settlement of Strikes, Lockouts, or Other Labour Disputes

Nothing in this Article XV shall require the settlement of any strike, walkout, lockout or other labour dispute on terms that, in the sole judgement of the Party involved in the dispute, are contrary to that Party's interest. It is understood and agreed that the settlement of strikes, walkouts, lockouts, or other labour disputes shall be entirely within the discretion of the Party having the difficulty.

Section 15.4 Force Majeure Curtailment

(a) In the event that, as a result of an Event of Force Majeure, Seller is rendered unable on any Day, wholly or in part, to sell and deliver the quantity of natural gas that Seller's customers have requested for such day from the reserves utilized to supply Gas sold to Buyer hereunder, then Seller shall curtail deliveries to such customers (including Buyer hereunder) in the following order of priority:

(i) first, under natural gas sales contracts on a non-firm basis;

(ii) second, under natural gas sales contracts on a Firm Basis, including this Agreement; provided, however, to the extent that Seller is required by such Event of Force Majeure to curtail deliveries under natural gas sales contracts on a Firm Basis, such deliveries shall be curtailed on a pro rata basis in the proportion of the MDQ under this Agreement to the MDQ (or its equivalent) under all of Seller's natural gas sales contracts of a similar nature supplied from the Corporate Supply Pool, unless required to the contrary by any law, regulation, or prior contractual commitment.

Seller shall use commercially reasonable efforts to ensure that each producer supplying Gas to Seller for resale to Buyer hereunder shall curtail its deliveries to Seller and to any third parties in accordance with the provisions of this Section 15.4(a).

(b) In the event that, as a result of an Event of Force Majeure, Buyer is rendered unable on any Day, wholly or in part, to accept at the Point of Delivery and transport to and use at the Buyer's Facility the Quantity of Gas that Buyer is obligated to purchase from Seller for such day, then Buyer shall curtail purchases from all suppliers at the Point of Delivery (including Seller hereunder) in the following order of priority:

(i) first, under natural gas sales contracts on a non-firm basis;

(ii) second, under natural gas sales contracts on a Firm Basis, including this Agreement; provided, however, to the extent that Buyer is required by such Event of Force Majeure to curtail purchases under natural gas purchase contracts on a Firm Basis, such purchases shall be curtailed on a pro rata basis in the proportion of the MDQ under this Agreement to the MDQ (or its equivalent) under all of Buyer's natural gas purchase contracts of a similar nature, unless required to the contrary by any law, regulation, or prior contractual commitment.

Section 15.5 Impossibility of Performance due to an Event of Force Majeure

In the event that any Event of Force Majeure prevents Seller from delivering or Buyer from accepting any Gas under this Agreement for more than twelve (12) consecutive Months, the Party not experiencing the Event of Force Majeure may terminate this Agreement without continuing liability by either Party to the other Party upon sixty (60) Day's written notice to the other Party; provided, however, that such termination shall not be effective if, during such sixty (60) Day period, such Event of Force Majeure is remedied or the non-

performing Party otherwise resumes performance of its obligations that were prevented by such Event of Force Majeure.

ARTICLE XVI LAWS AND REGULATORY BODIES

Section 16.1 Laws and Regulatory Bodies

This Agreement and the rights and obligations of the Parties hereunder are subject to all applicable present and future laws, rules, regulations, acts, restraints, and orders of any regulatory or legislative body or other duly constituted authority having jurisdiction over Seller or Buyer.

ARTICLE XVII TRANSFER AND ASSIGNMENT

Section 17.1 Assignments

(a) Except as specified in Sub-sections 17.1(b), (c), (d) or (e) hereof, the rights and obligations of the Parties to this Agreement may not be assigned by either Party except upon the express written consent of the other Party, which consent shall not be unreasonably withheld. In the event such an assignment is made and consented to, the assigning Party shall be released and discharged from all obligations to the other Party hereunder thereafter arising, and such assignee shall be substituted in place of the assigning Party herein.

(b) Either Party shall have the right, without the consent of the other Party, but upon notice to the other Party, to assign this Agreement to any entity owned by, under common ownership with, or owning the assigning Party, or, in the case of Buyer, to a partnership or other entity organized for the purpose of developing, constructing, owning and operating Buyer's Facility, and in which Buyer or an affiliate of Buyer holds an equity interest. Upon such assignment, the Party assigning will not be released from any obligation or liability arising or accruing under this Agreement without the written consent of the other Party. Such consent shall not be unreasonably withheld.

(c) Buyer shall also have the right, without Seller's consent, to assign all of its rights and interest (but not its obligations) under this Agreement to the Financing Parties as security for Buyer's obligations under the Financing Documents. Seller acknowledges that upon an Event of Default by Buyer under the Financing Documents, any of the Financing Parties may (but shall not be obligated to) assume, or cause its designee or a new lessee or purchaser of Buyer's Facility to assume, all of the interests, rights and obligations of Buyer thereafter arising under this Agreement. If the rights and interests of Buyer in this Agreement shall be assumed, sold or transferred as hereinbefore provided, Buyer shall be released and discharged from, and the assuming Party shall agree in writing to be bound by and to assume, the terms and conditions of this Agreement and any and all obligations to Seller arising or accruing hereunder (whether before or after the date of such assumption) and Seller shall continue this Agreement

with the assuming Party as if such person had thereafter been named as Buyer under this Agreement. Notwithstanding any such assumption by any of the Financing Parties or a designee thereof, or under a general assignment, Buyer shall not be released and discharged from and shall remain liable for any and all obligations to Seller arising or accruing hereunder prior to such assumption.

(d) The provisions of Section 19.2 hereof and this Section 17.1 are for the benefit of the Financing Parties as well as the Parties hereto, and shall be enforceable by each. Seller hereby agrees that none of the Financing Parties, or any bondholder or participant for whom they may act, shall be obligated to perform any obligation or be deemed to incur any liability or obligation provided herein on the part of Buyer or shall have any obligation or liability to Seller with respect to this Agreement, except as provided in Section 19.2 hereof and this Section 17.1.

(e) Notwithstanding any provision of this Section 17.1 or Article XIX, Seller will not be required to accept the assignment, novation, assumption, sale or transfer of this Agreement to any party other than Buyer or the Financing Parties, unless Seller is satisfied that such party is creditworthy and reasonably capable of performing any and all of Buyer's obligations under this Agreement.

ARTICLE XVIII NOTICE

Section 18.1 Notice

Except as provided in Sub-section 4.1(b)(ii), every notice, statement, bill or nomination provided for in this Agreement shall be in writing directed to the Party to whom given, made or delivered at such Party's address as follows (or as otherwise directed in writing by such Party):

SELLER: AltaGas Services Inc.
Suite 1800, 407 - 2nd Street S.W.
Calgary, Alberta, Canada
T2P 2Y3

For Contractual Matters: Attention: Keith Darragh - Manager, Marketing
Telephone: (403) 691-7592
Fax: (403) 691-7545
For Nominations: Attention: Brian Martin
Telephone: (403) 691-7530
Fax: (403) 691-7502

Payments in Canadian funds by wire transfers to:

Royal Bank of Canada
335 - 8th Avenue S.W.

Calgary, Alberta, Canada
Bank # 003
Transit # 00009
Acct # 106-874-1

BUYER: Androscoggin Energy LLC
Suite 170, 650 Dundee RD
Northbrook, IL USA 60062
Attention:
Telephone: (847) 559-9800
Fax: (847) 559-1805

FINANCING PARTIES:

As Buyer may specify from time to time.

Either Party may change its address from time to time by giving written notice of such change to the other Party. Any notice, communications, nomination, or statement or other document given or delivered under this Agreement by mail shall be deemed received by the addressee at the end of the third Business Day after the date of mailing by prepaid registered or certified mail in the United States or Canada; provided, however, at any time when there is a strike affecting delivery of United States or Canadian mail, all such deliveries shall be made by hand, overnight courier or by telecopier. If any such notice, communication, nomination, statement, or other document is delivered by hand, overnight courier or by telecopier to the addressee, it shall be deemed to have been received by the addressee as soon as such delivery or transmission has been effected, unless such delivery or transmission occurs outside normal business hours in which case it shall be deemed to have been received by the addressee on the next following Business Day.

ARTICLE XIX
DEFAULT AND REMEDIES

Section 19.1 Definition

(a) An Event of Default under this Agreement shall be deemed to exist upon the occurrence of any one or more of the following events:

- (i) Failure by either Party to make payment of any amounts due to the other Party under this Agreement, and that failure continues for a period of thirty (30) Days after such payment is due; or
- (ii) Failure by either Party to perform fully any other material provision of this Agreement, including, without limitation, Seller's obligations under Article V hereof, and (a) such failure continues

for a period of thirty (30) Days after written notice of such non-performance from the other Party or (b) if within such thirty (30) Day period the non-performing Party commences and proceeds with due diligence to cure the failure and failure is not cured within one hundred eighty (180) Days or such longer period of time agreed to by the Parties in writing as being necessary for the Party to cure the failure with all due diligence; or

- (iii) If by order of a court of competent jurisdiction, a receiver or liquidator or trustee of either Party or of any of the property of either Party shall be appointed, and such receiver or liquidator or trustee shall not have been discharged within a period of sixty (60) Days; or if by decree of such a court, either Party shall be adjudicated bankrupt or insolvent or any substantial part of the property of such Party shall have been sequestered, or such decree shall have continued undischarged and unstayed for a period of sixty (60) Days after the entry thereof; or if a petition to declare bankruptcy or to reorganize either Party pursuant to the provisions of any applicable bankruptcy law, or pursuant to any other similar law applicable to such Party, shall be filed against such Party and shall not be dismissed within sixty (60) Days after such filing; or
- (iv) If either Party shall file a voluntary petition in bankruptcy under any provision of any applicable bankruptcy law or shall consent to the filing of any bankruptcy or reorganization petition against it under any similar law; or, without limitation of the generality of the foregoing, if either Party shall file a petition or answer or consent seeking relief or assisting in seeking relief in a proceeding under any bankruptcy law, or pursuant to any other similar law applicable to such Party, or an answer admitting the material allegations of a petition filed against it in such a proceeding; or if either Party shall make an assignment for the benefit of its creditors; or if either Party shall consent to the appointment of a receiver or receivers, or trustee or trustees, or liquidator or liquidators of it or of all or of any part of its property; or

(b) Subject to the limitation in Section 19.3, in the event of an Event of Default, the non-defaulting Party may proceed to exercise any remedy provided under this Agreement or existing at law or in equity. If one Party believes in good faith that no Event of Default has occurred, and promptly informs the Party asserting the existence of the Event of Default of this belief, then the Parties shall enter negotiations in an attempt to resolve the dispute; provided, however, if either Party believes in good faith that negotiated resolution to the dispute is unlikely, then the Party may proceed to exercise any and all remedies available under this Agreement or existing at law or in equity.

Section 19.2 Remedies for Breach

Subject to the limitations in Section 19.3, during any Event of Default, the Party not in default shall have the right:

(a) to terminate this Agreement upon ten (10) Days written notice to the defaulting Party provided however that Seller has no right to terminate this Agreement on account of an Event of Default on the part of Buyer so long as Buyer makes payment of sums due to Seller under this Agreement; or

(b) notwithstanding Section 19.3, with respect to non-payment by Buyer of sums due Seller, Seller may elect to suspend deliveries five (5) Business Days after the date on which notice of non-payment was received by Buyer pursuant to Section 9.6; provided, however, that a draw by Seller on the letter of credit provided by Buyer pursuant to Section 9.4 shall not be considered as payment of sums due for purposes of this Article XIX unless and until such letter of credit has been reinstated to its original amount in effect prior to the draw by Seller. Subject to the limitations in Section 19.3, Seller thereafter has the right to terminate this Agreement upon ten (10) Days written notice to Buyer pursuant to Section 19.2(a) unless Buyer has commenced and is proceeding with due diligence to remedy the Event of Default in such ten (10) Day period and such Event of Default is remedied within ninety (90) Days thereafter; or

(c) to pursue any other remedy provided under this Agreement, or now or hereafter existing at law or in equity or otherwise.

Section 19.3 Limitation

Notwithstanding Sections 19.1 and 19.2 and any other provision of this Agreement, if an Event of Default occurs as described in Sub-section 19.1(a), paragraph (ii) from a failure to deliver by Seller under Article III or IV or a failure of warranty of adequate gas supply under Article V, then Buyer shall have the right to terminate this Agreement upon ten (10) Days written notice to Seller as described in Sub-section 19.2(a) unless Seller has commenced and is proceeding with due diligence to remedy the Event of Default in such ten (10) Day period and such Event of Default is remedied within ninety (90) Days thereafter. If Buyer elects to so terminate this Agreement, Seller shall be released from all obligations and liabilities under this Agreement arising after the date of such termination (including without limitation Buyer's remedy of Cover Gas under Sub-section 3.1(b)); provided, however, that any and all obligations and liabilities arising prior to such termination shall not be released. In the case of an Event of Default by Buyer, Seller shall provide the Financing Parties with notice of such Event of Default at the same time such notice is provided to Buyer and the Financing Parties shall have the right (but not the obligation) for ninety (90) Days after such notice to cure the Event of Default on behalf of Buyer or assume or cause its designee or cause a lessee or purchaser of Buyer's Facility to assume, all of the rights and obligations of Buyer under this Agreement arising before and after the date of such assumption.

Section 19.4 Financing Parties

In the event that any of the Financing Parties or its designee assumes that Agreement in accordance with Section 19.3 hereof:

(a) Buyer shall remain liable for any and all obligations to Seller arising or accruing hereunder prior to such assumption. Buyer shall be released and discharged from any obligations to Seller arising or accruing hereunder from and after the date of such assumption;

(b) Seller shall continue this Agreement with any of the Financing Parties or its designee, as the case may be, substituted in the place of Buyer hereunder, provided that Seller must be satisfied that any such designee is creditworthy and reasonably capable of performing any and all of Buyer's obligations under this Agreement; and

(c) If the assuming Party is any of the Financing Parties, such Party shall be liable to Seller for the performance of any and all obligations to Seller under this Agreement, whether arising prior to or after the date of such assumption.

ARTICLE XX ARBITRATION

Section 20.1 Arbitration

Notwithstanding any other provisions of this Agreement, any controversy arising out of this Agreement may be submitted to Arbitration by either Party. Any Arbitration conducted hereunder shall be conducted in accordance with the rules of the British Columbia International Commercial Arbitration Centre (the "BCICAC") except as such BCICAC rules may be modified by the provisions of this Article XX and such Arbitration proceedings shall be conducted in accordance with the provisions of this Article XX.

(a) Any Party hereto (the "Initiating Party") may commence Arbitration proceedings by serving Notice on the other party hereto (the "Receiving Party"), which Notice shall contain the name of one Arbitrator who would either function as a single Arbitrator, if the Receiving Party consents, or as one of a panel of three Arbitrators if the Receiving Party does not so consent. Within 14 Days after receipt of such Notice, the Receiving Party shall serve Notice on the Initiating Party, which Notice shall contain either a consent to the Initiating Party's Arbitrator functioning as a single Arbitrator or the name of a second Arbitrator to function as a member of an Arbitration Board.

(b) If the Receiving Party fails either to consent to a single Arbitrator or to name a second Arbitrator, then the Initiating Party's Arbitrator shall function as a single Arbitrator. If both Parties appoint their own Arbitrator, the two Arbitrators so appointed shall name a third Arbitrator or, if they fail to do so within 14 Days of the second Arbitrator's appointment, the Parties shall promptly meet and shall attempt to agree upon and to appoint such third Arbitrator. If the Parties are unable to agree within such 14 Day period on the choice of a third Arbitrator then, upon request by either Party, the third Arbitrator shall be appointed by the BCICAC.

(c) The single Arbitrator (the "Arbitrator") or the three Arbitrators (the "Board") appointed hereunder shall be generally knowledgeable in the area of gas production, transportation, marketing and distribution and in the area of development, construction and

operation of gas-fired, electric power generation facilities, and shall be qualified by education or experience to decide the particular matters in dispute, and shall not be employees or agents of or otherwise have any interest in either Party or of any of their affiliates.

(d) All Arbitration proceedings shall be administered by the BCICAC in accordance with its "Procedures for Cases", and the rules governing in Arbitration proceedings shall be the "Rules for International Commercial Arbitration and Conciliation Proceedings" in the BCICAC, except where such rules are in conflict with the specific provisions of this Article XX, in which case the latter shall be paramount and prevail. The place of any Arbitration shall be in Vancouver, British Columbia.

(e) The Arbitrator or the Board (or the majority thereof), as the case may be, shall render a decision within 45 Days after an appointment of the Arbitrator or the third Arbitrator on the Board, as the case may be, subject to any reasonable delay due to unforeseen circumstances. The decision of the Arbitrator, or the decision of the Board (or a majority thereof), shall be made in writing and shall be final and binding upon the Parties, as to the matters submitted to Arbitration, and the Parties shall abide by and comply with the decision. The Parties shall execute, acknowledge and deliver all such documents or assurances as may be necessary to implement the decision. The written decision of the Arbitrator or the Board (or a majority thereof), as the case may be, may be issued with or without a written opinion and shall be issued expeditiously; provided, however, that implementation of and compliance with the decision shall not be delayed pending the issuance of a written opinion.

(f) If a decision is not rendered by the Arbitrator or the Board (or a majority thereof), as the case may be, within the period specified in Sub-Section 20.1(e), either Party hereto may serve Notice on the other Party requiring that a new Arbitrator or Arbitrators, as the case may be, be appointed in accordance with the procedures set forth in this Article XX.

(g) Each Party shall bear the expense of prosecuting its own case and each Party shall each pay the compensation and expenses of its named Arbitrator when a Board is selected. The compensation and expenses of an Arbitrator acting as the sole Arbitrator or the third Arbitrator of any Board and all administration costs of the Arbitration shall be paid in equal portions by the Parties.

(h) The failure of either Party hereto to participate in an Arbitration proceeding as scheduled by the Arbitrator or the Board, as the case may be, shall not delay the proceeding. If a Party fails to participate, the Arbitrator or the Board, as the case may be, shall issue a decision as though the non-participating party were a participant in the Arbitration proceeding and the decision shall be final and binding on such non-participating Party, in accordance with Sub-section 20.1(e).

(i) Except as herein otherwise expressly provided, in this Article XX, the provisions of the International Commercial Arbitration Act (British Columbia), as amended from time to time, and any successor legislation, shall apply to all Arbitration proceedings conducted pursuant to the provisions of this Article XX.

(j) Whenever there is an Arbitration proceeding under this Article, operations under this Agreement shall continue in the same manner as they were conducted before the Arbitration proceeding is commenced, without prejudice to either Party, pending a decision in the Arbitration proceeding.

ARTICLE XXI REPRESENTATIONS AND WARRANTIES

Section 21.1 Seller's Representations and Warranties

Seller represents and warrants to Buyer that:

(a) Seller is a body corporate properly constituted under the laws of Canada, to engage, *inter alia*, in the business of purchasing gas from producers, arranging transportation of such gas in Canada and for the sale of such gas.

(b) Seller has the requisite corporate capacity, power and authority to execute this Agreement and to perform the obligations to which it hereby becomes subject.

(c) Seller has taken all necessary corporate actions to authorize the execution, delivery and performance of this Agreement.

(d) The execution and delivery of this Agreement is not and will not be in violation or breach of, or be in conflict with or require any consent, authorization or approval under:

(i) any term or provision of the constating document of the Seller;

(ii) any agreement, instrument, permit or authority to which the Seller is a party or by which the Seller is bound;

(iii) any applicable law or any judicial order, award, judgment or decree applicable to the Seller.

(e) Seller shall use due diligence to satisfy the conditions precedent referred to in Sub-section 2.1(a), paragraphs (i), (v), (vii) and (xii).

Section 21.2 Buyer's Representations and Warranties

Buyer represents and warrants to Seller that:

(a) Buyer is a limited liability corporation properly constituted under the laws of the State of Delaware, of the United States of America, to engage, *inter alia*, in the business of constructing and operating a gas fired combined cycle electric generating plant with capacity of approximately 150 Megawatts, the purchase and the transportation of gas in Canada and the

United States of America for use and consumption in such plant or for sale to third parties, and the sale of electrical power and steam produced by such plant.

(b) Buyer has the requisite corporate capacity, power and authority to execute this Agreement and to perform the obligations to which it hereby becomes subject.

(c) Buyer has taken all necessary corporate action to authorize the execution, delivery and performance of this Agreement.

(d) The execution and delivery of this Agreement is not and will not be in violation or breach of, or be in conflict with or require any consent, authorization or approval under:

(i) any term or provision of the constating documents of the Buyer;

(ii) any agreement, instrument, permit or authority to which the Buyer is a party or by which the Buyer is bound;

(iii) any applicable law or judicial order, award, judgment or decree applicable to the Buyer.

(e) Buyer shall use due diligence to satisfy the conditions precedent referred to in Sub-section 2.1(a), paragraphs (ii), (iii), (iv), (vi), (vii), (viii), (ix), (x), (xi) and (xii).

ARTICLE XXII MISCELLANEOUS PROVISIONS

Section 22.1 Captions

The headings used throughout this Agreement are inserted for reference purposes only and are not to be considered or taken into account in construing the terms or provisions of any Article or Section hereof nor to be deemed in any way to qualify, modify or explain the effect of any such provisions or terms.

Section 22.2 Other Agreements

This Agreement constitutes the entire Agreement between the Parties relating to the subject matter hereof and supersedes any other agreements, written or oral, between the Parties concerning such subject matter.

Section 22.3 Binding Effect

The terms and provisions of this Agreement, and the respective rights and obligations hereunder of Seller and Buyer, shall be binding upon, and inure to the benefit of, their respective successors and permitted assigns.

Section 22.4 Non-Waiver of Defaults

No waiver by either Party of any default of the other Party under this Agreement shall operate as a waiver of a future default whether of a like or different character.

Section 22.5 Written Amendments

No modifications of the terms and provisions of this Agreement shall be or become effective except by written amendment executed by the Parties.

Section 22.6 Severability and Regeneration

Should any provision of this Agreement for any reason be declared invalid or unenforceable by final and unappealable order of any court or regulatory body having jurisdiction, such decision shall not affect the validity of the remaining portions, and the remaining portions shall remain in force and effect as if this Agreement had been executed without the invalid portion. In the event any provision of this Agreement is so declared invalid or unenforceable, the Parties shall promptly renegotiate in good faith new provisions to eliminate such invalidity or unenforceability and to restore this Agreement as nearly as possible to its original intent and effect.

Section 22.7 Survival

Any provision(s) of this Agreement that expressly or by implication comes into or remains in force following the termination or expiration of this Agreement shall survive the termination or expiration of this Agreement.

Section 22.8 Further Assurances

The Parties shall execute such additional documents reasonably required including, without limitation, a consent to assignment or similar documents, and shall cause such additional action to be taken as may be required or, in the judgement of any party, may be necessary or desirable, to effect or evidence the provisions of this Agreement and the transactions contemplated hereby.

Section 22.9 Limitation of Liability

Notwithstanding anything else in this Agreement, neither Party, nor any of its directors, trustees, agents, officers or employees will be liable whether in contract or tort to the other Party, its directors, trustees, agents, officers or employees for incidental, special, punitive, exemplary, indirect or consequential damages of any nature connected with or resulting from performance or breach of this Agreement.

Section 22.10 Governing Law

This Agreement shall be governed and interpreted in accordance with the laws of the Province of Alberta.

IN WITNESS WHEREOF, intending to be legally bound, the Parties hereby have caused this Agreement to be entered into by their duly authorized officers and attested to by their respective secretaries, as of the Day and Year first above written.

ATTEST:

H. Dancy

ALTAGAS SERVICES INC.

by:

title: V.P. Gas Services

Handwritten initials

ATTEST:

Brian Vargel

ANDROSCOGGIN ENERGY LLC

by:

title: President

GAS SALES AGREEMENT

between

BEAU CANADA EXPLORATION LTD.

AND

ANDROSCOGGIN ENERGY LLC

Dated as of January 27, 1997.

ARTICLE I		
	<u>DEFINITIONS OF TERMS</u>	1
Section 1.1	<u>Definitions</u>	1
ARTICLE II		
	<u>CONDITIONS PRECEDENT</u>	6
Section 2.1	<u>Conditions Precedent</u>	6
Section 2.2	<u>Notification</u>	8
Section 2.3	<u>Satisfaction of Conditions Precedent</u>	9
ARTICLE III		
	<u>SCOPE OF AGREEMENT</u>	9
Section 3.1	<u>Purchase and Sale</u>	9
Section 3.2	<u>Deliveries Prior to Initial Delivery Date</u>	10
Section 3.3	<u>Minimum Annual Quantity; Payment; Makeup</u>	10
ARTICLE IV		
	<u>DELIVERIES</u>	11
Section 4.1	<u>Quantity</u>	11
Section 4.2	<u>Uniform Deliveries</u>	12
Section 4.3	<u>Gas Imbalances</u>	12
ARTICLE V		
	<u>SELLER'S SUPPLY WARRANTY</u>	13
Section 5.1	<u>Warranty and Covenant of Adequate Supply and Reserves</u>	13
ARTICLE VI		
	<u>TERM OF AGREEMENT</u>	13
Section 6.1	<u>Term</u>	13
ARTICLE VII		
	<u>TRANSPORTATION</u>	13
Section 7.1	<u>NOVA Transportation</u>	14
Section 7.2	<u>NOVA Receipt Point Firm Service</u>	14
Section 7.3	<u>NOVA Delivery Point Firm Service</u>	14
Section 7.4	<u>Downstream Transportation</u>	14
ARTICLE VIII		
	<u>PRICE</u>	15

Section 8.1	<u>Commodity Charge</u>	15
Section 8.2	<u>Buyer's Letter of Credit</u>	15
Section 8.3	<u>Market Risk Assessment</u>	16
Section 8.4	<u>Taxes</u>	16
ARTICLE IX		
	<u>BILLINGS AND PAYMENTS</u>	17
Section 9.1	<u>Billings and Payments</u>	17
Section 9.2	<u>Payment</u>	17
Section 9.3	<u>Verification</u>	17
Section 9.4	<u>Security</u>	17
Section 9.5	<u>Interest on Late Payments</u>	18
Section 9.6	<u>Failure to Pay</u>	18
Section 9.7	<u>Corrections of Errors</u>	18
Section 9.8	<u>Non-Business Days</u>	18
ARTICLE X		
	<u>POINT OF DELIVERY</u>	19
Section 10.1	<u>Point of Delivery</u>	19
ARTICLE XI		
	<u>DELIVERY PRESSURE</u>	19
Section 11.1	<u>Delivery Pressure</u>	19
ARTICLE XII		
	<u>QUALITY</u>	19
Section 12.1	<u>Quality</u>	19
Section 12.2	<u>Non-Conforming Gas</u>	19
ARTICLE XIII		
	<u>MEASUREMENT OF GAS</u>	19
Section 13.1	<u>Unit of Measure</u>	19
Section 13.2	<u>Meters</u>	20
Section 13.3	<u>Reading and Testing</u>	20
Section 13.4	<u>Meter Records</u>	20
ARTICLE XIV		
	<u>POSSESSION, TITLE AND WARRANTY</u>	20
Section 14.1	<u>Possession and Title</u>	20
Section 14.2	<u>Warranty</u>	20

ARTICLE XV			
		<u>FORCE MAJEURE</u>	21
Section 15.1		<u>Burden of Proof</u>	21
Section 15.2		<u>Event of Force Majeure</u>	21
Section 15.3		<u>Settlement of Strikes, Lockouts, or Other Labour</u>	
		<u>Disputes</u>	21
Section 15.4		<u>Force Majeure Curtailment</u>	22
Section 15.5		<u>Impossibility of Performance due to an Event of</u>	
		<u>Force Majeure</u>	22
ARTICLE XVI			
		<u>LAWS AND REGULATORY BODIES</u>	23
Section 16.1		<u>Laws and Regulatory Bodies</u>	23
ARTICLE XVII			
		<u>TRANSFER AND ASSIGNMENT</u>	23
Section 17.1		<u>Assignments</u>	23
ARTICLE XVIII			
		<u>NOTICE</u>	24
Section 18.1		<u>Notice</u>	24
ARTICLE XIX			
		<u>DEFAULT AND REMEDIES</u>	25
Section 19.1		<u>Definition</u>	25
Section 19.2		<u>Remedies for Breach</u>	26
Section 19.3		<u>Limitation</u>	27
Section 19.4		<u>Financing Parties</u>	27
ARTICLE XX			
		<u>ARBITRATION</u>	27
Section 20.1		<u>Arbitration</u>	27
ARTICLE XXI			
		<u>MISCELLANEOUS PROVISIONS</u>	29
Section 21.1		<u>Captions</u>	29
Section 21.2		<u>Other Agreements</u>	29
Section 21.3		<u>Binding Effect</u>	30
Section 21.4		<u>Non-Waiver of Defaults</u>	30
Section 21.5		<u>Written Amendments</u>	30

Section 21.6	<u>Severability and Regeneration</u>	30
Section 21.7	<u>Survival</u>	30
Section 21.8	<u>Further Assurances</u>	30
Section 21.9	<u>Limitation of Liability</u>	30
Section 21.10	<u>Governing Law</u>	31

GAS SALES AGREEMENT

This GAS SALES AGREEMENT (this "Agreement") is made as of the 27 day of January 1997, by and between BEAU CANADA EXPLORATION LTD., an Alberta corporation ("Seller"), and ANDROSCOGGIN ENERGY LLC, a Delaware limited liability corporation ("Buyer").

WITNESSETH

WHEREAS, Seller is engaged in the business of producing and selling natural gas;

WHEREAS, Buyer proposes to construct, own and operate a natural gas-fired electric generation facility in the City of Jay, State of Maine, which facility is expected, but not guaranteed, to commence commercial operation by November 1, 1998;

WHEREAS, in accordance with the terms and conditions of this Agreement, Seller is prepared to sell and deliver on a Firm Basis (as defined herein), and Buyer is prepared to purchase and receive on a Firm Basis, Gas required for the operation of Buyer's Facility (as defined herein);

WHEREAS, Buyer has or shall have received all required material governmental authorizations to construct and operate Buyer's Facility;

WHEREAS, Buyer has entered or shall enter into natural gas transportation contracts which shall provide Buyer the necessary transportation services for the delivery of the Quantity of Gas (as defined herein) to be sold and delivered, or caused to be delivered, by Seller to, or for the account of, Buyer at the Point of Delivery (as defined herein) for further transportation by Buyer to Buyer's Facility; and

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and intending to be legally bound, Seller and Buyer agree as follows:

ARTICLE I DEFINITIONS OF TERMS

Section 1.1 Definitions

For purposes of this Agreement all appendices and recitals, except where another meaning is expressly stated, the following capitalized words and phrases shall have the following meanings:

"Actual Purchased Quantity" shall have the meaning set forth in Subsection 3.3 (b) hereof.

"AEUB" means the Alberta Energy Utilities Board, or its successor.

"AEUB Reserves Under Control Locations Listing" means the listing of natural gas reserves designated by AEUB.

"Agreement Year" means a period of twelve (12) consecutive Months beginning on November 1st of each year subsequent to the year in which the Initial Delivery Date occurs; the first Agreement Year shall begin with the Initial Delivery Date hereunder and end on the November 1st next following; and provided that in any Agreement Year containing less than 365 Days, the obligations of the parties hereunder shall be prorated based on a fraction, the numerator of which is the number of Days in the Agreement Year in question and the denominator of which is 365, or 366 in any year that includes February 29.

"Arbitration" shall have the meaning set forth in Article XX.

"Arbitrator" shall have the meaning set forth in Article XX.

"Board" shall have the meaning set forth in Article XX.

"BCICAC" shall have the meaning set forth in Section 20.1 hereof.

"Business Day" means any Day other than Saturday, Sunday or other Day on which banks are authorized to be closed in the State of Maine or in the Province of Alberta.

"Buyer's Facility" means the electric generation facility to be constructed by Buyer near International Paper Company's facility located near the City of Jay, State of Maine.

"Canadian Regulatory Authorities" means each governmental agency or other authority in Canada, which has jurisdiction over the subject matter of this Agreement including, without limitation, the Alberta Energy Utilities Board, the Alberta Lieutenant Governor in Council, the National Energy Board and the Governor in Council for Canada.

"Corporate Supply Pool" means the aggregate quantity of gas reserves available to, or owned by, Seller.

"Cover Gas" shall have the meaning set forth in Sub-section 3.1 (b).

"m³" means cubic meter.

"Day" means a period of twenty-four consecutive hours, beginning and ending at 8:00 a.m. Mountain Standard Time or at such other hour as Seller and Buyer shall agree upon in writing.

"Delivery Month" shall have the meaning set forth in Article XX hereof.

"Event of Force Majeure" means any: acts of God; strikes, lockouts, or other industrial disturbances; act of the public enemy, wars, blockades, insurrections, riots, arrests and restraints of government and people; civil disturbances; epidemics; landslides; lightning;

earthquakes; fires; storms; floods; washouts; explosions; breakage or accident to machinery or lines of pipe; freezing of wells or delivery facilities; unforeseeable inability to obtain materials (other than Gas), equipment, supplies, or labour; any act or omission of the natural gas transportation pipelines used by Seller or Buyer that is excused under relevant agreements by any event or occurrence of the character herein defined as an Event of Force Majeure; the curtailment or interruption of firm transportation service which affects Buyer's receipt of or ability to transport Gas downstream of the Point of Delivery or Seller's delivery of Gas at the Point of Delivery and which is not attributable to a breach by Buyer or Seller, respectively, of its obligations to the interrupting/curtailing pipeline; an order, directive or restraint issued or imposed by any governmental authority, regulatory body or court having jurisdiction; an inability to obtain, or a revocation or adverse amendment of, any license, permit, approval or authorization of any governmental authority or regulatory body having jurisdiction; the occurrence of any event of force majeure under a contract that excuses the purchaser thereunder from buying and taking Gas from the Buyer; or any other cause, whether of the kind herein enumerated or otherwise, and whether or not caused or occasioned by, or happening on the account of, the act or omission of one of the Parties or some person or concern not a Party to this Agreement, not within the reasonable control and without the fault or negligence of the Party claiming the Event of Force Majeure. It is expressly agreed that none of the following shall constitute an Event of Force Majeure hereunder: Buyer's inability economically to use or resell Gas purchased under this Agreement; Seller's inability to obtain Gas supplies at a desirable or economic price; depletion of Seller's reserves, if any; lack of financial resources or available funds or similar financial predicament which is due to the inability to pay any amount which a financially sound entity would be expected to pay; either Party's operational or transportation balancing requirements; any transportation difficulty or impediment that does not directly affect Buyer's receipt of or ability to transport Gas downstream of the Point of Delivery or Seller's delivery of Gas at the Point of Delivery; or any transportation difficulty or impediment attributable to having interruptible transportation service in place.

"F.E.R.C." means the Federal Energy Regulatory Commission, or its successor, of the United States.

"Financing Documents" means any and all loan agreements, notes, indentures, security agreements, subordination agreements, mortgages, partnership agreements, subscription agreements, participation agreements and other documents relating to the construction, interim and long-term financing (both debt and any third-party equity) of Buyer's Facility and any refinancing thereof (including a leveraged lease pursuant to which Buyer is the lessee of Buyer's Facility) provided by the Financing Parties, including any and all modifications, extensions, renewals and replacements of any such financing or refinancing.

"Financing Parties" means (i) any and all lenders providing the construction, interim or long-term financing or refinancing of Buyer's Facility (including a leveraged lease), and any trustee or agent acting on their behalf, and (ii) any all equity investors providing any such financing or refinancing of Buyer's Facility, and any trustee or agent acting on their behalf.

"Firm Basis" means the obligation of Seller to provide Buyer a non-interruptible Quantity of Gas and Buyer's obligation to purchase a non-interruptible Quantity of Gas.

"Gas" means natural gas of the quality specified in Article XII hereof.

"GJ" means one billion Joules.

"Gas Inventory Charge" or "GIC" means for any Agreement Year, a payment of \$0.40 (Canadian dollars) per GJ.

"Heating Value of Gas" means when applied to a cubic meter of Gas, the number of Joules expressed in MJ per m³, produced by the complete combustion at constant pressure of one (1) cubic meter of Gas with air, with the Gas free of water vapor and the temperature of the Gas, air and products of combustion to be at a standard temperature and all water formed by combustion reaction to be condensed to the liquid state determined in accordance with NOVA's system at the Point of Delivery.

"Initial Delivery Date" means the Day certified in writing to Seller by Buyer to be the Day on which Buyer shall first take delivery of the Gas Seller shall deliver at the Point of Delivery.

"Interest Rate" means (i) the publicly announced prime interest rate per annum for Canadian Dollar commercial loans made in Canada of the Bank of Montreal, or its successor bank, in effect for the first Business Day of the Month for which interest is being calculated plus (ii) two (2) percent per annum, but in no event greater than the maximum interest rate allowed by law.

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

"Maximum Daily Quantity" or "MDQ" means a Quantity of Gas equal to 3,500 GJ per Day.

"Minimum Annual Quantity" or "MAQ" means eighty-five percent (85%) of the Quantity of Gas resulting from multiplying the MDQ by 365 Days (366 Days in an Agreement Year that includes February 29) and reducing the product obtained by the Volume Deficiency for the same period.

"MJ" means one million Joules.

"Month" means the period beginning at 8:00 a.m. Mountain Standard Time on the first Day of a given calendar month and ending 8:00 a.m. Mountain Standard Time on the first Day of the next succeeding calendar month.

"Natural Gas Reserves" means reserves of unprocessed raw gas.

"NEB" means the National Energy Board of Canada, or its successor.

"NOVA" means NOVA Gas Transmission Ltd., its successors and assigns.

"NOVA Delivery Point Firm Service" means firm gas transportation service under NOVA's Rate Schedule FS, or its successor rate schedule, from the Point of Delivery to the interconnection of the NOVA Facilities with TransCanada's facilities at Empress, Alberta.

"NOVA Delivery Point Service Agreement" means an agreement between NOVA and Buyer respecting NOVA Delivery Point Firm Service to be provided pursuant to NOVA Rate Schedule FS, or its successor rate schedule.

"NOVA Facilities" means NOVA's pipelines and other NOVA facilities or any part or parts thereof for the gathering, treating, transporting, storing, distribution, exchange, handling or delivery of any Gas.

"NOVA Fuel Gas" means the Gas, if any, used as compressor fuel at the NOVA facilities for deliveries from the Receipt Point(s) to the NOVA Inventory Transfer.

"NOVA Inventory Transfer" means the location of the point on the NOVA Facilities designated by NOVA, on the date of this Agreement, as the NOVA Inventory Transfer.

"NOVA Receipt Point Firm Service" means firm gas transportation service under NOVA's Rate Schedule FS, or its successor rate schedule, from each Receipt Point to the Point of Delivery.

"NOVA Receipt Point Service Agreement" means an agreement between NOVA and Seller respecting NOVA Receipt Point Firm Service to be provided pursuant to NOVA Rate Schedule FS, or its successor rate schedule.

"Party" or "Parties" means a signatory or the signatories to this Agreement, and its or their successor and permitted assigns, as the case may be.

"Point of Delivery" shall mean the NOVA Inventory Transfer point, as set forth in Article X.

"Portland" means Portland Natural Gas Transmission System Limited (a Maine general partnership), its successors and assigns.

"Portland Service Agreement" means an agreement between Portland and Buyer under Portland's Rate Schedule FT, or its successor rate schedule.

"Purchase Deficiency" shall have the meaning set forth in Sub-section 3.3 (b).

"Quantity of Gas" means an amount of Gas expressed in GJs determined by the product of the applicable Volume of Gas and the applicable Heating Value of Gas.

"Receipt Point" means any inlet valve of the NOVA Facilities at which Seller is able to deliver Gas into the NOVA Facilities.

"Scheduled Delivery Quantity" for any period means the Quantity of Gas that Buyer requests Seller to deliver during such period in accordance with Sub-section 4.1 (a), but in no event shall the Scheduled Delivery Quantity for any Day exceed the MDQ.

"10³m³" means thousand cubic meters.

"Term" shall have the meaning set forth in Section 6.1.

"TransCanada" means TransCanada PipeLines Limited, a Canadian corporation, its successors and assigns.

"TransCanada Service Agreement" means an agreement between TransCanada and Buyer under TransCanada's FS Toll Rate or its successor rate.

"U.S. Regulatory Authorities" means each governmental agency or other authority in the United States of America which has jurisdiction over the subject matter of this Agreement including without limitation, F.E.R.C.

"Volume Deficiency" shall have the meaning set forth in Sub-section 3.1 (b).

"Volume of Gas" means an amount of Gas expressed in 10³m³.

ARTICLE II CONDITIONS PRECEDENT

Section 2.1 Conditions Precedent

(a) Except as provided in Section 2.3, Seller shall have no obligation to sell, deliver or cause to be delivered to Buyer, and Buyer shall have no obligation to pay for, purchase, receive or cause to be received from Seller, at the Point of Delivery, the Quantity of Gas specified in this Agreement, unless and until all of the following conditions precedent have been satisfied.

(i) On or before November 1, 1997, Seller shall have applied for and, on or before the date that NOVA prescribes for execution of the necessary NOVA Receipt Point Service Agreement, Seller shall have entered into all necessary firm natural gas transportation agreements, including but not limited to the NOVA Receipt Point Service Agreement(s), or where applicable transportation precedent agreements, to provide Seller transportation service from the Receipt Points to the Point of Delivery for the delivery of the Quantity of Gas to be

sold, delivered or caused to be delivered by Seller to or for the account of Buyer at the Point of Delivery, for deliveries to commence on November 1, 1998; and

(ii) On or before November 1, 1997, Buyer shall have applied for and, on or before the date that NOVA prescribes for execution of the necessary NOVA Delivery Point Service Agreement, Buyer shall have entered into all necessary firm natural gas transportation agreements, including but not limited to the NOVA Delivery Point Service Agreement, or where applicable transportation precedent agreements, to provide Buyer transportation service from the Point of Delivery to the receipt point on TransCanada's facilities at Empress, Alberta, to receive from Seller and transport to TransCanada's facilities the Quantity of Gas to be sold, delivered or caused to be delivered by Seller to or for the account of Buyer at the Point of Delivery, for deliveries to commence on November 1, 1998; provided, however, that if Buyer is unable to obtain transportation from TransCanada and Portland commencing on November 1, 1998, the execution of the contract(s) with NOVA providing for commencement of such deliveries no later than November 1, 1999, shall satisfy this condition precedent; and

(iii) On or before November 1, 1997, Buyer shall have applied for and, on or before the date that TransCanada prescribes for execution of the necessary TransCanada Service Agreement, Buyer shall have entered into all necessary firm natural gas transportation agreements, including but not limited to the TransCanada Service Agreement, or where applicable transportation precedent agreements, to provide Buyer transportation service from the receipt point on TransCanada's facilities at Empress, Alberta, to the receipt point on Portland's facilities for the transportation of the Quantity of Gas to be sold, delivered or caused to be delivered by Seller to or for the account of Buyer at the Point of Delivery, for deliveries to commence on November 1, 1998; provided, however, that the execution of the contract(s) with TransCanada providing for commencement of such deliveries no later than November 1, 1999, shall satisfy this condition precedent; and

(iv) On or before November 1, 1997, Buyer shall have applied for and, on or before the date that Portland prescribes for execution of the necessary Portland Service Agreement, Buyer shall have entered into all necessary firm natural gas transportation agreements, including but not limited to the Portland Service Agreement, or where applicable transportation precedent agreements, to provide Buyer transportation service from the receipt point on Portland's facilities to Buyer's Facility for the delivery of the Quantity of Gas to be sold, delivered or caused to be delivered by Seller to or for the account of Buyer at the Point of Delivery, for deliveries to commence on November 1, 1998; provided, however, that the execution of the contract(s) with Portland providing for commencement of such deliveries no later than November 1, 1999, shall satisfy this condition precedent; and

(v) On or before November 1, 1997, Seller shall have applied for and shall have obtained not later than November 1, 1998, all necessary regulatory and governmental authorization or assurances including, but not limited to, provincial natural gas removal permits, sufficient to satisfy Seller's obligations as set forth in Article III hereof; and

(vi) On or before November 1, 1997, Buyer shall have applied for and obtained not later than November 1, 1998, all necessary regulatory and governmental

authorizations or assurances including but not limited to provincial permits and approvals, an export license for the removal of gas from Canada, an import license from the U.S. Department of Energy for the import of gas from Canada into the United States, sufficient to satisfy Buyer's obligations as set forth in Article III hereof; and

(vii) Prior to the Initial Delivery Date, NOVA, TransCanada, Portland and other transporters, if any, referred to in Section 2.1(a)(ii), (iii) and (iv) hereof, shall have obtained all necessary regulatory and governmental authorizations or assurances on terms sufficient and shall have constructed and put into service all necessary facilities to enable Buyer to take delivery at Buyer's Facility of the Quantity of Gas to be sold, delivered or caused to be delivered by Seller to or for the account of Buyer hereunder; and

(viii) On or before November 1, 1999 the Initial Delivery Date shall have occurred pursuant to this Agreement.

(b) Notwithstanding the foregoing Section 2.1(a), Buyer's obligations under this Agreement are expressly subject to the fulfillment of each of the conditions precedent listed below; provided, however, that Buyer may waive any such condition or may extend the date for fulfillment of any such condition, but not beyond November 1, 1999. In the event that any of such conditions are not fulfilled by the date indicated (as such date may be extended), Buyer may terminate this Agreement without further obligation:

(i) On or before November 1, 1997, Buyer shall have applied for and obtained not later than November 1, 1998, all necessary regulatory authorizations and all site and environmental permits sufficient for Buyer to construct and operate Buyer's Facility; and

(ii) On or before November 1, 1997, Buyer shall have secured financing adequate and sufficient, in Buyer's sole discretion, for the construction and completion of Buyer's Facility.

Section 2.2 Notification

(a) Seller shall notify Buyer, in writing, upon the satisfaction by Seller of Seller's conditions precedent in Section 2.1 (a)(i) and (v), or waiver or extension by Seller at Buyer's request, of Buyer's conditions precedent in Section 2.1 (a)(ii), (iii), (iv), (vi), (vii) and (viii) hereof.

(b) Buyer shall notify Seller, in writing, upon the satisfaction by Buyer of Buyer's conditions precedent in Section 2.1 (a)(ii), (iii), (iv), (vi), (vii) and (viii), or waiver or extension by Buyer at Seller's request, of Seller's conditions precedent in Section 2.1 (a)(i) and (v) hereof. Buyer shall notify Seller, in writing, upon the satisfaction, extension or waiver by Buyer of Buyer's conditions precedent in Section 2.1 (b)(i) and (ii).

Section 2.3 Satisfaction of Conditions Precedent

Upon satisfaction or waiver of all the conditions precedent in Section 2.1 hereof, Seller's obligation to sell, deliver or cause to be delivered and Buyer's obligation to pay for, purchase, receive, or cause to be received, the Quantity of Gas specified in this Agreement in accordance with Section 3.1 hereof shall become effective. Seller and Buyer shall use due diligence to satisfy the conditions precedent referred to in Section 2.1 hereof, within the respective control of each and shall cooperate reasonably with each other in satisfying any condition precedent in Section 2.1 hereof.

If any of the conditions precedent included in Section 2.1 hereof have not been satisfied or waived by the date specified in Section 2.1, then the Party which has performed its obligation may thereafter terminate this Agreement by giving thirty (30) Days written notice to the other Party of its intention to terminate, and this Agreement shall terminate and shall thereafter be of no further force and effect; provided, however, that in the event Buyer has not satisfied one or more of the conditions precedent set out in Section 2.1 (a)(ii), (iii), (iv), (vi), (vii) and (viii), or satisfied or waived one or more of the conditions precedent set out in Section 2.1(b), but agrees, beginning November 1, 1999, to either take gas or commence monthly payments of the GIC multiplied times the one-twelfth of the MAQ, then Seller shall not have the right to terminate this Agreement so long as Buyer is either taking the gas or paying the GIC.

ARTICLE III SCOPE OF AGREEMENT

Section 3.1 Purchase and Sale

(a) Subject to all of the terms, conditions, and limitations set forth in this Agreement, commencing on the Initial Delivery Date Seller shall sell, deliver or cause to be delivered to Buyer on a Firm Basis, and Buyer shall purchase, receive or cause to be received at the Point of Delivery on a Firm Basis, a Quantity of Gas equal to the Scheduled Delivery Quantity.

(b) In the event Seller is unable, except due to an Event of Force Majeure, to deliver all or a portion of the Scheduled Delivery Quantity on any Day in accordance with the terms and conditions of this Agreement, then a "Volume Deficiency" for such Day equal to the difference between the Scheduled Delivery Quantity and the Quantity of Gas delivered by Seller shall exist. If a Volume Deficiency occurs, Buyer shall have the right to purchase the Volume Deficiency from other fuel suppliers. Should Buyer purchase fuel from a third party to replace any Volume Deficiency ("Cover Gas"), Buyer will first endeavor to acquire the Cover Gas at the lowest price reasonably available at the Point of Delivery, it being understood however, that Buyer's primary consideration in purchasing Cover Gas will be to obtain delivery of same at Buyer's Facility when needed. Upon receipt of Buyer's detailed invoice for its cost of Cover Gas, Seller shall, within ten (10) Days of receipt of such invoice, reimburse all of Buyer's reasonable incremental costs except consequential damages, incurred in obtaining such Cover

Gas. Buyer's invoice shall be based on the amount, if any, by which Paragraph (i) below exceeds Paragraph (ii) below:

- (i) The amount that Buyer paid for the Cover Gas per GJ plus any incremental demand charges relative to unused transportation resulting from such Volume Deficiency; and
- (ii) The applicable price per GJ computed pursuant to Section 8.2; such difference then being multiplied by the Quantity of Gas contained in the Cover Gas.

So long as Seller's failure to deliver Gas does not constitute, or result in, an Event of Default, Buyer's remedy of Cover Gas shall be Buyer's sole remedy in contract and in tort for Seller's breach of its obligation to deliver Gas. If Seller's failure constitutes an Event of Default under Article XIX hereof, Buyer also has the right to terminate the Agreement as provided in Article XIX and Buyer's Cover Gas remedy shall be in addition to such other remedies available to Buyer. The provision of Section 21.9 shall apply to any failure to deliver by Seller whether or not such failure is an Event of Default.

Section 3.2 Deliveries Prior to Initial Delivery Date

Notwithstanding any other provision of this Agreement, if Buyer wishes to purchase and Seller wishes to sell a Quantity of Gas for initial synchronization, performance testing and operation of Buyer's Facility for a Quantity of Gas less than forty-five percent (45%) of the MDQ on a balanced daily basis ("Initial Synchronization Gas") prior to the Initial Delivery Date on terms and at a price per GJ to be agreed to by Seller and Buyer in writing, then Seller may sell, deliver or cause to be delivered such Quantity of Gas to the Point of Delivery for Buyer's account. If Buyer requires a Quantity of Gas on a Firm Basis for the purpose of conducting performance testing of Buyer's Facility for a Quantity of Gas equal to or in excess of forty-five percent (45%) of the MDQ on a balanced daily basis ("Test Gas") prior to the Initial Delivery Date, then Seller shall have the right but not the obligation to make Test Gas available to Buyer on a Firm Basis at the price of \$1.775 per GJ at any time prior to November 1, 1999, plus costs incurred by Seller to transport such Gas to the Point of Delivery.

Section 3.3 Minimum Annual Quantity; Payment; Makeup

(a) Buyer shall purchase from Seller in each Agreement Year an aggregate Quantity of Gas at least equal to the Minimum Annual Quantity; provided further that Buyer shall nominate and take, subject to the MDQ, during the three month period ending January 31, April 30, July 31, and October 31 in each Agreement Year a minimum quantity of Gas equal to 80% of the MDQ multiplied by the number of Days in each such quarter of an Agreement Year.

(b) If for any Agreement Year the total Quantity of Gas taken and paid for by Buyer under this Agreement (the "Actual Purchased Quantity") is less than the Minimum Annual Quantity (the "Purchase Deficiency"), then within thirty (30) Days after Buyer's receipt of Seller's notice, which Seller shall render within ninety (90) Days after the end of such Agreement Year in which a Purchase Deficiency has occurred, Buyer shall pay to Seller a sum equal to the Purchase Deficiency multiplied by the GIC for such Agreement Year.

(c) If Buyer has made payment to Seller for a Purchase Deficiency for any Agreement Year pursuant to Section 3.3(b) above, then in the two (2) succeeding Agreement Years (including the Agreement Year in which the payment for Purchase Deficiency was made), Buyer shall be entitled to receive a credit equal to the actual GIC payment made against the then current commodity charge for Quantities of Gas purchased during each such Agreement Year in excess of one hundred and five percent (105%) of the Minimum Annual Quantity (the "Makeup Level"). If at the end of such two (2) Agreement Year period, the total amount of such credit has not been so recovered by Buyer, then the balance shall not be recoverable by Buyer. At the end of the Term of this Agreement, any payment made for Purchase Deficiency that has not been recovered by credit as provided herein shall be unrecoverable by Buyer. Seller shall apply such credit in preparing the statements to Buyer pursuant to Section 9.1 hereof, beginning with the Month in which Buyer's purchases for the Agreement Year in question exceed the Makeup Level.

(d) On any Day, in the event that Buyer nominates less than the MDQ, Seller shall have the right to sell Gas to third parties equal to the MDQ less the Quantity of Gas nominated by Buyer.

ARTICLE IV DELIVERIES

Section 4.1 Quantity

(a) commencing with the Initial Delivery Date and continuing throughout the Term of this Agreement, Buyer shall provide Seller with schedules showing the Scheduled Delivery Quantity (up to the MDQ) which Buyer requests to be sold, delivered or caused to be delivered by Seller to Buyer at the Point of Delivery, in accordance with the following procedures;

- (i) Buyer shall deliver to Seller a written nomination schedule showing the Scheduled Delivery Quantity for each Day of the Month not later than one (1) Business Day prior to the date by which Buyer must make nominations to NOVA and the other pipelines transporting the Gas that Seller delivers for Buyer's account at the Point of Delivery during such Month under this Agreement.
- (ii) Buyer shall give Seller at least four (4) hours' notice prior to a proposed change in a daily Scheduled Delivery Quantity from that

set forth in the nomination provided for in Section 4.1 (a) (i) hereof and Seller shall accept notice. Notice of any such change shall be provided in writing, or by telephone simultaneously reduced to writing and delivered by telecopier, and shall be provided to Seller in accordance with Article XVIII hereof.

- (iii) After the Initial Delivery Date, at least fifteen (15) Days prior to the first Day of each February, May, August and November, Buyer shall furnish Seller a written schedule of the estimated Scheduled Delivery Quantity for purchase and delivery during each Month of the quarter of an Agreement Year beginning on that date.

(b) Buyer shall purchase from Seller a minimum Monthly volume of Seller's gas equal to the Quantity of Gas calculated, on a daily basis, as the MDQ divided by 43,000 GJ multiplied times Buyer's actual total daily purchases of Gas, provided that such Quantity of Gas, on a daily basis, shall not exceed the MDQ.

(c) Buyer shall comply with all reasonable requests by Seller for additional information requested by Seller as necessary to sell, deliver or cause to be delivered the Quantity of Gas contemplated under this Agreement and to comply with the valid reporting or other requirements of any administrative or regulatory agency having jurisdiction.

Section 4.2 Uniform Deliveries

The Quantity of Gas sold in accordance with this Agreement shall be delivered or caused to be delivered to the Point of Delivery to Buyer or for Buyer's account and received or caused to be received at the Point of Delivery by Buyer or for Buyer's account, as reasonably practicable, at hourly rates of flow that are uniform over the course of a Day.

Section 4.3 Gas Imbalances

Seller and Buyer agree to cooperate with each other to have delivered and received a Quantity of Gas at the Point of Delivery equal to the Scheduled Delivery Quantity; provided, however, to the extent that either Party causes deliveries or receipts of a Quantity of Gas at the Point of Delivery to not equal the Scheduled Delivery Quantity for reasons other than an Event of Force Majeure, the responsible Party shall indemnify the other Party, in an amount equal to the costs, charges, and penalties, if any, that the other Party has incurred with a gas transporter as a result of a gas imbalance.

ARTICLE V
SELLER'S SUPPLY WARRANTY

Section 5.1 Warranty and Covenant of Adequate Supply and Reserves

(a) Seller covenants to reserve for the performance of its obligations under this Agreement a portion of its Corporate Supply Pool as recognized by the AEUB for the amount of reserves that is required to meet the MDQ for the lessor of seven (7) Agreement Years (or such longer period as required by the Canadian Regulatory Authorities) or the balance of the Term. Seller covenants and agrees that it will, thereafter as necessary from time to time, but no later than is required by the AEUB, dedicate sufficient proved and probable Natural Gas Reserves from pools or fields in the Province of Alberta as shall be required by Canadian Regulatory Authorities to maintain all required authorizations, at the MDQ, for the full remaining Term of this Agreement. Seller also covenants to provide evidence to the AEUB and NEB of otherwise uncommitted reserves that are sufficient to meet the requirements of the AEUB and the NEB to maintain the long-term export license from the NEB and the long-term removal permit from the AEUB.

(b) Seller shall provide to the Buyer a recent AEUB print-out of the AEUB Reserves Under Control Locations Listing of the Seller's Corporate Supply Pool forthwith upon execution of this Agreement. Seller shall provide to the Buyer updates of such information as to Seller's Natural Gas Reserves within 30 Days of the receipt of a Notice from the Buyer requesting such information, not to be requested more than once in any Agreement Year.

(c) Seller warrants to the Buyer that the Seller will deliver to the Buyer, subject to and in accordance with the provisions of this Agreement, sufficient quantities of Gas to satisfy its obligations under this Agreement and, subject to Force Majeure, will do all things necessary to assure such performance.

ARTICLE VI
TERM OF AGREEMENT

Section 6.1 Term

Subject to the other provisions of this Agreement, this Agreement shall become effective as of the date first above written, and shall continue in full force and effect for a term of (the "Term") ten (10) Agreement Years from and after the Initial Delivery Date.

ARTICLE VII
TRANSPORTATION

Section 7.1 **NOVA Transportation**

The Parties acknowledge that the Gas to be sold by Seller to Buyer under this Agreement is to be transported from each Receipt Point through the NOVA Facilities to the Point of Delivery.

Section 7.2 **NOVA Receipt Point Firm Service**

Seller shall maintain a NOVA Receipt Point Service Agreement or NOVA Receipt Point Service Agreements with NOVA for NOVA Receipt Point Firm Service effective as and from November 1, 1998 (provided, however, that if Buyer is unable to obtain transportation from TransCanada and Portland commencing on November 1, 1998, then such NOVA contract(s) shall be effective as and from the date such service by TransCanada and Portland commences, but no later than November 1, 1999), for a daily Quantity of Gas equal to at least the MDQ plus NOVA Fuel Gas required to transport the MDQ on the NOVA Facilities, from such Receipt Points as Seller may determine as necessary or desirable from time to time during the Term of this Agreement to the Point of Delivery.

Section 7.3 **NOVA Delivery Point Firm Service**

Buyer shall maintain a NOVA Delivery Point Service Agreement with NOVA for NOVA Delivery Point Firm Service effective as and from November 1, 1998 (provided, however, that if Buyer is unable to obtain transportation from TransCanada and Portland commencing on November 1, 1998, then such NOVA contract(s) shall be effective as and from the date such service by TransCanada and Portland commences, but no later than November 1, 1999), for a daily Quantity of Gas equal to at least the MDQ, from the Point of Delivery to the interconnection of the NOVA Facilities with TransCanada's facilities at Empress, Alberta. Buyer shall have the option at any time during the Term of this Agreement to assign to Seller a portion, not to exceed the MDQ, of its NOVA Delivery Point Service Agreement and, thereafter, Seller shall be responsible for the firm transportation under such agreement of the Quantity of Gas purchased by Buyer under this Agreement and the Commodity Charge under Section 8.1 applicable to Gas purchased hereunder shall be increased by the 100% load factor equivalent of the cost of transporting such Gas under the assigned portion of the NOVA Delivery Point Service Agreement.

Section 7.4 **Downstream Transportation**

Buyer shall maintain the NOVA Delivery Point Service Agreement, the TransCanada Service Agreement, the Portland Service Agreement and all other necessary firm transportation downstream of the Point of Delivery.

ARTICLE VIII
PRICE

Section 8.1 Commodity Charge

Commencing upon the Initial Delivery Date and thereafter during the Term of the Agreement, Buyer shall pay to Seller for each GJ of Gas delivered to the Point of Delivery the product obtained by multiplying the Quantity of Gas delivered by the following prices (all prices in this Agreement are expressed in Canadian dollars), with each price per GJ applicable to all Gas delivered during the twelve Months beginning with the date specified for each such price:

November 1, 1998	\$1.775
November 1, 1999	\$1.819
November 1, 2000	\$1.865
November 1, 2001	\$1.911
November 1, 2002	\$1.959
November 1, 2003	\$2.008
November 1, 2004	\$2.058
November 1, 2005	\$2.110
November 1, 2006	\$2.163
November 1, 2007	\$2.217

If the Initial Delivery Date occurs after November 1, 1998, then the above price schedule is extended by one year with a price of \$2.272 per GJ applicable for deliveries beginning on November 1, 2008.

Section 8.2 Buyer's Letter of Credit

(a) The prices specified in Section 8.1 are equivalent, on a net present value basis at a discount rate of ten percent (10%), to a fixed price of \$1.95 per GJ fixed for ten years. In the event of an early termination of this Agreement by Buyer or a default under this Agreement by Buyer, depending on the date of such termination or default, Seller might not receive the fixed price of \$1.95 per GJ for all of the Gas delivered to Buyer prior to such termination or default.

(b) Thirty Days after the first quarter (three Months) of the first Agreement Year, Buyer shall provide to Seller a letter of credit, payable to Seller, equal to the amount by which \$1.95 exceeds the price paid for Gas delivered and sold to Buyer during that first quarter according to Section 8.1 multiplied by the Quantity of Gas actually delivered and sold to Buyer during such quarter. Thereafter, thirty days after the last Day in each quarter of an Agreement Year in which \$1.95 per GJ exceeds the price applicable thereto under Section 8.1, Buyer shall provide a new letter of credit to Seller which increases the amount of the preceding letter of credit by the amount by which \$1.95 exceeds the price paid for Gas delivered and sold to Buyer during such quarter according to Section 8.1 multiplied by the Quantity of Gas actually delivered

and sold to Buyer during such quarter. Upon receipt of each new increased letter of credit, Seller shall return the preceding letter of credit to Buyer. By this method, the letter of credit provided by Buyer to Seller hereunder shall increase each quarter until the first quarter of an Agreement Year in which the price applicable thereto under Section 8.1 exceeds \$1.95 per GJ.

(c) Beginning thirty days after the last day of the first quarter of an Agreement Year in which the price paid for Gas delivered and sold to Buyer during such quarter according to Section 8.1 exceeds \$1.95 per GJ, Buyer shall provide a new letter of credit to Seller which reduces the amount of the preceding letter of credit by the amount by which the price paid for Gas delivered and sold to Buyer during such quarter according to Section 8.1 exceeds \$1.95 per GJ, multiplied by the Quantity of Gas actually delivered and sold to Buyer during such quarter. Upon receipt of each new reduced letter of credit, the preceding letter of credit shall be returned by Seller to Buyer.

(d) Upon the termination of this Agreement by Buyer or a termination of this Agreement by Seller due to a default by Buyer, Seller may draw on the letter of credit then held by Seller pursuant to this Section 8.2 for the total amount of such letter of credit. The letter of credit shall be irrevocable, payable to Seller upon demand, and have a term equal to the remaining years in the Term of the Agreement. The letter of credit shall be drawn on a bank satisfactory to the Seller.

Section 8.3 Market Risk Assessment

Each party represents and warrants that:

(a) The prices for Gas contained in Section 8.1 are acceptable to Seller and Buyer given the mutual consideration provided in this Agreement and the market outlook for Gas prices generally over the Term; and

(b) Each Party accepts the risk described in the representation and warranty in Section 8.3(a) above and each Party shall continue to perform its obligations to the other on every Day during the Term notwithstanding that the prices for Gas contained in Section 8.1 may be below or above the market price of Gas at anytime or from time to time (including, without limitation, any extended period of time during the Term).

Section 8.4 Taxes

The price of Gas sold under this Agreement excludes all provincial and federal sales taxes, goods and services taxes and other similar taxes. Any provincial or federal sales tax, goods and services tax or other similar tax imposed by any lawful authority which by its terms is payable by Buyer, but is to be collected and remitted by Seller shall be added to the amount invoiced by Seller, and shall be paid by Buyer to Seller in the same manner as the amount for Gas invoiced by Seller.

ARTICLE IX
BILLINGS AND PAYMENTS

Section 9.1 Billings and Payments

Commencing with the earlier of November 1, 1999, or the Initial Delivery Date, and continuing with each succeeding Month thereafter ("Delivery Month"), Seller shall present to Buyer, on or before the fifteenth (15) Day of the Month following each Delivery Month, an invoice showing the Quantity and the Heating Value of the Gas, if any, delivered on each Day during the Delivery Month, the GIC, if any, and the total amounts and charges due and payable to Seller for such Gas. If the actual Quantity of Gas sold, delivered or caused to be delivered during the Delivery Month is not known or available in time to prepare the invoice, Seller shall estimate the amounts based on Seller's reasonable estimate of the Quantity of Gas sold, delivered or caused to be delivered to Buyer. Seller shall provide, in the succeeding Month's invoice, an adjustment based on any differences between the estimated quantities and the actual Quantity of Gas delivered to Buyer during the Delivery Month.

Section 9.2 Payment

Subject to the provisions of Section 9.7 hereof, Buyer agrees to pay Seller in immediately available funds the amount invoiced under Section 9.1 hereof at Seller's address, as designated in Article XVIII hereof, on or before the twenty-fifth (25th) Day of the Month in which such billing invoice is presented to Buyer. If presentation of an invoice to Buyer occurs after the fifteenth (15th) Day of a Month, then the payment date shall be postponed by a period equal to the number of Days elapsed between the fifteenth (15th) Day of the Month and the Day on which the invoice was actually received by Buyer.

Section 9.3 Verification

Each Party shall have the right at reasonable hours and upon reasonable notice to examine, on any Business Day on which either Party is open for business, the books, records and charts of the other Party relating to the previous twenty-four (24) month period to the extent necessary to verify the accuracy of any statement, chart or computation made under or pursuant to the provisions of this Agreement.

Section 9.4 Security

No later than thirty Days before the Initial Delivery Date, Buyer shall provide Seller a letter of credit as security for Buyer's payments to Seller for Gas delivered and sold to Buyer hereunder. The value of the letter of credit shall be equal to 55 days multiplied by the MDQ and multiplied by the price specified in Section 8.1 and applicable to that first Agreement Year. A new letter of credit shall be provided on the first Day of each subsequent Agreement Year, at an increased amount equal to 55 days multiplied by the MDQ and multiplied by the price specified in Section 8.1 and applicable to such Agreement Year. Upon receipt of each new letter of credit under this Section 9.4, Seller shall return the preceding letter of credit to Buyer.

Each letter of credit shall be irrevocable, payable to Seller and draw on a bank reasonably satisfactory to Seller.

Section 9.5 Interest on Late Payments

Should Buyer fail to pay the undisputed amount of any invoice when due pursuant to Section 9.2 or should Seller fail to pay the undisputed amount of any invoice when due pursuant to Section 3.1(b), interest at the Interest Rate shall accrue on the unpaid portion of the invoice calculated and compounded monthly from the date payment was due until payment is made.

Section 9.6 Failure to Pay

Should Buyer fail to pay the undisputed amount of any invoice when due hereunder, Seller shall give Buyer five Business Days prior written notice of such non-payment and Seller's intention to suspend deliveries and draw on the letter of credit provided under Section 9.4. If Buyer does not make such payment prior to the expiration of such five Business Days, then Seller may, in its sole discretion, draw on the letter of credit provided under Section 9.4 for the amount of such undisputed payment and/or suspend deliveries of Gas hereunder. Upon payment of the undisputed amount or, in the case of a draw on the letter of credit by Seller, reinstatement of the letter of credit to its original amount, Seller shall immediately resume deliveries of Gas to Buyer hereunder. In the event of such a suspension by Seller, Buyer shall remain responsible for payments due for the GIC.

Section 9.7 Corrections of Errors

In the event either Party determines that there is an error in the amount billed in any invoice rendered by Seller, the error shall be adjusted within thirty (30) Days of a final determination of whether an error has occurred; provided, however, any claim therefor shall have been made within sixty (60) Days from the Day the error was determined. If the error resulted in an overcharge and the invoice has been paid, Seller shall refund the amount of the overcharge with interest at the Interest Rate from the Day the overcharge was paid until the date of the refund to Buyer.

Section 9.8 Non-Business Days

If the payment date under this Article IX falls on a Day that is not a Business Day, then the payment date shall be the nearest Business Day prior to the date that the payment is otherwise due.

ARTICLE X
POINT OF DELIVERY

Section 10.1 Point of Delivery

The Point of Delivery for the Quantity of Gas to be sold and delivered by Seller hereunder for purchase and receipt by Buyer or for Buyer's account shall be the NOVA Inventory Transfer.

ARTICLE XI
DELIVERY PRESSURE

Section 11.1 Delivery Pressure

The Quantity of Gas sold, delivered or caused to be delivered by Seller to Buyer at the Point of Delivery shall be at the pressure required by NOVA, as set forth by NOVA in its effective gas tariff, as amended or modified from time to time and as approved by the NEB.

ARTICLE XII
QUALITY

Section 12.1 Quality

The quality of the Quantity of Gas delivered under this Agreement shall meet or exceed the minimum quality specifications established by NOVA in its effective gas tariff, as amended or modified from time to time and as approved by the NEB.

Section 12.2 Non-Conforming Gas

Buyer shall not be obligated to receive and purchase Gas hereunder that fails to conform to the specifications set out in this Article XII; provided, however, should Buyer accept deliveries of any such Gas, Buyer shall nevertheless pay Seller for such Gas received and accepted at the price payable pursuant to Article VIII.

ARTICLE XIII
MEASUREMENT OF GAS

Section 13.1 Unit of Measure

The unit of measure for the Quantity of Gas received by or delivered to Buyer at the Point of Delivery shall be one GJ. GJ's delivered to Buyer at the Point of Delivery as specified in Section 10.1 hereof shall be determined by multiplying the applicable Volume of Gas sold, delivered or caused to be delivered to Buyer by the applicable Heating Value of Gas.

Section 13.2 Meters

Meter(s) and other related equipment and facilities installed and maintained by NOVA at the Receipt Point and at the Point of Delivery shall be the exclusive method and means of determining the Quantity of Gas, the Volume of Gas and the Heating Value of Gas sold, delivered or caused to be delivered to Buyer under this Agreement.

Section 13.3 Reading and Testing

Reading, testing, calibration and adjustment of any NOVA meter(s) and related measurement equipment shall be performed according to NOVA's effective gas tariff, as amended or modified from time to time and as approved by the NEB.

Section 13.4 Meter Records

Each Party shall cooperate and endeavor to obtain and make available to the other Party the charts and records relating to NOVA meters and other related equipment to the extent that such charts and records pertain to the Quantity of Gas delivered under this Agreement to Buyer.

ARTICLE XIV
POSSESSION, TITLE AND WARRANTY

Section 14.1 Possession and Title

Possession of and title to Gas sold by Seller to Buyer hereunder shall pass from Seller to Buyer at the Point of Delivery. As between Seller and Buyer, until the Gas reaches the Point of Delivery, Seller shall be deemed to be in exclusive control and possession and have title to the Gas and be responsible for any loss, damage or injury caused thereby for such Gas, and shall indemnify Buyer and save it harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of adverse claims of any or all persons relating to the Gas or to taxes, license fees or charges therein, that are applicable at or before the title to the Gas passes to Buyer. As between Seller and Buyer, upon delivery of Gas at the Point of Delivery, Buyer shall be deemed to be in exclusive control and possession of and have title to the Gas and be responsible for any loss, damage or injury caused thereby for such Gas, and shall indemnify Seller and save it harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of adverse claims of any or all persons relating to the Gas or to taxes, license fees or charges therein, that are applicable after the title to the Gas passes to Buyer.

Section 14.2 Warranty

Seller warrants that at the time of delivery Seller shall have good title to all gas sold and delivered to Buyer under this Agreement free and clear of all liens, encumbrances and claims whatsoever and that Seller shall indemnify Buyer and save it harmless from all suits.

actions, debts, accounts, damages, costs, losses and expenses arising from or out of adverse claims of any or all persons relating to the Gas or to royalties, taxes, license fees or charges thereon, that are applicable before the title to the Gas passes to Buyer.

ARTICLE XV FORCE MAJEURE

Section 15.1 Burden of Proof

In the event that the Parties are unable in good faith to agree that an Event of Force Majeure has occurred, the Parties shall submit the dispute for resolution pursuant to Article XX hereof; provided, however, the burden of proof as to whether an Event of Force Majeure has occurred shall be upon the Party claiming an Event of Force Majeure.

Section 15.2 Event of Force Majeure

If either Party is rendered wholly or partially unable to perform its obligations under this Agreement because of an Event of Force Majeure that Party shall be excused from whatever performance is affected by the Event of Force Majeure to the extent so affected; provided, however:

(a) the non-performing Party, as soon as reasonably practicable after learning of the occurrence of the inability to perform due to an Event of Force Majeure, provides written notice to the other Party giving the particulars of the occurrence, including an estimation of its expected duration and probable impact on the performance of its obligations under this Agreement, and continues to furnish timely regular reports with respect thereto during the Event of Force Majeure;

(b) the non-performing Party shall exercise all reasonable efforts to continue to perform its obligations under this Agreement and to remedy expeditiously its inability to so perform;

(c) the non-performing Party shall provide the other Party with prompt notification of the cessation of the Event of Force Majeure giving rise to the excuse from performance; and

(d) no obligation of either Party that arose prior to the occurrence of the Event of Force Majeure shall be excused as a result of the occurrence.

Section 15.3 Settlement of Strikes, Lockouts, or Other Labour Disputes

Nothing in this Article XV shall require the settlement of any strike, walkout, lockout or other labour dispute on terms that, in the sole judgement of the Party involved in the dispute, are contrary to that Party's interest. It is understood and agreed that the settlement of

strikes, walkouts, lockouts, or other labour disputes shall be entirely within the discretion of the Party having the difficulty.

Section 15.4 Force Majeure Curtailment

(a) In the event that, as a result of an Event of Force Majeure, Seller is rendered unable on any Day, wholly or in part, to sell and deliver the quantity of natural gas that Seller's customers have requested for such day, then Seller shall curtail deliveries to such customers (including Buyer hereunder) in the following order of priority:

(i) first, under natural gas sales contracts on a non-firm Basis;

(ii) second, under natural gas sales contracts on a Firm Basis, including this Agreement; provided, however, to the extent that Seller is required by such Event of Force Majeure to curtail deliveries under natural gas sales contracts on a Firm Basis, such deliveries shall be curtailed on a pro rata basis in the proportion of the MDQ under this Agreement to the MDQ (or its equivalent) under all of Seller's natural gas sales contracts of a similar nature, unless required to the contrary by any law, regulation, or prior contractual commitment.

(b) In the event that, as a result of an Event of Force Majeure, Buyer is rendered unable on any Day, wholly or in part, to accept at the Point of Delivery and transport to and use at the Buyer's Facility the Quantity of Gas that Buyer is obligated to purchase from Seller for such day, then Buyer shall curtail purchases from all suppliers at the Point of Delivery (including Buyer hereunder) in the following order of priority:

(i) first, under natural gas sales contracts on a non-firm Basis;

(ii) second, under natural gas sales contracts on a Firm Basis, including this Agreement; provided, however, to the extent that Buyer is required by such Event of Force Majeure to curtail purchases under natural gas purchase contracts on a Firm Basis, such purchases shall be curtailed on a pro rata basis in the proportion of the MDQ under this Agreement to the MDQ (or its equivalent) under all of Buyer's natural gas purchase contracts of a similar nature, unless required to the contrary by any law, regulation, or prior contractual commitment.

Section 15.5 Impossibility of Performance due to an Event of Force Majeure

In the event that any final, nonappealable binding order of any court or administrative jurisdiction prevents Seller from delivering or Buyer from accepting all Gas under this Agreement for more than twelve (12) consecutive Months and such order is expected to remain effective for the remaining Term of this Agreement, either Party may terminate this Agreement without continuing liability by either Party to the other Party upon sixty (60) Day's written notice to the other Party; provided, however, that such termination shall not be effective if, during such sixty (60) Day period, such order is vacated, reversed, remanded or otherwise rendered ineffective with respect to the obligations of the Parties hereunder. The Party that will be prevented by such order from performing hereunder shall use all reasonable efforts to prevent

the issuance of such order and, if such order is issued, to have such order vacated, reversed, remanded or otherwise rendered ineffective with respect to such Party's obligations hereunder.

ARTICLE XVI LAWS AND REGULATORY BODIES

Section 16.1 Laws and Regulatory Bodies

This Agreement and the rights and obligations of the Parties hereunder are subject to all applicable present and future laws, rules, regulations, acts, restraints, and orders of any regulatory or legislative body or other duly constituted authority having jurisdiction over Seller or Buyer.

ARTICLE XVII TRANSFER AND ASSIGNMENT

Section 17.1 Assignments

(a) Except as specified in Sub-section 17.1(b), (c), (d) or (e) hereof, the rights and obligations of the Parties to this Agreement may not be assigned by either party except upon the express written consent of the other Party, which consent shall not be unreasonably withheld. In the event such an assignment is made and consented to, the assigning Party shall be released and discharged from all obligations to the other Party hereunder thereafter arising, and such assignee shall be substituted in place of the assigning Party herein.

(b) Either Party shall have the right, without the consent of the other Party, but upon notice to the other Party, to assign this Agreement to any entity owned by, under common ownership with, or owning the assigning Party, or, in the case of Buyer, to a partnership or other entity organized for the purpose of developing, constructing, owning and operating Buyer's Facility, and in which Buyer or an affiliate of Buyer holds an equity interest. Upon such assignment, the Party assigning will not be released from any obligation or liability arising or accruing under this Agreement without the written consent of the other Party. Such consent shall not be unreasonably withheld.

(c) Buyer shall also have the right, without Seller's consent, to assign all of its rights and interest (but not its obligations) under this Agreement to the Financing Parties as security for Buyer's obligations under the Financing Documents. Seller acknowledges that upon an Event of Default by Buyer under the Financing documents, any of the Financing Parties may (but shall not be obligated to) assume, or cause its designee or a new lessee or purchaser of Buyer's Facility to assume, all of the interests, rights and obligations of Buyer thereafter arising under this Agreement. If the rights and interests of Buyer in this Agreement shall be assumed, sold or transferred as hereinbefore provided, Buyer shall be released and discharged from, and the assuming Party shall agree in writing to be bound by and to assume, the terms and conditions of this Agreement and any and all obligations to Seller arising or accruing hereunder

(whether before or after the date of such assumption) and Seller shall continue this Agreement with the assuming Party as if such person had thereafter been named as Buyer under this Agreement. Notwithstanding any such assumption by any of the Financing Parties or a designee thereof, or under a general assignment, Buyer shall not be released and discharged from and shall remain liable for any and all obligations to Seller arising or accruing hereunder prior to such assumption.

(d) The provisions of Section 19.2 hereof and this Section 17.1 are for the benefit of the Financing Parties as well as the Parties hereto, and shall be enforceable by each. Seller hereby agrees that none of the Financing Parties, or any bondholder or participant for whom they may act, shall be obligated to perform any obligation or be deemed to incur any liability or obligation provided herein on the part of Buyer or shall have any obligation or liability to Seller with respect to this Agreement, except as provided in Section 19.2 hereof and this Section 17.1.

ARTICLE XVIII NOTICE

Section 18.1 Notice

Except as provided in Paragraph 4.1(a)(ii) hereof, every notice, statement, bill or nomination provided for in this Agreement shall be in writing directed to the Party to whom given, made or delivered at such Party's address as follows (or as otherwise directed in writing by such Party):

SELLER: Beau Canada Exploration Ltd.
47th Floor, Petro Canada Centre - West T.
150 - 6th Avenue S.W.
Calgary, Alberta
T2P 3Y7
Attention: Manager, Marketing
Telephone: (403) 750-3400
Fax: (403) 233-2565

BUYER: Androscoggin Energy LLC
Suite 170, 650 Dundee RD
Northbrook, IL USA 60062
Attention:
Telephone: (847) 559-9800
Fax: (847) 559-1805

FINANCING PARTIES:

As Buyer may specify from time to time

Either Party may change its address from time to time by giving written notice of such change to the other Party. Any notice, communications, nomination, or statement or other document given or delivered under this Agreement by mail shall be deemed received by the addressee at the end of the third Business Day after the date of mailing by prepaid registered or certified mail in the United States or Canada; provided, however, at any time when there is a strike affecting delivery of United States or Canadian mail, all such deliveries shall be made by hand, overnight courier or by telecopier. If any such notice, communication, nomination, statement, or other document is delivered by hand, overnight courier or by telecopier to the addressee, it shall be deemed to have been received by the addressee as soon as such delivery or transmission has been effected.

ARTICLE XIX DEFAULT AND REMEDIES

Section 19.1 Definition

(a) An Event of Default under this Agreement shall be deemed to exist upon the occurrence of any one or more of the following events:

- (i) Failure by either Party to make payment of any amounts due to the other Party under this Agreement, and that failure continues for a period of thirty (30) Days after such payment is due; or
- (ii) Failure by either Party to perform fully any other material provision of this Agreement, including, without limitation, Seller's obligations under Article V hereof, and (a) such failure continues for a period of thirty (30) Days after written notice of such non-performance from the other Party or (b) if within such thirty (30) Day period the non-performing Party commences and proceeds with due diligence to cure the failure and failure is not cured within one hundred eighty (180) Days or such longer period of time agreed to by the Parties in writing as being necessary for the Party to cure the failure with all due diligence; or
- (iii) If by order of a court of competent jurisdiction, a receiver or liquidator or trustee of either Party or of any of the property of either Party shall be appointed, and such receiver or liquidator or trustee shall not have been discharged within a period of sixty (60) Days; or if by decree of such a court, either Party shall be adjudicated bankrupt or insolvent or any substantial part of the

property of such Party shall have been sequestered, or such decree shall have continued undischarged and unstayed for a period of sixty (60) Days after the entry thereof; or if a petition to declare bankruptcy or to reorganize either Party pursuant to the provisions of any applicable bankruptcy law, or pursuant to any other similar law applicable to such Party, shall be filed against such Party and shall not be dismissed within sixty (60) Days after such filing; or

- (iv) If either Party shall file a voluntary petition in bankruptcy under any provision of any applicable bankruptcy law or shall consent to the filing of any bankruptcy or reorganization petition against it under any similar law; or, without limitation of the generality of the foregoing, if either Party shall file a petition or answer or consent seeking relief or assisting in seeking relief in a proceeding under any bankruptcy law, or pursuant to any other similar law applicable to such Party, or an answer admitting the material allegations of a petition filed against it in such a proceeding; or if either Party shall make an assignment for the benefit of its creditors; or if either Party shall consent to the appointment of a receiver or receivers, or trustee or trustees, or liquidator or liquidators of it or of all or of any part of its property; or

(b) Subject to the limitation in Section 19.3, in the event of an Event of Default, the non-defaulting Party may proceed to exercise any remedy provided under this Agreement or existing at law or in equity. If one Party believes in good faith that no Event of Default has occurred, and promptly informs the Party asserting the existence of the Event of Default of this belief, then the Parties shall enter negotiations in an attempt to resolve the dispute; provided, however, if either Party believes in good faith that negotiated resolution to the dispute is unlikely, then the Party may proceed to exercise any and all remedies available under this Agreement or existing at law or in equity.

Section 19.2 Remedies for Breach

Subject to the limitations in Section 19.3, during any Event of Default, the Party not in default shall have the right:

(a) to terminate this Agreement upon ten (10) Days written notice to the defaulting Party provided however that Seller has no right to terminate this Agreement on account of an Event of Default on the part of Buyer so long as Buyer makes payment of sums due to Seller under this Agreement; or

(b) notwithstanding Section 19.3, with respect to non-payment by Buyer of undisputed sums due Seller, Seller may elect to suspend deliveries five (5) Days after the date on which notice of non-payment was given to Buyer. Thereafter, subject to the limitations in Section 19.3, Seller thereafter has the right to terminate this Agreement in accordance with Sub-section 19.2(a); or

(c) to pursue any other remedy provided under this Agreement, or now or hereafter existing at law or in equity or otherwise.

Section 19.3 Limitation

Notwithstanding Sections 19.1 and 19.2 and any other provision of this Agreement, if an Event of Default occurs as described in Sub-section 19.1 (a)(ii) from a failure to deliver by Seller under Article III or IV or a failure of warranty of adequate gas supply under Article V, then Buyer shall have the right to terminate this Agreement upon ten (10) Days written notice to Seller as described in Sub-section 19.2(a). If Buyer elects to so terminate this Agreement, Seller shall be released from all obligations and liabilities under this Agreement (including without limitation Buyer's remedy of Cover Gas under Sub-section 3.1(b)). In the case of an Event of Default by Buyer, Seller shall provide the Financing Parties with notice of such Event of Default at the same time such notice is provided to Buyer and the Financing Parties shall have the right (but not the obligation) for ninety (90) Days after such notice to cure the Event of Default on behalf of Buyer or assume or cause its designee or cause a lessee or purchaser of Buyer's Facility to assume, all of the rights and obligations of Buyer under this Agreement arising before and after the date of such assumption

Section 19.4 Financing Parties

In the event that any of the Financing Parties or its designee assumes that Agreement in accordance with Section 19.3 hereof:

(a) Buyer shall remain liable for any and all obligations to Seller arising or accruing hereunder prior to such assumption. Buyer shall be released and discharged from any obligations to Seller arising or accruing hereunder from and after the date of such assumption;

(b) Seller shall continue this Agreement with any of the Financing Parties or its designee, as the case may be, substituted in the place of Buyer hereunder; and

(c) If the assuming Party is any of the Financing Parties, such Party shall be liable to Seller for the performance of any and all obligations to Seller under this Agreement, whether arising prior to or after the date of such assumption.

ARTICLE XX ARBITRATION

Section 20.1 Arbitration

Notwithstanding any other provisions of this Agreement, any controversy arising out of this Agreement may be submitted to Arbitration by either Party. Any Arbitration conducted hereunder shall be conducted in accordance with the rules of the British Columbia International Commercial Arbitration Centre (the "BCICAC") except as such BCICAC rules may

be modified by the provisions of this Article XX and such Arbitration proceedings shall be conducted in accordance with the provisions of this Article XX.

(a) Any Party hereto (the "Initiating Party") may commence Arbitration proceedings by serving Notice on the other party hereto (the "Receiving Party"), which Notice shall contain the name of one Arbitrator who would either function as a single Arbitrator, if the Receiving Party consents, or as one of a panel of three Arbitrators if the Receiving Party does not so consent. Within 14 Days after receipt of such Notice, the Receiving Party shall serve Notice on the Initiating Party, which Notice shall contain either a consent to the Initiating Party's Arbitrator functioning as a single Arbitrator or the name of a second Arbitrator to function as a member of an Arbitration Board.

(b) If the Receiving Party fails either to consent to a single Arbitrator or to name a second Arbitrator, then the Initiating Party's Arbitrator shall function as a single Arbitrator. If both Parties appoint their own Arbitrator, the two Arbitrators so appointed shall name a third Arbitrator or, if they fail to do so within 14 Days of the second Arbitrator's appointment, the Parties shall promptly meet and shall attempt to agree upon and to appoint such third Arbitrator. If the Parties are unable to agree within such 14 Day period on the choice of a third Arbitrator then, upon request by either Party, the third Arbitrator shall be appointed by the BCICAC.

(c) The single Arbitrator (the "Arbitrator") or the three Arbitrators (the "Board") appointed hereunder shall be generally knowledgeable in the area of gas production, transportation, marketing and distribution and in the area of development, construction and operation of gas-fired, electric power generation facilities, and shall be qualified by education or experience to decide the particular matters in dispute, and shall not be employees or agents of or otherwise have any interest in either Party or of any of their affiliates.

(d) All Arbitration proceedings shall be administered by the BCICAC in accordance with its "Procedures for Cases", and the rules governing in Arbitration proceedings shall be the "Rules for International Commercial Arbitration and Conciliation Proceedings" in the BCICAC, except where such rules are in conflict with the specific provisions of this Article XX, in which case the latter shall be paramount and prevail. The place of any Arbitration shall be in Vancouver, British Columbia.

(e) The Arbitrator or the Board (or the majority thereof), as the case may be, shall render a decision within 45 Days after an appointment of the Arbitrator or the third Arbitrator on the Board, as the case may be, subject to any reasonable delay due to unforeseen circumstances. The decision of the Arbitrator, or the decision of the Board (or a majority thereof), shall be made in writing and shall be final and binding upon the Parties, as to the matters submitted to Arbitration, and the Parties shall abide by and comply with the decision. The Parties shall execute, acknowledge and deliver all such documents or assurances as may be necessary to implement the decision. The written decision of the Arbitrator or the Board (or a majority thereof), as the case may be, may be issued with or without a written opinion and shall be issued expeditiously; provided, however, that implementation of and compliance with the decision shall not be delayed pending the issuance of a written opinion.

(f) If a decision is not rendered by the Arbitrator or the Board (or a majority thereof), as the case may be, within the period specified in Sub-Section 20.1 (e), either Party hereto may serve Notice on the other Party requiring that at a new Arbitrator or Arbitrators, as the case may be, be appointed in accordance with the procedures set forth in this Article XX.

(g) Each Party shall bear the expense of prosecuting its own case and each Party shall each pay the compensation and expenses of its named Arbitrator when a Board is selected. The compensation and expenses of an Arbitrator acting as the sole Arbitrator or the third Arbitrator of any Board and all administration costs of the Arbitration shall be paid in equal portions by the Parties.

(h) The failure of either Party hereto to participate in an Arbitration proceeding as scheduled by the Arbitrator or the Board, as the case may be, shall not delay the proceeding. If a Party fails to participate, the Arbitrator or the Board, as the case may be, shall issue a decision as though the non-participating party were a participant in the Arbitration proceeding and the decision shall be final and binding on such non-participating Party, in accordance with Section 20.1 (e).

(i) Except as herein otherwise expressly provided, in this Article XX, the provisions of the International Commercial Arbitration Act (British Columbia), as amended from time to time, and any successor legislation, shall apply to all Arbitration proceedings conducted pursuant to the provisions of this Article XX.

(j) Whenever there is an Arbitration proceeding under this Article, operations under this Agreement shall continue in the same manner as they were conducted before the Arbitration proceeding is commenced, without prejudice to either Party, pending a decision in the Arbitration proceeding.

ARTICLE XXI MISCELLANEOUS PROVISIONS

Section 21.1 Captions

The headings used throughout this Agreement are inserted for reference purposes only and are not to be considered or taken into account in construing the terms or provisions of any Article or Section hereof nor to be deemed in any way to qualify, modify or explain the effect of any such provisions or terms.

Section 21.2 Other Agreements

This Agreement constitutes the entire Agreement between the Parties relating to the subject matter hereof and supersedes any other agreements, written or oral, between the Parties concerning such subject matter.

Section 21.3 Binding Effect

The terms and provisions of this Agreement, and the respective rights and obligations hereunder of Seller and Buyer, shall be binding upon, and inure to the benefit of, their respective successors and permitted assigns.

Section 21.4 Non-Waiver of Defaults

No waiver by either Party of any default of the other Party under this Agreement shall operate as a waiver of a future default whether of a like or different character.

Section 21.5 Written Amendments

No modifications of the terms and provisions of this Agreement shall be or become effective except by written amendment executed by the Parties.

Section 21.6 Severability and Regeneration

Should any provision of this Agreement for any reason be declared invalid or unenforceable by final and unappealable order of any court or regulatory body having jurisdiction, such decision shall not affect the validity of the remaining portions, and the remaining portions shall remain in force and effect as if this Agreement had been executed without the invalid portion. In the event any provision of this Agreement is so declared invalid or unenforceable, the Parties shall promptly renegotiate in good faith new provisions to eliminate such invalidity or unenforceability and to restore this Agreement as nearly as possible to its original intent and effect.

Section 21.7 Survival

Any provision(s) of this Agreement that expressly or by implication comes into or remains in force following the termination or expiration of this Agreement shall survive the termination or expiration of this Agreement.

Section 21.8 Further Assurances

The Parties shall execute such additional documents reasonably required including, without limitation, a consent to assignment or similar documents, and shall cause such additional action to be taken as may be required or, in the judgement of any party, may be necessary or desirable, to effect or evidence the provisions of this Agreement and the transactions contemplated hereby.

Section 21.9 Limitation of Liability

Notwithstanding anything else in this Agreement, neither Party, nor any of its directors, trustees, agents, officers or employees will be liable whether in contract or tort to the other Party, its directors, trustees, agents, officers or employees for incidental, specific, indirect

or consequential damages of any nature connected with or resulting from performance or breach of this Agreement.

Section 21.10 Governing Law

This Agreement shall be governed and interpreted in accordance with the laws of the Province of Alberta.

IN WITNESS WHEREOF, intending to be legally bound, the Parties hereby have caused this Agreement to be entered into by their duly authorized officers and attested to by their respective secretaries, as of the Day and Year first above written.

ATTEST:

Al Starnore

ATTEST:

Jim [Signature]
Jim [Signature]

BEAU CANADA EXPLORATION LTD.

by: *Ron F. Vogel*

title: Ron F. Vogel, C.E.T.
Manager, Marketing

ANDROSCOGGIN ENERGY LLC

by: *Michael [Signature]*

title: President

FIRST AMENDMENT TO
GAS SALES AGREEMENT

between

BEAU CANADA EXPLORATION LTD.

AND

ANDROSCOGGIN ENERGY LLC

Dated as of June 30, 1997.

FIRST AMENDMENT TO GAS SALES AGREEMENT

This FIRST AMENDMENT TO GAS SALES AGREEMENT (this "First Amendment") is made as of the 30th day of June 1997, by and between BEAU CANADA EXPLORATION LTD., an Alberta corporation ("Seller"), and ANDROSCOGGIN ENERGY LLC, a Delaware limited liability corporation ("Buyer").

WITNESSETH

WHEREAS, Seller and Buyer entered into a Gas Sales Agreement dated as of January 27, 1997 ("Agreement"), whereby Seller agreed to sale and deliver and Buyer agreed to purchase and accept delivery of certain quantities of natural gas;

WHEREAS, Buyer and Seller desire to amend the Agreement as more fully described in this Amendment; and

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and intending to be legally bound, Seller and Buyer agree as follows:

Section 1 Definitions

(a) For purposes of this Amendment, except where another meaning is expressly stated, all capitalized words and phrases shall have the meanings set forth in the Agreement.

(b) The definition of "Agreement Year" contained in the Agreement is replaced in its entirety by the following definition:

"Agreement Year" means a period of twelve (12) consecutive Months beginning on November 1st of each year subsequent to the year in which the Initial Delivery Date occurs; the first Agreement Year shall begin with the Initial Delivery Date hereunder and end on the November 1st next following and the tenth Agreement Year shall begin on November 1st following October 31st of the ninth Agreement Year and end on the tenth anniversary of the Initial Delivery Date; and provided that in any Agreement Year containing less than or more than 365 Days, the obligations of the parties hereunder shall be prorated based on a fraction, the numerator of which is the number of Days in the Agreement Year in question and the denominator of which is 365, or 366 in any year that includes February 29.

(c) The definition of "Maximum Daily Quantity" contained in the Agreement is replaced in its entirety by the following definition:

"Maximum Daily Quantity" or "MDQ" means a Quantity of Gas equal to 4,100 GJ per Day.

Section 2 Commodity Charge

(a) Section 8.1 Commodity Charge of the Agreement is replaced in its entirety by the following:

Commencing upon the Initial Delivery Date and thereafter during the Term of the Agreement, Buyer shall pay to Seller for each GJ of Gas delivered to the Point of Delivery the product obtained by multiplying the Quantity of Gas delivered by the following prices (all prices in this Agreement are expressed in Canadian dollars), with each price per GJ applicable to all Gas delivered during the twelve Months beginning with the date specified for each such price:

November 1, 1998	\$1.780
November 1, 1999	\$1.825
November 1, 2000	\$1.870
November 1, 2001	\$1.916
November 1, 2002	\$1.965
November 1, 2003	\$2.014
November 1, 2004	\$2.064
November 1, 2005	\$2.115
November 1, 2006	\$2.168
November 1, 2007	\$2.222

If the Initial Delivery Date occurs after November 1, 1998, then the above price schedule is extended by one year with a price of \$2.278 per GJ applicable for deliveries beginning on November 1, 2008.

(b) Section 8.2 Buyer's Letter of Credit of the Agreement is amended by replacing the price of "\$1.95" each time it appears in Section 8.2(a), (b) and (c) with the new price of "\$1.96".

Section 3 Price of Test Gas Prior to Initial Delivery Date

Section 3.2 Deliveries Prior to Initial Delivery Date of the Agreement is amended by replacing the price of "\$1.775" with the new price of "\$1.780".

Section 4 Effect of Amendment

Except as expressly modified by this Amendment, all of the terms and conditions of the Agreement remain unchanged. This Amendment is expressly incorporated into and made a part of the Agreement. The Agreement, as modified by this Amendment, shall be

binding on the Parties and shall continue in full force and effect in accordance with all of the provisions of the Agreement.

IN WITNESS WHEREOF, intending to be legally bound, the Parties hereby have caused this Amendment to be entered into by their duly authorized officers and attested to by their respective secretaries, as of the Day and Year first above written.

ATTEST:

Maureen Skarnade

ATTEST:

Bianca Ungli

BEAU CANADA EXPLORATION LTD.

by: Ren E. Vogel

title: Ren E. Vogel, C.E.T.
Manager, Marketing

ANDROSCOGGIN ENERGY LLC

by: [Signature]

title: President

GAS SALES AGREEMENT

between

PRODUCERS MARKETING LTD.

AND

ANDROSCOGGIN ENERGY LLC

Dated as of February 12, 1997.

ARTICLE I	
	<u>DEFINITIONS OF TERMS</u> 1
Section 1.1	<u>Definitions</u> 1
ARTICLE II	
	<u>CONDITIONS PRECEDENT</u> 7
Section 2.1	<u>Conditions Precedent</u> 7
Section 2.2	<u>Notification</u> 9
Section 2.3	<u>Satisfaction of Conditions Precedent</u> 9
ARTICLE III	
	<u>SCOPE OF AGREEMENT</u> 9
Section 3.1	<u>Purchase and Sale</u> 9
Section 3.2	<u>Deliveries Prior to Initial Delivery Date</u> 11
Section 3.3	<u>Minimum Annual Quantity; Payment; Makeup</u> 11
ARTICLE IV	
	<u>DELIVERIES</u> 12
Section 4.1	<u>Quantity</u> 12
Section 4.2	<u>Uniform Deliveries</u> 13
Section 4.3	<u>Gas Imbalances</u> 13
ARTICLE V	
	<u>SELLER'S SUPPLY WARRANTY</u> 13
Section 5.1	<u>Warranty and Covenant of Adequate Supply and Reserves</u> 13
ARTICLE VI	
	<u>TERM OF AGREEMENT</u> 14
Section 6.1	<u>Term</u> 14
ARTICLE VII	
	<u>TRANSPORTATION</u> 14
Section 7.1	<u>NOVA Transportation</u> 14
Section 7.2	<u>NOVA Receipt Point Firm Service</u> 14
Section 7.3	<u>NOVA Delivery Point Firm Service</u> 14
Section 7.4	<u>Downstream Transportation</u> 15

ARTICLE VIII

	<u>PRICE</u>	15
Section 8.1	<u>Commodity Charge</u>	15
Section 8.2	<u>Buyer's Letter of Credit</u>	16
Section 8.3	<u>Market Risk Assessment</u>	17
Section 8.4	<u>Taxes</u>	17

ARTICLE IX

	<u>BILLINGS AND PAYMENTS</u>	18
Section 9.1	<u>Billings and Payments</u>	18
Section 9.2	<u>Payment</u>	18
Section 9.3	<u>Audit Rights</u>	18
Section 9.4	<u>Security</u>	18
Section 9.5	<u>Interest on Late Payments</u>	19
Section 9.6	<u>Failure to Pay</u>	19
Section 9.7	<u>Corrections of Errors</u>	19
Section 9.8	<u>Non-Business Days</u>	19

ARTICLE X

	<u>POINT OF DELIVERY</u>	20
Section 10.1	<u>Point of Delivery</u>	20

ARTICLE XI

	<u>DELIVERY PRESSURE</u>	20
Section 11.1	<u>Delivery Pressure</u>	20

ARTICLE XII

	<u>QUALITY</u>	20
Section 12.1	<u>Quality</u>	20
Section 12.2	<u>Non-Conforming Gas</u>	20

ARTICLE XIII

	<u>MEASUREMENT OF GAS</u>	21
Section 13.1	<u>Unit of Measure</u>	21
Section 13.2	<u>Meters</u>	21
Section 13.3	<u>Reading and Testing</u>	21
Section 13.4	<u>Meter Records</u>	21

ARTICLE XIV

	<u>POSSESSION, TITLE AND WARRANTY</u>	21
--	---	----

Section 14.1	<u>Possession and Title</u>	21
Section 14.2	<u>Warranty</u>	22
ARTICLE XV		
	<u>FORCE MAJEURE</u>	22
Section 15.1	<u>Burden of Proof</u>	22
Section 15.2	<u>Event of Force Majeure</u>	22
Section 15.3	<u>Settlement of Strikes, Lockouts, or Other Labour Disputes</u>	23
Section 15.4	<u>Force Majeure Curtailment</u>	23
Section 15.5	<u>Impossibility of Performance due to an Event of Force Majeure</u>	24
ARTICLE XVI		
	<u>LAWS AND REGULATORY BODIES</u>	24
Section 16.1	<u>Laws and Regulatory Bodies</u>	24
ARTICLE XVII		
	<u>TRANSFER AND ASSIGNMENT</u>	24
Section 17.1	<u>Assignments</u>	24
ARTICLE XVIII		
	<u>NOTICE</u>	25
Section 18.1	<u>Notice</u>	25
ARTICLE XIX		
	<u>DEFAULT AND REMEDIES</u>	26
Section 19.1	<u>Definition</u>	26
Section 19.2	<u>Remedies for Breach</u>	27
Section 19.3	<u>Limitation</u>	28
Section 19.4	<u>Financing Parties</u>	29
ARTICLE XX		
	<u>ARBITRATION</u>	29
Section 20.1	<u>Arbitration</u>	29
ARTICLE XXI		
	<u>MISCELLANEOUS PROVISIONS</u>	31
Section 21.1	<u>Captions</u>	31
Section 21.2	<u>Other Agreements</u>	31

Section 21.3	<u>Binding Effect</u>	31
Section 21.4	<u>Non-Waiver of Defaults</u>	31
Section 21.5	<u>Written Amendments</u>	31
Section 21.6	<u>Severability and Regeneration</u>	31
Section 21.7	<u>Survival</u>	32
Section 21.8	<u>Further Assurances</u>	32
Section 21.9	<u>Limitation of Liability</u>	32
Section 21.10	<u>Governing Law</u>	32

GAS SALES AGREEMENT

This GAS SALES AGREEMENT (this "Agreement") is made as of the 12 day of February 1997, by and between PRODUCERS MARKETING LTD., an Alberta corporation ("Seller"), and ANDROSCOGGIN ENERGY LLC, a Delaware limited liability corporation ("Buyer").

WITNESSETH

WHEREAS, Seller is engaged in the business of marketing natural gas;

WHEREAS, Buyer proposes to construct, own and operate a natural gas-fired electric generation facility in the City of Jay, State of Maine, which facility is expected, but not guaranteed, to commence commercial operation by November 1, 1998;

WHEREAS, in accordance with the terms and conditions of this Agreement, Seller is prepared to sell and deliver on a Firm Basis (as defined herein), and Buyer is prepared to purchase and receive on a Firm Basis, Gas required for the operation of Buyer's Facility (as defined herein);

WHEREAS, Buyer has or shall have received all required material governmental authorizations to construct and operate Buyer's Facility;

WHEREAS, Buyer has entered or shall enter into natural gas transportation contracts which shall provide Buyer the necessary transportation services for the delivery of the Quantity of Gas (as defined herein) to be sold and delivered, or caused to be delivered, by Seller to, or for the account of, Buyer at the Point of Delivery (as defined herein) for further transportation by Buyer to Buyer's Facility; and

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and intending to be legally bound, Seller and Buyer agree as follows:

ARTICLE I DEFINITIONS OF TERMS

Section 1.1 Definitions

For purposes of this Agreement all appendices and recitals, except where another meaning is expressly stated, the following capitalized words and phrases shall have the following meanings:

"Actual Purchased Quantity" shall have the meaning set forth in Subsection 3.3 (b) hereof.

"AEUB" means the Alberta Energy Utilities Board, or its successor.

"AEUB Reserves Under Control Locations Listing" means the listing of natural gas reserves designated by AEUB.

"Agreement Year" means a period of twelve (12) consecutive Months beginning on November 1st of each year subsequent to the year in which the Initial Delivery Date occurs; the first Agreement Year shall begin with the Initial Delivery Date hereunder and end on the November 1st next following and the tenth Agreement Year shall begin on November 1st following October 31st of the ninth Agreement Year and end on the tenth anniversary of the Initial Delivery Date; and provided that in any Agreement Year containing less than or more than 365 Days, the obligations of the parties hereunder shall be prorated based on a fraction, the numerator of which is the number of Days in the Agreement Year in question and the denominator of which is 365, or 366 in any year that includes February 29.

(b) "Annual Purchase Deficiency" shall have the meaning set forth in Section 3.3

"Arbitration" shall have the meaning set forth in Article XX.

"Arbitrator" shall have the meaning set forth in Article XX.

"Board" shall have the meaning set forth in Article XX.

"BCICAC" shall have the meaning set forth in Section 20.1 hereof.

"Business Day" means any Day other than Saturday, Sunday or other Day on which banks are authorized to be closed in the State of Maine or in the Province of Alberta.

"Buyer's Facility" means the electric generation facility to be constructed by Buyer near International Paper Company's facility located near the City of Jay, State of Maine.

"Canadian Regulatory Authorities" means each governmental agency or other authority in Canada, which has jurisdiction over the subject matter of this Agreement including, without limitation, the Alberta Energy Utilities Board, the Alberta Lieutenant Governor in Council, the National Energy Board and the Governor in Council for Canada.

"Corporate Supply Pool" means the aggregate quantity of gas reserves available to Seller under its "net back basis" contracts with producers or owned by either Seller or an affiliate of Seller.

"Cover Gas" shall have the meaning set forth in Sub-section 3.1 (b).

"m³" means cubic meter.

"Day" means a period of twenty-four consecutive hours, beginning and ending at 8:00 a.m. Mountain Standard Time or at such other hour as Seller and Buyer shall agree upon in writing.

"Delivery Month" shall have the meaning set forth in Article IX hereof.

"Event of Force Majeure" means any: acts of God; strikes, lockouts, or other industrial disturbances; act of the public enemy, wars, blockades, insurrections, riots, arrests and restraints of government and people; civil disturbances; epidemics; landslides; lightning; earthquakes; fires; storms; floods; washouts; explosions; breakage or accident to machinery or lines of pipe; freezing of wells or delivery facilities; unforeseeable inability to obtain materials (other than Gas), equipment, supplies, or labour; any act or omission of the natural gas transportation pipelines used by Seller or Buyer that is excused under relevant agreements by any event or occurrence of the character herein defined as an Event of Force Majeure; the curtailment or interruption of firm transportation service which affects Buyer's receipt of or ability to transport Gas downstream of the Point of Delivery or Seller's delivery of Gas at the Point of Delivery and which is not attributable to a breach by Buyer or Seller, respectively, of its obligations to the interrupting/curtailing pipeline; an order, directive or restraint issued or imposed by any governmental authority, regulatory body or court having jurisdiction; an inability to obtain, or a revocation or adverse amendment of, any license, permit, approval or authorization of any governmental authority or regulatory body having jurisdiction; or any other cause, whether of the kind herein enumerated or otherwise, and whether or not caused or occasioned by, or happening on the account of, the act or omission of one of the Parties or some person or concern not a Party to this Agreement, not within the reasonable control and without the fault or negligence of the Party claiming the Event of Force Majeure. It is expressly agreed that none of the following shall constitute an Event of Force Majeure hereunder: Buyer's inability economically to use or resell Gas purchased under this Agreement; Seller's inability to obtain Gas supplies at a desirable or economic price; depletion of Seller's reserves, if any; lack of financial resources or available funds or similar financial predicament which is due to the inability to pay any amount which a financially sound entity would be expected to pay; either Party's operational or transportation balancing requirements; any transportation difficulty or impediment that does not directly affect Buyer's receipt of or ability to transport Gas downstream of the Point of Delivery or Seller's delivery of Gas at the Point of Delivery; or any transportation difficulty or impediment attributable to having interruptible transportation service in place.

"F.E.R.C." means the Federal Energy Regulatory Commission, or its successor, of the United States.

"Financing Documents" means any and all loan agreements, notes, indentures, security agreements, subordination agreements, mortgages, partnership agreements, subscription agreements, participation agreements and other documents relating to the construction, interim and long-term financing (both debt and any third-party equity) of Buyer's Facility and any refinancing thereof (including a leveraged lease pursuant to which Buyer is the lessee of Buyer's Facility) provided by the Financing Parties, including any and all modifications, extensions, renewals and replacements of any such financing or refinancing.

"Financing Parties" means (i) any and all lenders providing the construction, interim or long-term financing or refinancing of Buyer's Facility (including a leveraged lease), and any trustee or agent acting on their behalf, and (ii) any and all equity investors providing

any such financing or refinancing of Buyer's Facility, and any trustee or agent acting on their behalf.

"Firm Basis" means the obligation of Seller to provide Buyer a non-interruptible Quantity of Gas and Buyer's obligation to purchase a non-interruptible Quantity of Gas.

"Gas" means natural gas of the quality specified in Article XII hereof.

"GJ" means one billion Joules.

"Gas Inventory Charge" or "GIC" means for any Agreement Year, a payment of \$0.40 (Canadian dollars) per GJ.

"Heating Value of Gas" means when applied to a cubic meter of Gas, the number of Joules expressed in MJ per m³, produced by the complete combustion at constant pressure of one (1) cubic meter of Gas with air, with the Gas free of water vapor and the temperature of the Gas, air and products of combustion to be at a standard temperature and all water formed by combustion reaction to be condensed to the liquid state determined in accordance with NOVA's tariff at the Point of Delivery.

"Initial Delivery Date" means the Day certified in writing to Seller by Buyer to be the Day on which Buyer shall first take delivery of the Gas Seller shall deliver at the Point of Delivery.

"Interest Rate" means (i) the floating annual rate of interest established from time to time by the Bank of Montreal, or its successor bank, as the base rate it will use to determine the rates of interest on Canadian dollar loans made in Canada and designated by it as its Prime Rate, plus (ii) two (2) percent per annum, but in no event greater than the maximum interest rate allowed by law.

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

"Maximum Daily Quantity" or "MDQ" means a Quantity of Gas equal to 11,000 GJ per Day.

"Minimum Annual Quantity" or "MAQ" means ninety-two percent (92%) of the Quantity of Gas resulting from multiplying the MDQ by 365 Days (366 Days in an Agreement Year that includes February 29) and reducing the product obtained by the Volume Deficiency, if any, for the same period.

"Minimum Quarterly Quantity" means eighty-five percent (85%) of the Quantity of Gas resulting from multiplying the MDQ by the number of Days in each quarter of an Agreement Year (i.e., the three month periods ending January 31, April 30, July 31, and October 31 in each Agreement Year) and reducing the product obtained by the Volume Deficiency, if any, for each such quarter.

"MJ" means one million Joules.

"Month" means the period beginning at 8:00 a.m. Mountain Standard Time on the first Day of a given calendar month and ending 8:00 a.m. Mountain Standard Time on the first Day of the next succeeding calendar month.

"Natural Gas Reserves" means reserves of unprocessed raw gas.

"NEB" means the National Energy Board of Canada, or its successor.

"NOVA" means NOVA Gas Transmission Ltd., its successors and assigns.

"NOVA Delivery Point Firm Service" means firm gas transportation service under NOVA's Rate Schedule FS, or its successor rate schedule, from the Point of Delivery to the interconnection of the NOVA Facilities with TransCanada's facilities at Empress, Alberta.

"NOVA Delivery Point Service Agreement" means an agreement between NOVA and Buyer respecting NOVA Delivery Point Firm Service to be provided pursuant to NOVA Rate Schedule FS, or its successor rate schedule.

"NOVA Facilities" means NOVA's pipelines and other NOVA facilities or any part or parts thereof for the gathering, treating, transporting, storing, distribution, exchange, handling or delivery of any Gas.

"NOVA Fuel Gas" means the Gas, if any, used as compressor fuel at the NOVA facilities for deliveries from the Receipt Point(s) to the NOVA Inventory Transfer.

"NOVA Inventory Transfer" means the location of the point on the NOVA Facilities designated by NOVA as the NOVA Inventory Transfer; provided, however, that if NOVA does not normally specify the location of the NOVA Inventory Transfer, then the location shall be such point on the NOVA Facilities as may be mutually agreed by the Parties or, if the Parties cannot agree, the location shall be determined by arbitration in accordance with Article XX.

"NOVA Receipt Point Firm Service" means firm gas transportation service under NOVA's Rate Schedule FS, or its successor rate schedule, from each Receipt Point to the Point of Delivery.

"NOVA Receipt Point Service Agreement" means an agreement between NOVA and Seller respecting NOVA Receipt Point Firm Service to be provided pursuant to NOVA Rate Schedule FS, or its successor rate schedule.

"Party" or "Parties" means a signatory or the signatories to this Agreement, and its or their successor and permitted assigns, as the case may be.

"Point of Delivery" shall mean the NOVA Inventory Transfer point, as set forth in Article X.

"Portland" means Portland Natural Gas Transmission System Limited (a Maine general partnership), its successors and assigns.

"Portland Service Agreement" means an agreement between Portland and Buyer under Portland's Rate Schedule FT, or its successor rate schedule.

"Quarterly Purchase Deficiency" shall have the meaning set forth in Section 3.3(b).

"Quantity of Gas" means an amount of Gas expressed in GJs determined by the product of the applicable Volume of Gas and the applicable Heating Value of Gas.

"Receipt Point" means any inlet valve of the NOVA Facilities at which Seller is able and authorized to deliver Gas into the NOVA Facilities.

"Scheduled Delivery Quantity" for any period means the Quantity of Gas that Buyer requests Seller to deliver during such period in accordance with Sub-section 4.1 (a), but in no event shall the Scheduled Delivery Quantity for any Day exceed the MDQ.

"10³m³" means thousand cubic meters.

"Term" shall have the meaning set forth in Section 6.1.

"TransCanada" means TransCanada PipeLines Limited, a Canadian corporation, its successors and assigns.

"TransCanada Service Agreement" means an agreement between TransCanada and Buyer under TransCanada's FS Toll Rate or its successor rate.

"U.S. Regulatory Authorities" means each governmental agency or other authority in the United States of America which has jurisdiction over the subject matter of this Agreement including without limitation, F.E.R.C.

"Volume Deficiency" shall have the meaning set forth in Sub-section 3.1 (b).

"Volume of Gas" means an amount of Gas expressed in 10³m³.

ARTICLE II
CONDITIONS PRECEDENT

Section 2.1 Conditions Precedent

(a) Except as provided in Section 2.3, Seller shall have no obligation to sell, deliver or cause to be delivered to Buyer, and Buyer shall have no obligation to pay for, purchase, receive or cause to be received from Seller, at the Point of Delivery, the Quantity of Gas specified in this Agreement, unless and until all of the following conditions precedent have been satisfied.

(i) On or before November 1, 1997, Seller shall have applied for and, on or before the date that NOVA prescribes for execution of the necessary NOVA Receipt Point Service Agreement, Seller shall have entered into all necessary firm natural gas transportation agreements, including but not limited to the NOVA Receipt Point Service Agreement(s), or where applicable transportation precedent agreements, to provide Seller transportation service from the Receipt Points to the Point of Delivery for the delivery of the Quantity of Gas to be sold, delivered or caused to be delivered by Seller to or for the account of Buyer at the Point of Delivery, for deliveries to commence on November 1, 1998; provided, however, that if Buyer is unable to obtain transportation from TransCanada and Portland commencing on November 1, 1998, then such NOVA contract(s) shall be effective as and from the date such service by TransCanada and Portland commences, but no later than November 1, 1999; and

(ii) On or before November 1, 1997, Buyer shall have applied for and, on or before the date that NOVA prescribes for execution of the necessary NOVA Delivery Point Service Agreement, Buyer shall have entered into all necessary firm natural gas transportation agreements, including but not limited to the NOVA Delivery Point Service Agreement, or where applicable transportation precedent agreements, to provide Buyer transportation service from the Point of Delivery to the receipt point on TransCanada's facilities at Empress, Alberta, to receive from Seller and transport to TransCanada's facilities the Quantity of Gas to be sold, delivered or caused to be delivered by Seller to or for the account of Buyer at the Point of Delivery, for deliveries to commence on November 1, 1998; provided, however, that if Buyer is unable to obtain transportation from TransCanada and Portland commencing on November 1, 1998, the execution of the contract(s) with NOVA providing for commencement of such deliveries no later than November 1, 1999, shall satisfy this condition precedent; and

(iii) On or before November 1, 1997, Buyer shall have applied for and, on or before the date that TransCanada prescribes for execution of the necessary TransCanada Service Agreement, Buyer shall have entered into all necessary firm natural gas transportation agreements, including but not limited to the TransCanada Service Agreement, or where applicable transportation precedent agreements, to provide Buyer transportation service from the receipt point on TransCanada's facilities at Empress, Alberta, to the receipt point on Portland's facilities for the transportation of the Quantity of Gas to be sold, delivered or caused to be delivered by Seller to or for the account of Buyer at the Point of Delivery, for deliveries to commence on November 1, 1998; provided, however, that the execution of the contract(s) with TransCanada providing for commencement of such deliveries no later than November 1, 1999, shall satisfy this condition precedent; and

(iv) On or before November 1, 1997, Buyer shall have applied for and, on or before the date that Portland prescribes for execution of the necessary Portland Service Agreement, Buyer shall have entered into all necessary firm natural gas transportation agreements, including but not limited to the Portland Service Agreement, or where applicable transportation precedent agreements, to provide Buyer transportation service from the receipt point on Portland's facilities to Buyer's Facility for the delivery of the Quantity of Gas to be sold, delivered or caused to be delivered by Seller to or for the account of Buyer at the Point of Delivery, for deliveries to commence on November 1, 1998; provided, however, that the execution of the contract(s) with Portland providing for commencement of such deliveries no later than November 1, 1999, shall satisfy this condition precedent; and

(v) On or before November 1, 1997, Seller shall have applied for and shall have obtained not later than November 1, 1998, all necessary regulatory and governmental authorization or assurances including, but not limited to, provincial natural gas removal permits, sufficient to satisfy Seller's obligations as set forth in Article III hereof; and

(vi) On or before November 1, 1997, Buyer shall have applied for and obtained not later than November 1, 1998, all necessary regulatory and governmental authorizations or assurances including but not limited to provincial permits and approvals, an export license for the removal of gas from Canada, an import license from the U.S. Department of Energy for the import of gas from Canada into the United States, sufficient to satisfy Buyer's obligations as set forth in Article III hereof; and

(vii) Prior to the Initial Delivery Date, NOVA, TransCanada, Portland and other transporters, if any, referred to in Section 2.1(a)(ii), (iii) and (iv) hereof, shall have obtained all necessary regulatory and governmental authorizations or assurances, and shall have constructed and put into service all necessary facilities, to enable Buyer to take delivery at Buyer's Facility of the Quantity of Gas to be sold, delivered or caused to be delivered by Seller to or for the account of Buyer hereunder; and

(viii) On or before November 1, 1999 the Initial Delivery Date shall have occurred pursuant to this Agreement.

(b) Notwithstanding the foregoing Section 2.1(a), Buyer's obligations under this Agreement are expressly subject to the fulfillment of each of the conditions precedent listed below; provided, however, that Buyer may waive any such condition or may extend the date for fulfillment of any such condition, but not beyond November 1, 1999. In the event that any of such conditions are not fulfilled by the date indicated (as such date may be extended), Buyer may terminate this Agreement without further obligation:

(i) On or before November 1, 1997, Buyer shall have applied for and obtained not later than November 1, 1998, all necessary regulatory authorizations and all site and environmental permits sufficient for Buyer to construct and operate Buyer's Facility; and

(ii) On or before November 1, 1997, Buyer shall have secured financing adequate and sufficient, in Buyer's sole discretion, for the construction and completion of

Buyer's Facility, and on or before November 1, 1998, Buyer shall have drawn down on such financing for at least \$500,000.

Section 2.2 Notification

(a) Seller shall notify Buyer, in writing, upon the satisfaction by Seller of Seller's conditions precedent in Section 2.1 (a)(i) and (v), or waiver or extension by Seller at Buyer's request, of Buyer's conditions precedent in Section 2.1 (a)(ii), (iii), (iv), (vi), (vii) and (viii) hereof.

(b) Buyer shall notify Seller, in writing, upon the satisfaction by Buyer of Buyer's conditions precedent in Section 2.1 (a)(ii), (iii), (iv), (vi), (vii) and (viii), or waiver or extension by Buyer at Seller's request, of Seller's conditions precedent in Section 2.1 (a)(i) and (v) hereof. Buyer shall notify Seller, in writing, upon the satisfaction, extension or waiver by Buyer of Buyer's conditions precedent in Section 2.1 (b)(i) and (ii).

Section 2.3 Satisfaction of Conditions Precedent

Upon satisfaction or waiver of all the conditions precedent in Section 2.1 hereof, Seller's obligation to sell, deliver or cause to be delivered and Buyer's obligation to pay for, purchase, receive, or cause to be received, the Quantity of Gas specified in this Agreement in accordance with Section 3.1 hereof shall become effective. Seller and Buyer shall use due diligence to satisfy the conditions precedent referred to in Section 2.1 hereof, within the respective control of each and shall cooperate reasonably with each other in satisfying any condition precedent in Section 2.1 hereof.

If any of the conditions precedent included in Section 2.1 hereof have not been satisfied or waived by the date specified in Section 2.1, then the Party which has performed its obligation may thereafter terminate this Agreement by giving thirty (30) Days written notice to the other Party of its intention to terminate, and this Agreement shall terminate and shall thereafter be of no further force and effect; provided, however, that in the event Buyer has not satisfied one or more of the conditions precedent set out in Section 2.1 (a)(ii), (iii), (iv), (vi), (vii) and (viii), or satisfied or waived one or more of the conditions precedent set out in Section 2.1(b), but agrees, beginning November 1, 1999, to either take gas or commence monthly payments of the GIC multiplied times the one-twelfth of the MAQ, then Seller shall not have the right to terminate this Agreement so long as Buyer is either taking the gas or paying the GIC.

ARTICLE III
SCOPE OF AGREEMENT

Section 3.1 Purchase and Sale

(a) Subject to all of the terms, conditions, and limitations set forth in this Agreement, commencing on the Initial Delivery Date Seller shall sell, deliver or cause to be delivered to Buyer on a Firm Basis, and Buyer shall purchase, receive or cause to be received at the Point of Delivery on a Firm Basis, a Quantity of Gas equal to the Scheduled Delivery Quantity.

(b) In the event Seller is unable, except due to an Event of Force Majeure, to deliver all or a portion of the Scheduled Delivery Quantity on any Day in accordance with the terms and conditions of this Agreement, then a "Volume Deficiency" for such Day equal to the difference between the Scheduled Delivery Quantity and the Quantity of Gas delivered by Seller shall exist. If a Volume Deficiency occurs, Buyer shall have the right to purchase the Volume Deficiency from other fuel suppliers. Should Buyer purchase fuel from a third party to replace any Volume Deficiency ("Cover Gas"), Buyer will first endeavor to acquire the Cover Gas at the lowest price reasonably available at the Point of Delivery, it being understood however, that Buyer's primary consideration in purchasing Cover Gas will be to obtain delivery of same at Buyer's Facility when needed. Upon receipt of Buyer's detailed invoice for its cost of Cover Gas, Seller shall, within ten (10) Days of receipt of such invoice, reimburse all of Buyer's reasonable incremental costs except consequential damages, incurred in obtaining such Cover Gas. Buyer's invoice shall be based on the amount, if any, by which Paragraph (i) below exceeds Paragraph (ii) below:

- (i) The amount that Buyer paid for the Cover Gas per GJ plus any incremental demand charges relative to unused transportation resulting from such Volume Deficiency; and
- (ii) The applicable price per GJ computed pursuant to Section 8.2; such difference then being multiplied by the Quantity of Gas contained in the Cover Gas.

So long as Seller's failure to deliver Gas does not constitute, or result in, an Event of Default, Buyer's remedy of Cover Gas shall be Buyer's sole remedy in contract and in tort for Seller's breach of its obligation to deliver Gas. If Seller's failure constitutes an Event of Default under Article XIX hereof, Buyer also has the right to terminate the Agreement as provided in Article XIX and Buyer's Cover Gas remedy shall be in addition to such other remedies available to Buyer. The provision of Section 21.9 shall apply to any failure to deliver by Seller whether or not such failure is an Event of Default.

Section 3.2 Deliveries Prior to Initial Delivery Date

Notwithstanding any other provision of this Agreement, if Buyer wishes to purchase and Seller wishes to sell a Quantity of Gas for initial synchronization, performance testing and operation of Buyer's Facility for a Quantity of Gas less than forty-five percent (45%) of the MDQ on a balanced daily basis ("Initial Synchronization Gas") prior to the Initial Delivery Date on terms and at a price per GJ to be agreed to by Seller and Buyer in writing, then Seller may sell, deliver or cause to be delivered such Quantity of Gas to the Point of Delivery for Buyer's account. If Buyer requires a Quantity of Gas on a Firm Basis for the purpose of conducting performance testing of Buyer's Facility for a Quantity of Gas equal to or in excess of forty-five percent (45%) of the MDQ on a balanced daily basis ("Test Gas") prior to the Initial Delivery Date, then Seller shall have the right but not the obligation to make Test Gas available to Buyer on a Firm Basis at the price of \$1.775 per GJ at any time prior to November 1, 1999, plus costs incurred by Seller to transport such Gas to the Point of Delivery.

Section 3.3 Minimum Annual Quantity; Payment; Makeup

(a) Buyer shall purchase from Seller in each Agreement Year an aggregate Quantity of Gas at least equal to the Minimum Annual Quantity; provided further that Buyer shall nominate and take during the three month period ending January 31, April 30, July 31, and October 31 in each Agreement Year an aggregate Quantity of Gas at least equal to the Minimum Quarterly Quantity; provided, further, that Buyer's minimum purchase obligations hereunder do not obligate Buyer to take a Quantity of Gas on any Day in excess of the MDQ.

(b) If for any three month period ending January 31, April 30, July 31, and October 31 in each Agreement Year, the Minimum Quarterly Quantity exceeds the total Quantity of Gas taken and paid for by Buyer (the "Quarterly Purchase Deficiency"), then within thirty (30) Days after Buyer's receipt of Seller's notice, which Seller shall render within thirty (30) Days after the end of each such quarter of an Agreement Year in which a Quarterly Purchase Deficiency has occurred, Buyer shall pay to Seller a sum equal to the Quarterly Purchase Deficiency multiplied by the GIC for such Agreement Year. If for any Agreement Year (i) the total Quantity of Gas taken and paid for by Buyer under this Agreement (the "Actual Purchased Quantity") is less than the Minimum Annual Quantity (the "Annual Purchase Deficiency"), and (ii) the Annual Purchase Deficiency exceeds the sum of the Quarterly Purchase Deficiencies for each quarter of that Agreement Year, then within thirty (30) Days after Buyer's receipt of Seller's notice, which Seller shall render within ninety (90) Days after the end of such Agreement Year in which an Annual Purchase Deficiency has occurred, Buyer shall pay to Seller a sum equal to (1) the amount by which the Annual Purchase Deficiency exceeds the sum of the Quarterly Purchase Deficiencies for each quarter of that Agreement Year multiplied by (2) the GIC for such Agreement Year.

(c) On any Day, in the event that Buyer nominates less than the MDQ, Seller shall have the right to sell Gas to third parties equal to the MDQ less the Quantity of Gas nominated by Buyer.

ARTICLE IV
DELIVERIES

Section 4.1 Quantity

(a) Commencing with the Initial Delivery Date and continuing throughout the Term of this Agreement, Buyer shall provide Seller with schedules showing the Scheduled Delivery Quantity (up to the MDQ) which Buyer requests to be sold, delivered or caused to be delivered by Seller to Buyer at the Point of Delivery, in accordance with the following procedures;

- (i) Buyer shall deliver to Seller a written nomination schedule showing the Scheduled Delivery Quantity for each Day of the Month not later than one (1) Business Day prior to the date by which Buyer must make nominations to NOVA and the other pipelines transporting the Gas that Seller delivers for Buyer's account at the Point of Delivery during such Month under this Agreement.
- (ii) Buyer shall give Seller at least four (4) hours' notice prior to a proposed change in a daily Scheduled Delivery Quantity from that set forth in the nomination provided for in Section 4.1 (a) (i) hereof and Seller shall accept notice. Notice of any such change shall be provided in writing, or by telephone simultaneously reduced to writing and delivered by telecopier, and shall be provided to Seller in accordance with Article XVIII hereof.
- (iii) After the Initial Delivery Date, at least fifteen (15) Days prior to the first Day of each February, May, August and November, Buyer shall furnish Seller a written schedule of the estimated Scheduled Delivery Quantity for purchase and delivery during each Month of the quarter of an Agreement Year beginning on that date.

(b) Buyer shall purchase from Seller a minimum Monthly volume of Seller's gas equal to the Quantity of Gas calculated, on a daily basis, as the MDQ divided by 43,000 GJ multiplied times Buyer's actual total daily purchases of Gas, provided that such Quantity of Gas, on a daily basis, shall not exceed the MDQ.

(c) Buyer shall comply with all reasonable requests by Seller for additional information requested by Seller as necessary to sell, deliver or cause to be delivered the Quantity of Gas contemplated under this Agreement and to comply with the valid reporting or other requirements of any administrative or regulatory agency having jurisdiction.

Section 4.2 Uniform Deliveries

The Quantity of Gas sold in accordance with this Agreement shall be delivered or caused to be delivered to the Point of Delivery to Buyer or for Buyer's account and received or caused to be received at the Point of Delivery by Buyer or for Buyer's account, as reasonably practicable, at hourly rates of flow that are uniform over the course of a Day.

Section 4.3 Gas Imbalances

Seller and Buyer agree to cooperate with each other to have delivered and received a Quantity of Gas at the Point of Delivery equal to the Scheduled Delivery Quantity; provided, however, to the extent that either Party causes deliveries or receipts of a Quantity of Gas at the Point of Delivery to not equal the Scheduled Delivery Quantity for reasons other than an Event of Force Majeure, the responsible Party shall indemnify the other Party, in an amount equal to the costs, charges, and penalties, if any, that the other Party has incurred with a gas transporter as a result of a gas imbalance.

ARTICLE V
SELLER'S SUPPLY WARRANTY

Section 5.1 Warranty and Covenant of Adequate Supply and Reserves

(a) Seller covenants to reserve for the performance of its obligations under this Agreement a portion of its Corporate Supply Pool (including therein reserves in the Province of Alberta as recognized by the AEUB) for the amount of reserves that is required to meet the MDQ for the lesser of (1) the balance of the Term or (2) the greater of seven (7) Agreement Years or such longer period as required by the Canadian Regulatory Authorities; provided, however, that Seller may from time to time utilize supplies of Gas from Saskatchewan or British Columbia provided that (i) Seller provides transportation of such supplies of Gas from British Columbia to the Point of Delivery, (ii) TransCanada allows Seller to introduce such supplies of Gas from Saskatchewan into TransCanada's facilities downstream of the Point of Delivery hereunder, and (iii) utilization of such Gas supplies by Seller does not increase the costs incurred by Buyer for purchase and transportation of any quantities of Gas to Buyer's Facility. Seller covenants and agrees that it will, thereafter as necessary from time to time, (but no later than is required by the AEUB for reserves in the Province of Alberta), dedicate sufficient proved and probable Natural Gas Reserves from pools or fields in the Provinces of Alberta, British Columbia and Saskatchewan, as shall be required by Canadian Regulatory Authorities to maintain all required authorizations, at the MDQ, for the full remaining Term of this Agreement. Seller also covenants to provide evidence to the AEUB and NEB of otherwise uncommitted reserves that are sufficient to meet the requirements of the AEUB and the NEB to maintain the long-term export license from the NEB and the long-term removal permit from the AEUB.

(b) Seller shall provide to the Buyer a recent AEUB print-out of the AEUB Reserves Under Control Locations Listing of the Seller's Corporate Supply Pool forthwith upon

execution of this Agreement. Seller shall provide to the Buyer updates of such information as to Seller's natural gas reserves within 30 Days of the receipt of a Notice from the Buyer requesting such information, not to be requested more than once in any Agreement Year.

(c) Seller warrants to the Buyer that the Seller will deliver to the Buyer, subject to and in accordance with the provisions of this Agreement, sufficient quantities of Gas to satisfy its obligations under this Agreement and, subject to Force Majeure, will do all things necessary to assure such performance.

(d) Simultaneous with Seller's execution of this Agreement, Seller's parent corporation, Canadian Forest Oil Ltd., shall sign the attached Guarantee Agreement attached hereto as Exhibit A.

ARTICLE VI TERM OF AGREEMENT

Section 6.1 Term

Subject to the other provisions of this Agreement, this Agreement shall become effective as of the date first above written, and shall continue in full force and effect for a term of (the "Term") ten (10) Agreement Years from and after the Initial Delivery Date.

ARTICLE VII TRANSPORTATION

Section 7.1 NOVA Transportation

The Parties acknowledge that the Gas to be sold by Seller to Buyer under this Agreement is to be transported from each Receipt Point through the NOVA Facilities to the Point of Delivery.

Section 7.2 NOVA Receipt Point Firm Service

Seller shall maintain a NOVA Receipt Point Service Agreement or NOVA Receipt Point Service Agreements with NOVA for NOVA Receipt Point Firm Service effective as and from November 1, 1998 (provided, however, that if Buyer is unable to obtain transportation from TransCanada and Portland commencing on November 1, 1998, then such NOVA contract(s) shall be effective as and from the date such service by TransCanada and Portland commences, but no later than November 1, 1999), for a daily Quantity of Gas equal to at least the MDQ plus NOVA Fuel Gas required to transport the MDQ on the NOVA Facilities, from such Receipt Points as Seller may determine as necessary or desirable from time to time during the Term of this Agreement to the Point of Delivery.

Section 7.3 NOVA Delivery Point Firm Service

Buyer shall maintain a NOVA Delivery Point Service Agreement with NOVA for NOVA Delivery Point Firm Service effective as and from November 1, 1998 (provided, however, that if Buyer is unable to obtain transportation from TransCanada and Portland commencing on November 1, 1998, then such NOVA contract(s) shall be effective as and from the date such service by TransCanada and Portland commences, but no later than November 1, 1999), for a daily Quantity of Gas equal to at least the MDQ, from the Point of Delivery to the interconnection of the NOVA Facilities with TransCanada's facilities at Empress, Alberta. Buyer shall have the option at any time during the Term of this Agreement to assign to Seller a portion, not to exceed the MDQ, of its NOVA Delivery Point Service Agreement and, thereafter, Seller shall be responsible for the firm transportation under such agreement of the Quantity of Gas purchased by Buyer under this Agreement and the Commodity Charge under Section 8.1 applicable to Gas purchased hereunder shall be increased by the 100% load factor equivalent of the cost of transporting such Gas under the assigned portion of the NOVA Delivery Point Service Agreement.

*for review
term of the
Agreement
initials
J.A.H.
H.A.*

Section 7.4 Downstream Transportation

Buyer shall maintain the NOVA Delivery Point Service Agreement, the TransCanada Service Agreement, the Portland Service Agreement and all other necessary firm transportation downstream of the Point of Delivery.

ARTICLE VIII
PRICE

Section 8.1 Commodity Charge

Commencing upon the Initial Delivery Date and thereafter during the Term of the Agreement, Buyer shall pay to Seller for each GJ of Gas delivered to the Point of Delivery the product obtained by multiplying the Quantity of Gas delivered by the following prices (all prices in this Agreement are expressed in Canadian dollars), with each price per GJ applicable to all Gas delivered during the twelve Months beginning with the date specified for each such price:

November 1, 1998	\$1.775
November 1, 1999	\$1.819
November 1, 2000	\$1.865
November 1, 2001	\$1.911
November 1, 2002	\$1.959
November 1, 2003	\$2.008
November 1, 2004	\$2.058
November 1, 2005	\$2.110
November 1, 2006	\$2.163
November 1, 2007	\$2.217

If the Initial Delivery Date occurs after November 1, 1998, then the above price schedule is extended by one year with a price of \$2.272 per GJ applicable for deliveries beginning on November 1, 2008.

Section 8.2 Buyer's Letter of Credit

(a) The prices specified in Section 8.1 are equivalent, on a net present value basis at a discount rate of ten percent (10%), to a fixed price of \$1.95 per GJ fixed for ten years. In the event of an early termination of this Agreement by Buyer or a default under this Agreement by Buyer, depending on the date of such termination or default, Seller might not receive the fixed price of \$1.95 per GJ for all of the Gas delivered to Buyer prior to such termination or default. The purpose of this Section 8.2 is to ensure that Seller receives payment based on a price of \$1.95 per GJ for the Gas actually delivered to Buyer over the Term of this Agreement; regardless of whether the Agreement terminates at end of the Term or at an earlier date.

(b) Thirty Days after the first quarter (three Months) of the first Agreement Year, Buyer shall provide to Seller a letter of credit, payable to Seller, equal to the amount by which \$1.95 exceeds the price payable for Gas delivered and sold to Buyer during that first quarter according to Section 8.1 multiplied by the Quantity of Gas actually delivered and sold to Buyer during such quarter. Thereafter, thirty days after the last Day in each quarter of an Agreement Year in which \$1.95 per GJ exceeds the price applicable thereto under Section 8.1, Buyer shall provide a new letter of credit to Seller which increases the amount of the preceding letter of credit by the amount by which \$1.95 exceeds the price payable for Gas delivered and sold to Buyer during such quarter according to Section 8.1 multiplied by the Quantity of Gas actually delivered and sold to Buyer during such quarter. Upon receipt of each new increased letter of credit, Seller shall return the preceding letter of credit to Buyer. By this method, the letter of credit provided by Buyer to Seller hereunder shall increase each quarter until the first quarter of an Agreement Year in which the price applicable thereto under Section 8.1 exceeds \$1.95 per GJ.

(c) Beginning thirty days after the last day of the first quarter of an Agreement Year in which the price payable for Gas delivered and sold to Buyer during such quarter according to Section 8.1 exceeds \$1.95 per GJ, Buyer shall provide a new letter of credit to Seller which reduces the amount of the preceding letter of credit by the amount by which the price payable for Gas delivered and sold to Buyer during such quarter according to Section 8.1 exceeds \$1.95 per GJ, multiplied by the Quantity of Gas actually delivered and sold to Buyer during such quarter. Upon receipt of each new reduced letter of credit, the preceding letter of credit shall be returned by Seller to Buyer.

(d) Upon the termination of this Agreement, Seller may draw on the letter of credit then held by Seller pursuant to this Section 8.2 for the total amount of such letter of credit; provided, however, that the amount of such letter of credit which Seller may draw shall be reduced by the product of: (i) the Quantity of Gas, if any, delivered to and paid for by Buyer, during any Delivery Month(s) in which the price payable for such Gas exceeds \$1.95 per GJ and (ii) the difference between \$1.95 and the price payable during such Delivery Month(s), provided

that such Delivery Month(s) occurred after the last redetermination of the amount of the letter of credit under this Section 8.2. Seller is entitled to retain the amount of the letter of credit as liquidated damages (and not as a penalty) for the failure of the Seller to obtain \$1.95 per GJ for the Quantities of Gas actually delivered to Buyer during the Term of this Agreement. Any amount received by Seller pursuant to this Section 8.2 shall be in addition to any other rights to which Seller is entitled under this Agreement or at law. Any right of Buyer to receive a payment from Seller upon termination of this Agreement does not affect Seller's entitlement to receive the amount contemplated by this Section 8.2. The letter of credit shall be irrevocable, payable to Seller upon demand, and have a term equal to 120 Days from its issuance; provided, however, that in the event that any letter of credit provided under this Section 8.2 and held by Seller is not replaced at least ten (10) Days prior to the expiration date of such letter of credit, then Seller may draw on such letter of credit and shall place such funds into an escrow account, held by a bank reasonably acceptable to Buyer, to utilize in the place of the replacement letter of credit until the replacement letter of credit is provided by Buyer, at which time the amount in the escrow account shall be refunded to Buyer; provided, further, that no later than sixty (60) Days prior to the Initial Delivery Date Seller and Buyer shall establish an escrow account on terms mutually acceptable to both Buyer and Seller. The letter of credit shall be drawn on a bank satisfactory to the Seller.

Section 8.3 Market Risk Assessment

Each party represents and warrants that:

(a) The prices for Gas contained in Section 8.1 are acceptable to Seller and Buyer given the mutual consideration provided in this Agreement and the market outlook for Gas prices generally over the Term; and

(b) Each Party accepts the risk described in the representation and warranty in Section 8.3(a) above and each Party shall continue to perform its obligations to the other on every Day during the Term notwithstanding that the prices for Gas contained in Section 8.1 may be below or above the market price of Gas at anytime or from time to time.

Section 8.4 Taxes

The price of Gas sold under this Agreement excludes all provincial and federal sales taxes, goods and services taxes and other similar taxes. Any provincial or federal sales tax, goods and services tax or other similar tax imposed by any lawful authority which by its terms is payable by Buyer, but is to be collected and remitted by Seller shall be added to the amount invoiced by Seller, and shall be paid by Buyer to Seller in the same manner as the amount for Gas invoiced by Seller, or separately invoiced by Seller. Buyer will provide evidence to Seller showing that the Gas delivered to Buyer under this Agreement was exported, such evidence to be in a form satisfactory for Revenue Canada's review.

ARTICLE IX
BILLINGS AND PAYMENTS

Section 9.1 Billings and Payments

Commencing with the earlier of November 1, 1999, or the Initial Delivery Date, and continuing with each succeeding Month thereafter ("Delivery Month"), Seller shall present to Buyer, on or before the fifteenth (15) Day of the Month following each Delivery Month, an invoice showing the Quantity and the Heating Value of the Gas, if any, delivered on each Day during the Delivery Month, the GIC, if any, and the total amounts and charges due and payable to Seller for such Gas. If the actual Quantity of Gas sold, delivered or caused to be delivered during the Delivery Month is not known or available in time to prepare the invoice, Seller shall estimate the amounts based on Seller's reasonable estimate of the Quantity of Gas sold, delivered or caused to be delivered to Buyer. Seller shall provide, in the succeeding Month's invoice, an adjustment based on any differences between the estimated quantities and the actual Quantity of Gas delivered to Buyer during the Delivery Month.

Section 9.2 Payment

Subject to the provisions of Section 9.7 hereof, Buyer agrees to pay Seller in immediately available funds the amount invoiced under Section 9.1 hereof at Seller's address, as designated in Article XVIII hereof, on or before the twenty-fifth (25th) Day of the Month in which such billing invoice is presented to Buyer. If presentation of an invoice to Buyer occurs after the fifteenth (15th) Day of a Month, then the payment date shall be postponed by a period equal to the number of Days elapsed between the fifteenth (15th) Day of the Month and the Day on which the invoice was actually received by Buyer.

Section 9.3 Audit Rights

Each Party shall have the right at reasonable hours and upon reasonable notice to examine, on any Business Day on which either Party is open for business, the books, records and charts of the other Party relating to the previous twenty-four (24) month period to the extent necessary to verify the accuracy of any statement, chart or computation made under or pursuant to the provisions of this Agreement.

Section 9.4 Security

No later than thirty Days before the Initial Delivery Date, Buyer shall provide Seller a letter of credit as security for Buyer's payments to Seller for Gas delivered and sold to Buyer hereunder. The value of the letter of credit shall be equal to 60 days multiplied by the MDQ and multiplied by the price specified in Section 8.1 and applicable to that first Agreement Year. A new letter of credit shall be provided on the first Day of each subsequent Agreement Year, at an increased amount equal to 60 days multiplied by the MDQ and multiplied by the price specified in Section 8.1 and applicable to such Agreement Year. Upon receipt of each new letter of credit under this Section 9.4, Seller shall return the preceding letter of credit to Buyer. Each letter of credit shall be irrevocable, payable to Seller upon demand, and drawn on a bank

reasonably satisfactory to Seller. In the event that any letter of credit provided under this Section 9.4 and held by Seller is not replaced at least ten (10) Days prior to the expiration date of such letter of credit, then Seller may draw on such letter of credit and shall place such funds into an escrow account, held by a bank reasonably acceptable to Buyer, to utilize in the place of the replacement letter of credit until the replacement letter of credit is provided by Buyer, at which time the amount in the escrow account shall be refunded to Buyer; provided, further, that no later than sixty (60) Days prior to the Initial Delivery Date Seller and Buyer shall establish an escrow account on terms mutually acceptable to both Buyer and Seller.

Section 9.5 Interest on Late Payments

Should Buyer fail to pay the amount of any invoice when due pursuant to Section 9.2 or should Seller fail to pay the amount of any invoice when due pursuant to Section 3.1(b), interest at the Interest Rate shall accrue on the unpaid portion of the invoice calculated and compounded monthly from the date payment was due until payment is made; provided, however, that Seller and Buyer shall use their best efforts to resolve any dispute regarding the amount of any invoice within thirty (30) Days after notice from one Party to the other Party that it disputes the amount of any invoice; provided, further, that if the resolution of such a dispute requires one Party to refund any amount previously paid to it by the other Party, then such refund shall include interest at the Interest Rate on such amount from the date such amount was originally paid until such amount is refunded.

Section 9.6 Failure to Pay

Should Buyer fail to pay the undisputed amount of any invoice when due hereunder, Seller shall give Buyer five Business Days prior written notice of such non-payment and Seller's intention to suspend deliveries and draw on the letter of credit provided under Section 9.4. If Buyer does not make such payment prior to the expiration of such five Business Days, then Seller may, in its sole discretion, draw on the letter of credit provided under Section 9.4 for the amount of such undisputed payment and/or suspend deliveries of Gas hereunder. Upon payment of the undisputed amount or, in the case of a draw on the letter of credit by Seller, reinstatement of the letter of credit to its original amount, Seller shall immediately resume deliveries of Gas to Buyer hereunder. In the event of such a suspension by Seller, Buyer shall remain responsible for payments due for the GIC.

Section 9.7 Corrections of Errors

In the event either Party determines that there is an error in the amount billed in any invoice rendered by Seller, the error shall be adjusted within thirty (30) Days of a final determination of whether an error has occurred; provided, however, any claim therefor shall have been made within sixty (60) Days from the Day the error was determined. If the error resulted in an overcharge and the invoice has been paid, Seller shall refund the amount of the overcharge with interest at the Interest Rate from the Day the overcharge was paid until the date of the refund to Buyer.

Section 9.8 Non-Business Days

If the payment date under this Article IX falls on a Day that is not a Business Day, then the payment date shall be the nearest Business Day prior to the date that the payment is otherwise due.

ARTICLE X POINT OF DELIVERY

Section 10.1 Point of Delivery

The Point of Delivery for the Quantity of Gas to be sold and delivered by Seller hereunder for purchase and receipt by Buyer or for Buyer's account shall be the NOVA Inventory Transfer; provided, however, that Seller may from time to time deliver Quantities of Gas from Saskatchewan directly into TransCanada's facilities provided that (i) TransCanada allows Seller to introduce such supplies of Gas into TransCanada's facilities downstream of the Point of Delivery hereunder and (ii) utilization of such Gas supplies by Seller does not increase the costs incurred by Buyer for purchase and transportation of any quantities of Gas to Buyer's Facility.

ARTICLE XI DELIVERY PRESSURE

Section 11.1 Delivery Pressure

The Quantity of Gas sold, delivered or caused to be delivered by Seller to Buyer at the Point of Delivery shall be at the pressure required by NOVA, as set forth by NOVA in its effective gas tariff, as amended or modified from time to time and as approved by the AEUB.

ARTICLE XII QUALITY

Section 12.1 Quality

The quality of the Quantity of Gas delivered under this Agreement shall meet or exceed the minimum quality specifications established by NOVA in its effective gas tariff, as amended or modified from time to time and as approved by the AEUB.

Section 12.2 Non-Conforming Gas

Buyer shall not be obligated to receive and purchase Gas hereunder that fails to conform to the specifications set out in this Article XII; provided, however, should Buyer accept deliveries of any such Gas, Buyer shall nevertheless pay Seller for such Gas received and accepted at the price payable pursuant to Article VIII.

ARTICLE XIII
MEASUREMENT OF GAS

Section 13.1 Unit of Measure

The unit of measure for the Quantity of Gas received by or delivered to Buyer at the Point of Delivery shall be one GJ. GJ's delivered to Buyer at the Point of Delivery as specified in Section 10.1 hereof shall be determined by multiplying the applicable Volume of Gas sold, delivered or caused to be delivered to Buyer by the applicable Heating Value of Gas.

Section 13.2 Meters

Meter(s) and other related equipment and facilities installed and maintained by NOVA at the Receipt Point and at the Point of Delivery shall be the exclusive method and means of determining the Quantity of Gas, the Volume of Gas and the Heating Value of Gas sold, delivered or caused to be delivered to Buyer under this Agreement.

Section 13.3 Reading and Testing

Reading, testing, calibration and adjustment of any NOVA meter(s) and related measurement equipment shall be performed according to NOVA's effective gas tariff, as amended or modified from time to time and as approved by the AEUB.

Section 13.4 Meter Records

Each Party shall cooperate and endeavor to obtain and make available to the other Party the charts and records relating to NOVA meters and other related equipment to the extent that such charts and records pertain to the Quantity of Gas delivered under this Agreement to Buyer.

ARTICLE XIV
POSSESSION, TITLE AND WARRANTY

Section 14.1 Possession and Title

Possession of and title to Gas sold by Seller to Buyer hereunder shall pass from Seller to Buyer at the Point of Delivery. As between Seller and Buyer, until the Gas reaches the Point of Delivery, Seller shall be deemed to be in exclusive control and possession and have title to the Gas and be responsible for any loss, damage or injury caused thereby for such Gas, and shall indemnify Buyer and save it harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of adverse claims of any or all persons relating to the Gas or to taxes, license fees or charges therein, that are applicable at or before the title to the Gas passes to Buyer. As between Seller and Buyer, upon delivery of Gas at the Point of Delivery, Buyer shall be deemed to be in exclusive control and possession of and have title to the Gas and be responsible for any loss, damage or injury caused thereby for such Gas, and shall

indemnify Seller and save it harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of adverse claims of any or all persons relating to the Gas or to taxes, license fees or charges therein, that are applicable after the title to the Gas passes to Buyer.

Section 14.2 Warranty

Seller warrants that at the time of delivery Seller shall have good title to all gas sold and delivered to Buyer under this Agreement free and clear of all liens, encumbrances and claims whatsoever and that Seller shall indemnify Buyer and save it harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of adverse claims of any or all persons relating to the Gas or to royalties, taxes, license fees or charges thereon, that are applicable before the title to the Gas passes to Buyer.

ARTICLE XV
FORCE MAJEURE

Section 15.1 Burden of Proof

In the event that the Parties are unable in good faith to agree that an Event of Force Majeure has occurred, the Parties shall submit the dispute for resolution pursuant to Article XX hereof; provided, however, the burden of proof as to whether an Event of Force Majeure has occurred shall be upon the Party claiming an Event of Force Majeure.

Section 15.2 Event of Force Majeure

If either Party is rendered wholly or partially unable to perform its obligations under this Agreement because of an Event of Force Majeure that Party shall be excused from whatever performance is affected by the Event of Force Majeure to the extent so affected; provided, however:

(a) the non-performing Party, as soon as reasonably practicable after learning of the occurrence of the inability to perform due to an Event of Force Majeure, provides written notice to the other Party giving the particulars of the occurrence, including an estimation of its expected duration and probable impact on the performance of its obligations under this Agreement, and continues to furnish timely regular reports with respect thereto during the Event of Force Majeure;

(b) the non-performing Party shall exercise all reasonable efforts to continue to perform its obligations under this Agreement and to remedy expeditiously its inability to so perform;

(c) the non-performing Party shall provide the other Party with prompt notification of the cessation of the Event of Force Majeure giving rise to the excuse from performance; and

(d) no obligation of either Party that arose prior to the occurrence of the Event of Force Majeure shall be excused as a result of the occurrence.

Section 15.3 Settlement of Strikes, Lockouts, or Other Labour Disputes

Nothing in this Article XV shall require the settlement of any strike, walkout, lockout or other labour dispute on terms that, in the sole judgement of the Party involved in the dispute, are contrary to that Party's interest. It is understood and agreed that the settlement of strikes, walkouts, lockouts, or other labour disputes shall be entirely within the discretion of the Party having the difficulty.

Section 15.4 Force Majeure Curtailment

(a) In the event that, as a result of an Event of Force Majeure, Seller is rendered unable on any Day, wholly or in part, to sell and deliver the quantity of natural gas that Seller's customers have requested for such day, then Seller shall curtail deliveries to such customers (including Buyer hereunder) in the following order of priority:

(i) first, under natural gas sales contracts on a non-firm Basis;

(ii) second, under natural gas sales contracts on a Firm Basis, including this Agreement; provided, however, to the extent that Seller is required by such Event of Force Majeure to curtail deliveries under natural gas sales contracts on a Firm Basis, such deliveries shall be curtailed on a pro rata basis in the proportion of the MDQ under this Agreement to the MDQ (or its equivalent) under all of Seller's natural gas sales contracts of a similar nature (except for Seller's obligation to sell gas under its pre-existing Alberta North East Gas Contract dated February 7, 1991, together with any amendment(s) executed prior to the date of execution of this Agreement, which is not to be prorated), unless required to the contrary by any law, regulation, or prior contractual commitment.

(b) In the event that, as a result of an Event of Force Majeure, Buyer is rendered unable on any Day, wholly or in part, to accept at the Point of Delivery and transport to and use at the Buyer's Facility the Quantity of Gas that Buyer is obligated to purchase from Seller for such day, then Buyer shall curtail purchases from all suppliers at the Point of Delivery (including Buyer hereunder) in the following order of priority:

(i) first, under natural gas sales contracts on a non-firm Basis;

(ii) second, under natural gas sales contracts on a Firm Basis, including this Agreement; provided, however, to the extent that Buyer is required by such Event of Force Majeure to curtail purchases under natural gas purchase contracts on a Firm Basis, such purchases shall be curtailed on a pro rata basis in the proportion of the MDQ under this Agreement to the MDQ (or its equivalent) under all of Buyer's natural gas purchase contracts of a similar nature, unless required to the contrary by any law, regulation, or prior contractual commitment.

Section 15.5 Impossibility of Performance due to an Event of Force Majeure

In the event that any Event of Force Majeure prevents Seller from delivering or Buyer from accepting any Gas under this Agreement for more than twelve (12) consecutive Months and such Event of Force Majeure is expected to remain effective for the remaining Term of this Agreement, the Party not experiencing the Event of Force Majeure may terminate this Agreement without continuing liability by either Party to the other Party upon sixty (60) Day's written notice to the other Party; provided, however, that such termination shall not be effective if, during such sixty (60) Day period, such Event of Force Majeure is remedied or the non-performing Party otherwise resumes performance of its obligations that were prevented by such Event of Force Majeure.

ARTICLE XVI
LAWS AND REGULATORY BODIES

Section 16.1 Laws and Regulatory Bodies

This Agreement and the rights and obligations of the Parties hereunder are subject to all applicable present and future laws, rules, regulations, acts, restraints, and orders of any regulatory or legislative body or other duly constituted authority having jurisdiction over Seller or Buyer.

ARTICLE XVII
TRANSFER AND ASSIGNMENT

Section 17.1 Assignments

(a) Except as specified in Sub-section 17.1(b), (c), (d) or (e) hereof, the rights and obligations of the Parties to this Agreement may not be assigned by either Party except upon the express written consent of the other Party, which consent shall not be unreasonably withheld. In the event such an assignment is made and consented to, the assigning Party shall be released and discharged from all obligations to the other Party hereunder thereafter arising, and such assignee shall be substituted in place of the assigning Party herein.

(b) Either Party shall have the right, without the consent of the other Party, but upon notice to the other Party, to assign this Agreement to any entity owned by, under common ownership with, or owning the assigning Party, or, in the case of Buyer, to a partnership or other entity organized for the purpose of developing, constructing, owning and operating Buyer's Facility, and in which Buyer or an affiliate of Buyer holds an equity interest. Upon such assignment, the Party assigning will not be released from any obligation or liability arising or accruing under this Agreement without the written consent of the other Party. Such consent shall not be unreasonably withheld.

(c) Buyer shall also have the right, without Seller's consent, to assign all of its rights and interest (but not its obligations) under this Agreement to the Financing Parties as security for Buyer's obligations under the Financing Documents. Seller acknowledges that upon an Event of Default by Buyer under the Financing documents, any of the Financing Parties may (but shall not be obligated to) assume, or cause its designee or a new lessee or purchaser of Buyer's Facility to assume, all of the interests, rights and obligations of Buyer arising under this Agreement. If the rights and interests of Buyer in this Agreement shall be assumed, sold or transferred as hereinbefore provided, Buyer shall be released and discharged from, and the assuming Party shall agree in writing to be bound by and to assume, the terms and conditions of this Agreement and any and all obligations to Seller arising or accruing hereunder (whether before or after the date of such assumption) and Seller shall continue this Agreement with the assuming Party as if such person had thereafter been named as Buyer under this Agreement. Notwithstanding any such assumption by any of the Financing Parties or a designee thereof, or under a general assignment, Buyer shall not be released and discharged from and shall remain liable for any and all obligations to Seller arising or accruing hereunder prior to such assumption unless and until such obligations to Seller are performed by the Buyer, the Financing Parties, a designee of the Financing Parties, or the assignee under a general assignment.

(d) The provisions of Section 19.2 hereof and this Section 17.1 are for the benefit of the Financing Parties as well as the Parties hereto, and shall be enforceable by each. Seller hereby agrees that none of the Financing Parties, or any bondholder or participant for whom they may act, shall be obligated to perform any obligation or be deemed to incur any liability or obligation provided herein on the part of Buyer or shall have any obligation or liability to Seller with respect to this Agreement, except as provided in Section 19.2 hereof and this Section 17.1.

ARTICLE XVIII NOTICE

Section 18.1 Notice

Except as provided in Paragraph 4.1(a)(ii) hereof, every notice, statement, bill or nomination provided for in this Agreement shall be in writing directed to the Party to whom given, made or delivered at such Party's address as follows (or as otherwise directed in writing by such Party):

SELLER: Producers Marketing Ltd.
600, 800 - 6th Avenue S.W.
Calgary, Alberta
T2P 3G3
Attention: Michael K. Langfeldt
Telephone: (403) 292-8079
Fax: (403) 261-7665

BUYER: Androscoggin Energy LLC
Suite 170, 650 Dundee RD
Northbrook, IL USA 60062
Attention:
Telephone: (847) 559-9800
Fax: (847) 559-1805

FINANCING PARTIES:

As Buyer may specify from time to time

Either Party may change its address from time to time by giving written notice of such change to the other Party. Any notice, communications, nomination, or statement or other document given or delivered under this Agreement by mail shall be deemed received by the addressee at the end of the third Business Day after the date of mailing by prepaid registered or certified mail in the United States or Canada; provided, however, at any time when there is a strike affecting delivery of United States or Canadian mail, all such deliveries shall be made by hand, overnight courier or by telecopier. If any such notice, communication, nomination, statement, or other document is delivered by hand, overnight courier or by telecopier to the addressee, it shall be deemed to have been received by the addressee as soon as such delivery or transmission has been effected.

ARTICLE XIX
DEFAULT AND REMEDIES

Section 19.1 Definition

(a) An Event of Default under this Agreement shall be deemed to exist upon the occurrence of any one or more of the following events:

- (i) Failure by either Party to make payment of any amounts due to the other Party under this Agreement, and that failure continues for a period of thirty (30) Days after such payment is due; or
- (ii) Failure by either Party to perform fully any other material provision of this Agreement, including, without limitation, Seller's obligations under Article V hereof, and (a) such failure continues for a period of thirty (30) Days after written notice of such non-performance from the other Party or (b) if within such thirty (30) Day period the non-performing Party commences and proceeds with due diligence to cure the failure and failure is not cured within one hundred eighty (180) Days or such longer period of

time agreed to by the Parties in writing as being necessary for the Party to cure the failure with all due diligence; or

(iii) If by order of a court of competent jurisdiction, a receiver or liquidator or trustee of either Party or of any of the property of either Party shall be appointed, and such receiver or liquidator or trustee shall not have been discharged within a period of sixty (60) Days; or if by decree of such a court, either Party shall be adjudicated bankrupt or insolvent or any substantial part of the property of such Party shall have been sequestered, or such decree shall have continued undischarged and unstayed for a period of sixty (60) Days after the entry thereof; or if a petition to declare bankruptcy or to reorganize either Party pursuant to the provisions of any applicable bankruptcy law, or pursuant to any other similar law applicable to such Party, shall be filed against such Party and shall not be dismissed within sixty (60) Days after such filing; or

(iv) If either Party shall file a voluntary petition in bankruptcy under any provision of any applicable bankruptcy law or shall consent to the filing of any bankruptcy or reorganization petition against it under any similar law; or, without limitation of the generality of the foregoing, if either Party shall file a petition or answer or consent seeking relief or assisting in seeking relief in a proceeding under any bankruptcy law, or pursuant to any other similar law applicable to such Party, or an answer admitting the material allegations of a petition filed against it in such a proceeding; or if either Party shall make an assignment for the benefit of its creditors; or if either Party shall consent to the appointment of a receiver or receivers, or trustee or trustees, or liquidator or liquidators of it or of all or of any part of its property; or

(b) Subject to the limitation in Section 19.3, in the event of an Event of Default, the non-defaulting Party may proceed to exercise any remedy provided under this Agreement or existing at law or in equity. If one Party believes in good faith that no Event of Default has occurred, and promptly informs the Party asserting the existence of the Event of Default of this belief, then the Parties shall enter negotiations in an attempt to resolve the dispute; provided, however, if either Party believes in good faith that negotiated resolution to the dispute is unlikely, then the Party may proceed to exercise any and all remedies available under this Agreement or existing at law or in equity.

Section 19.2 Remedies for Breach

Subject to the limitations in Section 19.3, during any Event of Default, the Party not in default shall have the right:

(a) to terminate this Agreement upon ten (10) Days written notice to the defaulting Party provided however that Seller has no right to terminate this Agreement on account of an Event of Default on the part of Buyer so long as Buyer makes payment of sums due to Seller under this Agreement; or

(b) notwithstanding Section 19.3, with respect to non-payment by Buyer of undisputed sums due Seller, Seller may elect to suspend deliveries five (5) Days after the date on which notice of non-payment was given to Buyer pursuant to Section 9.6; provided, however, that a draw by Seller on the letter of credit provided by Buyer pursuant to Section 9.4 shall not be considered as payment of sums due for purposes of this Article XIX unless and until such letter of credit has been reinstated to its original amount in effect prior to the draw by Seller. Subject to the limitations in Section 19.3, Seller thereafter has the right to terminate this Agreement upon ten (10) Days written notice to Buyer pursuant to Section 19.2(a) unless Buyer has commenced and is proceeding with due diligence to remedy the Event of Default in such ten (10) Day period and such Event of Default is remedied within ninety (90) Days thereafter; or

(c) to pursue any other remedy provided under this Agreement, or now or hereafter existing at law or in equity or otherwise.

Section 19.3 Limitation

Notwithstanding Sections 19.1 and 19.2 and any other provision of this Agreement, if an Event of Default occurs as described in Sub-section 19.1 (a)(ii) from a failure to deliver by Seller under Article III or IV or a failure of warranty of adequate gas supply under Article V, then Buyer shall have the right to terminate this Agreement upon ten (10) Days written notice to Seller as described in Sub-section 19.2(a). If Buyer elects to so terminate this Agreement, Seller shall be released from all obligations and liabilities under this Agreement arising after the date of such termination (including without limitation Buyer's remedy of Cover Gas under Sub-section 3.1(b)); provided, however, that any and all obligations and liabilities arising prior to such termination shall not be released. In the case of an Event of Default by Buyer, Seller shall provide the Financing Parties with notice of such Event of Default at the same time such notice is provided to Buyer and the Financing Parties shall have the right (but not the obligation) for ninety (90) Days after such notice to cure the Event of Default on behalf of Buyer or assume or cause its designee or cause a lessee or purchaser of Buyer's Facility to assume, all of the rights and obligations of Buyer under this Agreement arising before and after the date of such assumption. In the case of an Event of Default by Buyer and Seller elects to pursue a remedy available under Sections 19.1(b) or 19.2(c), the measure of damages for which Seller may seek recovery from Buyer is agreed to be the GIC multiplied times an appropriate quantity of gas that is effected by the Event of Default, which shall not exceed the MAQ multiplied times the Agreement Years (prorated for any partial Agreement Year) remaining in the Term of this Agreement; provided, further, that the Parties agree that, due to the difficulty of assessing actual damages in the event of an Event of Default by Buyer hereunder, the GIC has been established as the measure of the liquidated damages available to Seller for such an Event of Default by Buyer.

Section 19.4 Financing Parties

In the event that any of the Financing Parties or its designee assumes that Agreement in accordance with Section 19.3 hereof:

(a) Buyer shall remain liable for any and all obligations to Seller arising or accruing hereunder prior to such assumption. Buyer shall be released and discharged from any obligations to Seller arising or accruing hereunder from and after the date of such assumption;

(b) Seller shall continue this Agreement with any of the Financing Parties or its designee, as the case may be, substituted in the place of Buyer hereunder; and

(c) If the assuming Party is any of the Financing Parties, such Party shall be liable to Seller for the performance of any and all obligations to Seller under this Agreement, whether arising prior to or after the date of such assumption.

ARTICLE XX
ARBITRATION

Section 20.1 Arbitration

Notwithstanding any other provisions of this Agreement, any controversy arising out of this Agreement may be submitted to Arbitration by either Party. Any Arbitration conducted hereunder shall be conducted in accordance with the rules of the British Columbia International Commercial Arbitration Centre (the "BCICAC") except as such BCICAC rules may be modified by the provisions of this Article XX and such Arbitration proceedings shall be conducted in accordance with the provisions of this Article XX.

(a) Any Party hereto (the "Initiating Party") may commence Arbitration proceedings by serving Notice on the other party hereto (the "Receiving Party"), which Notice shall contain the name of one Arbitrator who would either function as a single Arbitrator, if the Receiving Party consents, or as one of a panel of three Arbitrators if the Receiving Party does not so consent. Within 14 Days after receipt of such Notice, the Receiving Party shall serve Notice on the Initiating Party, which Notice shall contain either a consent to the Initiating Party's Arbitrator functioning as a single Arbitrator or the name of a second Arbitrator to function as a member of an Arbitration Board.

(b) If the Receiving Party fails either to consent to a single Arbitrator or to name a second Arbitrator, then the Initiating Party's Arbitrator shall function as a single Arbitrator. If both Parties appoint their own Arbitrator, the two Arbitrators so appointed shall name a third Arbitrator or, if they fail to do so within 14 Days of the second Arbitrator's appointment, the Parties shall promptly meet and shall attempt to agree upon and to appoint such third Arbitrator. If the Parties are unable to agree within such 14 Day period on the choice of a third Arbitrator then, upon request by either Party, the third Arbitrator shall be appointed by the BCICAC.

(c) The single Arbitrator (the "Arbitrator") or the three Arbitrators (the "Board") appointed hereunder shall be generally knowledgeable in the area of gas production, transportation, marketing and distribution and in the area of development, construction and operation of gas-fired, electric power generation facilities, and shall be qualified by education or experience to decide the particular matters in dispute, and shall not be employees or agents of or otherwise have any interest in either Party or of any of their affiliates.

(d) All Arbitration proceedings shall be administered by the BCICAC in accordance with its "Procedures for Cases", and the rules governing in Arbitration proceedings shall be the "Rules for International Commercial Arbitration and Conciliation Proceedings" in the BCICAC, except where such rules are in conflict with the specific provisions of this Article XX, in which case the latter shall be paramount and prevail. The place of any Arbitration shall be in Vancouver, British Columbia.

(e) The Arbitrator or the Board (or the majority thereof), as the case may be, shall render a decision within 45 Days after an appointment of the Arbitrator or the third Arbitrator on the Board, as the case may be, subject to any reasonable delay due to unforeseen circumstances. The decision of the Arbitrator, or the decision of the Board (or a majority thereof), shall be made in writing and shall be final and binding upon the Parties, as to the matters submitted to Arbitration, and the Parties shall abide by and comply with the decision. The Parties shall execute, acknowledge and deliver all such documents or assurances as may be necessary to implement the decision. The written decision of the Arbitrator or the Board (or a majority thereof), as the case may be, may be issued with or without a written opinion and shall be issued expeditiously; provided, however, that implementation of and compliance with the decision shall not be delayed pending the issuance of a written opinion.

(f) If a decision is not rendered by the Arbitrator or the Board (or a majority thereof), as the case may be, within the period specified in Sub-Section 20.1 (e), either Party hereto may serve Notice on the other Party requiring that at a new Arbitrator or Arbitrators, as the case may be, be appointed in accordance with the procedures set forth in this Article XX.

(g) Each Party shall bear the expense of prosecuting its own case and each Party shall each pay the compensation and expenses of its named Arbitrator when a Board is selected. The compensation and expenses of an Arbitrator acting as the sole Arbitrator or the third Arbitrator of any Board and all administration costs of the Arbitration shall be paid in equal portions by the Parties.

(h) The failure of either Party hereto to participate in an Arbitration proceeding as scheduled by the Arbitrator or the Board, as the case may be, shall not delay the proceeding. If a Party fails to participate, the Arbitrator or the Board, as the case may be, shall issue a decision as though the non-participating party were a participant in the Arbitration proceeding and the decision shall be final and binding on such non-participating Party, in accordance with Section 20.1 (e).

(i) Except as herein otherwise expressly provided, in this Article XX, the provisions of the International Commercial Arbitration Act (British Columbia), as amended from

time to time, and any successor legislation, shall apply to all Arbitration proceedings conducted pursuant to the provisions of this Article XX.

(j) Whenever there is an Arbitration proceeding under this Article, operations under this Agreement shall continue in the same manner as they were conducted before the Arbitration proceeding is commenced, without prejudice to either Party, pending a decision in the Arbitration proceeding.

ARTICLE XXI MISCELLANEOUS PROVISIONS

Section 21.1 Captions

The headings used throughout this Agreement are inserted for reference purposes only and are not to be considered or taken into account in construing the terms or provisions of any Article or Section hereof nor to be deemed in any way to qualify, modify or explain the effect of any such provisions or terms.

Section 21.2 Other Agreements

This Agreement constitutes the entire Agreement between the Parties relating to the subject matter hereof and supersedes any other agreements, written or oral, between the Parties concerning such subject matter.

Section 21.3 Binding Effect

The terms and provisions of this Agreement, and the respective rights and obligations hereunder of Seller and Buyer, shall be binding upon, and inure to the benefit of, their respective successors and permitted assigns.

Section 21.4 Non-Waiver of Defaults

No waiver by either Party of any default of the other Party under this Agreement shall operate as a waiver of a future default whether of a like or different character.

Section 21.5 Written Amendments

No modifications of the terms and provisions of this Agreement shall be or become effective except by written amendment executed by the Parties.

Section 21.6 Severability and Regeneration

Should any provision of this Agreement for any reason be declared invalid or unenforceable by final and unappealable order of any court or regulatory body having

jurisdiction, such decision shall not affect the validity of the remaining portions, and the remaining portions shall remain in force and effect as if this Agreement had been executed without the invalid portion. In the event any provision of this Agreement is so declared invalid or unenforceable, the Parties shall promptly renegotiate in good faith new provisions to eliminate such invalidity or unenforceability and to restore this Agreement as nearly as possible to its original intent and effect.

Section 21.7 Survival

Any provision(s) of this Agreement that expressly or by implication comes into or remains in force following the termination or expiration of this Agreement shall survive the termination or expiration of this Agreement.

Section 21.8 Further Assurances

The Parties shall execute such additional documents reasonably required including, without limitation, a consent to assignment or similar documents, and shall cause such additional action to be taken as may be required or, in the judgement of any party, may be necessary or desirable, to effect or evidence the provisions of this Agreement and the transactions contemplated hereby.

Section 21.9 Limitation of Liability

Notwithstanding anything else in this Agreement, neither Party, nor any of its directors, trustees, agents, officers or employees will be liable whether in contract or tort to the other Party, its directors, trustees, agents, officers or employees for incidental, specific, indirect or consequential damages of any nature connected with or resulting from performance or breach of this Agreement.

Section 21.10 Governing Law

This Agreement shall be governed and interpreted in accordance with the laws of the Province of Alberta. With the exception of any dispute submitted to arbitration under Article XX, the Parties submit to the exclusive jurisdiction of the courts of the Province of Alberta for the interpretation and enforcement of this Agreement.

IN WITNESS WHEREOF, intending to be legally bound, the Parties hereby have caused this Agreement to be entered into by their duly authorized officers and attested to by their respective secretaries, as of the Day and Year first above written.

ATTEST:

[Signature]

PRODUCERS MARKETING LTD.

by:

title:

[Signature]
W.A. McPHEE
VICE PRESIDENT, MARKETING

[Signature]

ATTEST:

[Signature]

ANDROSCOGGIN ENERGY LLC

by:

title:

[Signature]
[Signature]

Gas Sales Contract

Between

Renaissance Energy Ltd.

and

Androscoggin Energy, L.L.C.

March 11, 1997

Table of Contents

Article 1.....	1
Definitions.....	1
1.1 Definitions.....	1
Article 2.....	7
Conditions Precedent.....	7
2.1 Conditions Precedent.....	7
2.2 Satisfaction of Conditions.....	8
2.3 Status Reports.....	8
2.4 Timing for Completion of Conditions.....	9
2.5 Failure to Complete Conditions Precedent.....	9
2.6 Notice - Completion of Conditions.....	9
2.7 Commencement of Obligations.....	10
Article 3.....	10
Gas Supply and Purchase Obligations; Nominations.....	10
3.1 Buyer's Purchase Options and Obligations.....	10
3.2 Seller's Delivery Obligations.....	11
3.3 Nominations - Transporters.....	12
3.4 Take or Release.....	13
3.5 Maintenance of Authorizations and Arrangements.....	15
3.6 Credit Requirements.....	15
3.7 Supply Exclusivity.....	18
Article 4.....	23
Term of Contract.....	23
4.1 Term.....	23
Article 5.....	24
Rates and Charges.....	24
5.1 Monthly Charges.....	24
5.2 Determination of Sabrevois Price.....	24
5.3 Price Determination by Umpire.....	26

Article 6.....	28
Reserves for Required Authorizations.....	28
6.1 Reserves.....	28
Article 7.....	28
Remedies.....	28
7.1 Buyer's Remedies.....	28
7.2 Seller's Remedies.....	29
7.3 Clarification.....	29
Article 8.....	30
Delivery Point; Title.....	30
8.1 Title.....	30
8.2 Transfer at Delivery Point.....	30
8.3 Taxes.....	30
8.4 Possession.....	31
8.5 Imbalance Penalties.....	32
Article 9.....	32
Measurement, Quality and Pressure.....	32
9.1 Measurement.....	32
9.2 Quality.....	32
Article 10.....	32
Billing and Payment.....	32
10.1 Monthly Statement.....	32
10.2 Payment and Payment Default.....	33
10.3 Errors.....	35
10.4 Good Faith Disputes.....	35
10.5 Currency Conversions.....	35
10.6 Other Invoices.....	35
Article 11.....	36
Force Majeure.....	36
11.1 Definition.....	36
11.2 Notice of Force Majeure.....	37

11.3 Estimate of Force Majeure Duration	37
11.4 Termination Option.....	37
11.5 Resumption of Performance	38
11.6 Seller's Additional Rights.....	38
11.7 Obligation to Pro Rate Available Supply	39
 Article 12.....	 39
Laws and Regulatory Bodies	39
12.1 Subject to Law	39
 Article 13.....	 39
Transfer and Assignment.....	39
13.1 Assignment.....	39
13.2 Lenders' Rights	40
 Article 14.....	 41
Access to TCPL and PNGTS Firm Service.....	41
14.1 TCPL Use Arrangements.....	41
14.2 PNGTS Use Arrangements.....	44
14.3 Responsibilities	46
14.4 Plant - Permanent Changes.....	47
 Article 15.....	 48
Umpire	48
15.1 Selection	48
 Article 16.....	 50
Waddington Price	50
16.1 Arbitration	50
 Article 17.....	 51
Miscellaneous Provisions	51
17.1 Waiver	51
17.2 Access to Records	51
17.3 Headings	51
17.4 Notices	52
17.5 Choice of Laws.....	53

17.6 Further Assurances.....	53
17.7 Entire Agreement.....	53
17.8 Conflicts	53
17.9 Time	53
17.10 Gender.....	53
17.11 "Hereof Etc."	54
17.12 Severability	54
17.13 Inurement	54
17.14 Confidentiality	54
17.15 Counterpart Execution.....	54

Gas Sales Contract
March 11, 1997

Between

RENAISSANCE ENERGY LTD. an Alberta
corporation ("Seller")

and

ANDROSCOGGIN ENERGY, L.L.C. a Delaware
limited liability corporation ("Buyer")

Recitals

- A. Seller desires to sell to Buyer, and Buyer desires to purchase from Seller, a supply of Gas, produced from Seller's Alberta gas reserves under the terms and conditions hereinafter set forth; and
- B. Seller and Buyer intend to commence Gas deliveries and receipts under this Agreement on November 1, 1998, contingent upon the satisfaction or waiver of the conditions precedent set forth herein.

The Parties agree as follows.

Article 1
Definitions

1.1 Definitions

The following terms, when used in this Contract, shall mean:

"AEUB" shall mean the Alberta Energy and Utilities Board, and its successors;

"Annual Quantity" shall mean, for each Contract Year, 75% of the product of the MDQ (in effect for each Day during that Contract Year) and the number of Days in that Contract Year;

"Assurances Notice" shall have the meaning ascribed to it in Section 3.6;

"Baseload Quantity" shall mean, for any Day, the first 31,500 MMBtus of Gas consumed or otherwise utilized at the Plant on that Day;

"Btu" shall mean one British Thermal Unit being the amount of heat required to raise the temperature of one pound of water one degree Fahrenheit from 59° Fahrenheit to 60° Fahrenheit at a constant pressure of 14.73 pounds per square inch absolute, and "MMBtu" shall mean 1,000,000 Btus;

"Business Day" shall mean any day other than a Saturday, a Sunday, a holiday observed by the Federal Reserve or a holiday generally observed in Alberta by Schedule "A" chartered banks;

"Buyer's First Transporter" shall mean TCPL;

"Canadian Regulatory Approvals" shall mean all permits, certificates, licences, orders, consents, authorizations and approvals as may be required by any governments, governmental agencies or regulatory bodies in Canada to permit the removal of the Gas to be sold hereunder from the province of production and the export of the Gas from Canada, and otherwise to allow the transactions contemplated hereunder to commence, including but not limited to:

- (a) a long term permit from the AEUB ("Removal Permit"); and
- (b) a long term licence from the NEB ("Export Licence");

"Commodity Charges" shall mean the commodity charges assessed by TCPL to a shipper and which are only assessed or imposed when and to the extent transportation services are actually provided to the shipper by TCPL to transport Gas from and downstream of Empress on a firm basis;

"Contract" shall mean this agreement, including all schedules and exhibits hereto and all written amendments from time to time signed by the Parties;

"Contract Year" shall mean a period of 12 consecutive Months beginning on the first Day of November and ending at the start of the first Day of November next following, provided that (1) if the Date of First Delivery is after November 1, 1998 and before November 1, 1999, then the first Contract Year shall commence on the Date of First Delivery and terminate on the first Day of November, 1999, (2) if the Date of First Delivery is after November 1, 1999, then the first Contract Year shall commence on the Date of First Delivery and terminate on the first Day of November, 2000, and (3) if the Date of First Delivery is other than November 1, then the last Contract Year of the Term shall terminate at the end of the last Day of the 120th Month after the Date of First Delivery;

"Date of First Delivery" shall mean the later of November 1, 1998 or the date that all of the conditions described in Section 2.1 have been satisfied or waived;

"Day" shall mean a period of 24 consecutive hours, beginning and ending at 10:00 a.m. Eastern Time, or at such other hour as Buyer and Seller agree upon;

"Delivery Point" shall mean the interconnection of the pipeline systems of NOVA and TCPL at Empress;

"Demand Charges" shall mean the fixed demand charges, fixed pressure charges and other fixed charges assessed by TCPL to a shipper for firm services provided by TCPL at and downstream of Empress and which are payable to TCPL regardless of the actual volumes of Gas (if any) transported by TCPL for the shipper;

"Dollars" or "\$" shall mean the lawful currency of the United States unless otherwise indicated.

"Empress" shall mean the interconnection of the pipeline systems of NOVA and TCPL at or near Empress, Alberta, downstream of the liquids extraction facilities located near Empress, Alberta;

"FERC" shall mean the Federal Energy Regulatory Commission and its successors;

"Force Majeure" shall have the meaning ascribed to it in Section 11.1;

"Gas" shall mean residue natural gas remaining after conditioning and processing of raw natural gas and consisting primarily of methane;

"Interest" shall mean interest at the rate per annum equal to the prime lending rate announced and published from time to time by the Main Branch at Calgary for The Toronto-Dominion Bank for Canadian dollar commercial loans made in Canada, plus 2%, per annum;

"Lenders" shall have the meaning ascribed to it in Section 13.2;

"Lenders' Agent" shall have the meaning ascribed to it in Section 13.2;

"Maximum Daily Quantity" or "MDQ" shall mean a quantity of Gas initially equal to 12,000 MMBtu per Day and, thereafter, such lesser quantity as is in effect (as the MDQ hereunder) from time to time following any reduction to the MDQ under either Section 3.4 or Section 14.4;

"Month" shall mean a period beginning on the first Day of a calendar month and ending at the start of the first Day of the next succeeding calendar month;

"Monthly Statement" shall have the meaning ascribed to it in Section 10.1;

"NEB" shall mean the National Energy Board (Canada) and its successors;

"NOVA" shall mean NOVA Gas Transmission Ltd. and its successors;

"Party" shall mean either Seller or Buyer, as the context requires, and "Parties" means both Seller and Buyer;

"Plant" shall mean the electrical generating plant and related facilities (including cogeneration facilities), which is to have a nominal installed capacity of approximately 150 megawatts and which is to be constructed and operated at a site at or near Jay, Maine;

"PNGTS" shall mean Portland Natural Gas Transmission System, and its successors;

"PNGTS Service Agreement" shall mean the transportation service agreement to be obtained by Buyer from PNGTS and providing either or a combination of firm or interruptible transportation (as elected by Buyer) for a quantity of Gas equal to the MDQ (less the quantity of fuel gas required by the PNGTS system) on PNGTS' pipeline system from Sabrevois to Jay, Maine (and other rights) for the Term;

"Price" shall have the meaning ascribed to it in Section 5.1;

"Purchase Notice" shall have the meaning ascribed to it in Section 3.1;

"Purchase Option" shall have the meaning ascribed to it in Section 3.1;

"Purchase Period" shall have the meaning ascribed to it in Section 3.1;

"Purchase Quantity" shall have the meaning ascribed to it in Section 3.1;

"Sabrevois" shall mean the proposed TCPL export point to be located at the proposed interconnection between the facilities of TCPL and PNGTS at or near Sabrevois, Quebec;

"Sabrevois Price" shall mean, at the applicable time in respect of a particular Purchase Notice, a price for Gas delivered on TCPL to, and sold at, Sabrevois reflecting the market price for Gas at that point under

transactions having terms similar to the Purchase Notice including, without limitation:

- (a) the Purchase Period;
- (b) the Purchase Quantity; and
- (c) the firm nature of the sale and purchase obligations and the other terms of this Contract that are applicable to the Purchase Notice (but ignoring the Delivery Point and Price under the Purchase Notice);

"TCPL" shall mean TransCanada PipeLines Limited and its successors;

"TCPL Service Agreement" shall mean the transportation service agreement to be obtained by Buyer from TCPL and having a "Contract Demand" equal to 12,000 MMBtus per Day for transportation on a firm basis on TCPL's system from Empress to Sabrevois, for the Term;

"Term" shall have the meaning ascribed to it in subsection 4.1(a);

"Transporters" shall mean NOVA, TCPL and PNGTS, and "Transporter" shall mean any one of them as the context requires;

"Umpire" shall mean, at the applicable time, the individual or firm to be used (pursuant to Section 5.2) to establish the Sabrevois Price in respect of a Purchase Notice;

"United States Regulatory Approvals" shall mean all permits, certificates, licences, orders, consents, authorizations and approvals as may be required by any governments, governmental agencies or regulatory bodies in the United States to permit the importation into the United States of the Gas to be sold hereunder, and otherwise to allow the transactions contemplated hereunder to commence;

"Unutilized Capacity" shall mean, for each Day:

- (a) the amount (if any) by which the MDQ exceeds the aggregate of the Purchase Quantities under all Purchase Notices in effect for that Day, provided that such aggregate Purchase Quantities shall exclude the Purchase Quantities under those Purchase Notices for which deliveries have been suspended by Seller under either subsection 3.6(b) or Section 10.2 and for which deliveries have been suspended due to Buyer's Force Majeure,

LESS

- (b) the sum of each Purchase Quantity which would have been in effect for that Day but for Seller's termination of the applicable Purchase Notice(s) under either or both of subsections 3.6(b) and 3.6(d), but a Purchase Quantity will only be included in this clause (b) if Seller has not elected to use the applicable portion of the TCPL Service Agreement (under the applicable subsection 3.6(b) or (d)) in respect of the Purchase Quantity under the terminated Purchase Notice;

LESS

- (c) the sum of each Purchase Quantity under the applicable Purchase Notice(s) in respect of which Seller has suspended deliveries under either or both of subsection 3.6(b) and Section 10.2, but a Purchase Quantity will only be included in this clause (c) for any Day during the suspension of deliveries that Seller has not elected to use the applicable portion of the TCPL Service Agreement (under subsection 10.2(e)) in respect of the Purchase Quantity under the suspended Purchase Notice; and

LESS

- (d) the sum of each Purchase Quantity under the applicable Purchase Notice(s) in respect of which Buyer has declared Force Majeure (but only to the extent Buyer's takes are affected by the Force Majeure occurrence), but a Purchase Quantity (or applicable portion thereof) will only be included in this clause (d) for any Day during the continuation of the Force Majeure occurrence that Seller has not elected to use the applicable portion of the TCPL Service under Section 11.6.

For clarification purposes and assuming that (1) Seller has not terminated any Purchase Notices under either or both of subsections 3.6(b) and 3.6(d), (2) Seller has not suspended deliveries under either subsection 3.6(b) or Section 10.2, and (3) Buyer has not declared Force Majeure, the Unutilized Capacity equals the lesser of (1) the MDQ, and (2) the Contract Demand under the TCPL Service Agreement, for each Day when there is no Purchase Notice in effect; and

"Waddington Price" shall mean, for any Day in a Month, the price specified as the "Curr. Avg." price for that Month for "Iroquois, ON" in the "Border Price" column found in the table entitled "Canadian Export and U.S. Spot Gas Prices" as published in Canadian Gas Price Reporter for that Month.

Article 2
Conditions Precedent

2.1 Conditions Precedent

The obligations of each of Seller and Buyer under this Contract (other than those in this Article 2) are subject to the satisfaction or waiver of each of the following conditions (in accordance with the terms of this Article 2):

- (a) Seller obtaining the Removal Permit and all other Canadian Regulatory Approvals (if any) required by it to deliver the MDQ (and related TCPL fuel gas) to Buyer at the Delivery Point and to permit the removal of that quantity of Gas from Alberta, for the Term;
- (b) Buyer obtaining the Export Licence and all other Canadian Regulatory Approvals (if any) required to take delivery of and purchase the MDQ from Seller at the Delivery Point, to transport the MDQ to Sabrevois and to export the MDQ from Canada, for the Term;
- (c) Buyer obtaining the TCPL Service Agreement on or before September 1, 1999;
- (d) Buyer obtaining the PNGTS Service Agreement on or before September 1, 1999;
- (e) Buyer obtaining an import authorization for the Term and all other United States Regulatory Approvals (if any) required to import the MDQ into the United States and transport the MDQ on the PNGTS system to its Plant;
- (f) Seller reviewing the TCPL Service Agreement and being satisfied with Buyer's rights and obligations under that agreement. In particular, Seller must be satisfied that the terms of that agreement are consistent with transportation commitments which Seller would commit to in the ordinary course of its business (for similar service), the Parties recognizing that during the Term (and possibly beyond the Term) Seller is entitled to the benefit of and obligated to perform the shipper's position under that agreement;
- (g) Buyer shall have achieved financial closing on or before September 1, 1998 with respect to all of the financing necessary for the construction and commencement of operations at the Plant;

- (h) TCPL shall have obtained NEB approval for rolled-in tolling for the firm service to be provided to Buyer under the TCPL Service Agreement;
- (i) the PNGTS system shall have achieved its in-service date by not later than November 1, 1999; and
- (j) the Plant shall have commenced commercial operations by not later than December 31, 1999.

2.2 Satisfaction of Conditions

Each Party shall use commercially reasonable efforts and proceed in a timely manner to satisfy each of the conditions for which it is responsible. Without limiting the foregoing:

- (a) Seller and Buyer shall each file applications for the Canadian Regulatory Approvals required by each of them by January 1, 1998; and
- (b) Buyer shall file an application for the required United States Regulatory Approvals by January 1, 1998.

For the purposes of subsection 2.1(g), financial closing shall be deemed to have been achieved when Buyer executes a loan agreement with the Lenders and the first disbursement to Buyer of available funds thereunder occurs. For purposes of confirming that the necessary financing documentation has been finalized, Seller shall (1) not have access to such documentation, and (2) accept a certificate signed by Buyer and the Lenders (or Lenders' Agent if one has been designated to Seller) confirming that the necessary financing for the construction and commencement of operations at the Plant has closed and the first disbursement to Buyer of available funds has occurred.

2.3 Status Reports

- (a) Each Party, upon the written request of the other Party, shall provide the other Party with a written status report (not more often than once every Month) outlining its progress in satisfying the conditions for which it is responsible. Each such report shall include information outlining any anticipated delay or impediment to the satisfaction of any condition and, in the case of an anticipated delay, the report shall specify the expected length of the delay. However, any such anticipated delay shall not extend the time period established in Section 2.4.

- (b) Each Party shall respond to all reasonable requests from the other Party for information relating to this Contract.

2.4 Timing for Completion of Conditions

Each of the conditions in Section 2.1 (for which an earlier date is not specified) must be completed to the satisfaction (as to form and substance) of both Parties, acting reasonably, or have been waived by the Parties, by not later than December 31, 1999 and in accordance with Section 2.5.

2.5 Failure to Complete Conditions Precedent

In the event that any of the conditions precedent are not satisfied by the Party charged with the responsibility for the satisfaction of such condition to the satisfaction of both Parties, acting reasonably, or waived (by both Parties) by the earlier of the date specified within a condition precedent for its satisfaction or the applicable date specified in Section 2.4, then, at any time following the applicable date and until such time as such condition or conditions precedent are satisfied or waived, either Party shall be entitled at any time after the specified date until the satisfaction or waiver of such conditions precedent, to terminate this Contract. Any such termination shall be effective upon the terminating Party giving written notice to the other Party, provided that any such termination shall not affect the rights and obligations of the Parties which accrued prior to the time of termination.

2.6 Notice - Completion of Conditions

- (a) Each Party shall forthwith give notice to the other Party when it believes that a condition has been satisfied. If a Party receives an authorization or agreement which it is not prepared to accept or which the other Party is not prepared to accept (acting reasonably) and if the date for the satisfaction of the condition has not yet passed, then Section 2.2 shall continue to apply and such Party shall continue to use all commercially reasonable efforts to obtain an acceptable authorization or agreement; and
- (b) The other Party shall, within 10 Days from the receipt, pursuant to subsection 2.6(a), of any notice and copies of the relevant authorizations or agreements, as applicable, advise of its acceptance or rejection thereof and, if rejected, detailed reasons for the rejection. If the Party from whom acceptance is required has not provided written notice of its acceptance or rejection within such 10 Day period, then the condition shall be deemed to have been satisfied in an acceptable manner to both Parties. If the Party from whom acceptance is required has rejected such satisfaction of the condition and provided reasons within such 10 Day period, then

this Contract may be terminated by either Party unless the date for the satisfaction of the condition has not passed. If a replacement authorization or agreement (for the one rejected) is not obtained before the specified date for the completion of the condition, then Section 2.5 shall be applicable.

2.7 Commencement of Obligations

Delivery, purchase, payment and all other obligations under this Contract, other than those in Article 2, shall begin on the Date of First Delivery and shall remain in full force and effect for the Term unless the conditions in Section 2.1 have not been completed or waived pursuant to Section 2.4. In the event the conditions have not been completed or waived pursuant to Section 2.4, and if this Contract has not been earlier terminated under Section 2.5, then this Contract shall terminate effective December 31, 1999.

Article 3

Gas Supply and Purchase Obligations; Nominations

3.1 Buyer's Purchase Options and Obligations

- (a) Subject to Section 3.6 and subject to Buyer's obligations under Section 3.7, Buyer has the option ("Purchase Option") exercisable from time to time during the Term by notice to Seller ("Purchase Notice") to require that Seller deliver a firm daily quantity of Gas to Buyer on each Day during a specified period consisting of one or more consecutive Days ("Purchase Period").
- (b) The Purchase Option is exercisable by Buyer delivering a Purchase Notice to Seller at any time prior to the earlier of:
 - (i) the start of the fourth Business Day preceding the first Day of the Month which includes the first Day of Purchase Period; and
 - (ii) the start of the second Day preceding the Day during which TCPL must receive a nomination for service commencing on the first Day of the Month which includes the first Day of Purchase Period.

Purchase Notices are to be delivered to the attention of Seller's "Gas Operations" as specified in Section 17.4.

- (c) Each Purchase Notice shall specify:

- (i) the Purchase Period;
 - (ii) the firm daily quantity of Gas (not exceeding the MDQ and expressed in MMBtus) to be delivered by Seller and purchased and taken by Buyer pursuant to a Purchase Option exercised in accordance with subsection 3.1(b) ("Purchase Quantity") on a firm basis on each Day during the Purchase Period (which daily quantity shall be constant during the Purchase Period); and
 - (iii) Buyer's proposed Sabrevois Price (per MMBtu) for the Purchase Period.
- (d) Buyer shall have the obligation to take delivery of and pay for the Purchase Quantity on each Day of a Purchase Period except:
- (i) to the extent excused by Force Majeure; and
 - (ii) to the extent a Purchase Notice is either terminated or void *ab initio* pursuant to subsections 5.3(c), 3.6(b), 3.6(c), 3.6(d) or 3.7(h).
- (e) As Buyer is entitled to issue Purchase Notices having both Purchase Quantities and Purchase Periods selected by Buyer in its discretion (but subject always to its obligations under Section 3.7), it is recognized that there may be times during which more than one Purchase Notice is in effect for a particular Day, so long as:
- (i) each Purchase Notice was timely delivered to Seller in accordance with the requirements of this Contract; and
 - (ii) the aggregate of the Purchase Quantities (under all Purchase Notices) in effect for each Day shall not exceed the MDQ in effect under this Contract for that Day.

3.2 Seller's Delivery Obligations

- (a) Subject to Section 3.6, Seller shall have the obligation, pursuant to each valid Purchase Notice, to deliver at the Delivery Point during each Day of a Purchase Period:
- (i) the Purchase Quantity under each such Purchase Notice; and
 - (ii) the quantity of Gas required on that Day by TCPL, as fuel gas, to transport each such Purchase Quantity from Empress to Sabrevois,

except to the extent excused by Force Majeure or when Seller has suspended deliveries under subsection 3.6(b), Section 10.2 or any other provision of this Contract which entitles Seller to suspend deliveries.

- (b) Seller has no obligation to deliver Gas pursuant to a Purchase Notice if Buyer failed to satisfy the requirements of subsections 3.1(b) and (c) in all respects. In particular and without limiting the generality of the foregoing, any Purchase Notice not delivered to Seller prior to the time specified in subsection 3.1(b) shall be deemed to be null and void *ab initio*.
- (c) Seller has no obligation to commence deliveries prior to the Date of First Delivery.

3.3 Nominations - Transporters

- (a) Seller is responsible for all nominations with Transporters upstream of the Delivery Point and Buyer is responsible for all nominations with Transporters at and downstream of the Delivery Point.
- (b) Buyer, when making any change to a nomination already in place (in accordance with a Purchase Notice) due to a Force Majeure occurrence or other event precluding Buyer from taking some or all of a Purchase Quantity from Seller, shall firstly telephone the nomination or change in nomination to Seller's Gas Operations personnel at the telephone number as specified in Section 17.4 and in all cases promptly provide written confirmation of the change in nomination via facsimile transmission to Seller's Gas Operations personnel at the facsimile number so provided in Section 17.4 hereof. When communicating with Buyer in respect to any such nominations received from Buyer, Seller shall contact Buyer's Gas Operations personnel as specified in Section 17.4. The ability of a Party to change its nominations pursuant to this Section does not relieve that Party from any of its obligations under this Contract (unless otherwise excused hereunder) including, without limitation, the obligation to make payment in accordance with Section 7.1 or Section 7.2 in respect of any Supply Failure or Take Failure or the Buyer's obligations under Section 3.7.
- (c) In the event that the nomination procedures of any of the Transporters is changed at any time in a manner which adversely affects a Party's ability to timely perform its obligations hereunder, then Buyer and Seller shall work together in good faith and use all

commercially reasonable efforts to develop, amend, implement and maintain nomination procedures that are consistent with the nomination and operational requirements of the Transporters and the original intentions of the Parties as reflected by the terms of this Contract.

3.4 Take or Release

- (a) If the aggregate of the Purchase Quantities for any 3 consecutive Contract Years is less than the sum of the Annual Quantities for such Contract Years, then either Party ("Reducing Party") shall have the right, by notice ("Reduction Notice") to the other Party ("Reduction Recipient") given at any time within 60 Days following the end of such third Contract Year, to reduce the MDQ to a daily quantity equal to the simple average of the Purchase Quantities which were in effect for each Day during such 3 Contract Years. For purposes of clarification and when calculating such simple average, for any Day that there is no Purchase Notice in effect, the Purchase Quantity shall be deemed to be zero. Nothing herein shall be construed to relieve Buyer of either its obligation to receive and purchase the Purchase Quantity or its liability under Section 7.2 (if it fails to do so).
- (b) Any such reduction in the MDQ shall be effective as of the first Day of the third Month following the end of such third Contract Year.
- (c) The failure of either Party to exercise its MDQ reduction rights under subsection 3.4(a) at any time in respect of any 3 consecutive Contract Years ("Waived Years") shall not preclude such Party from exercising such rights at a later time (other than in respect of the same 3 Waived Years). Nothing shall prevent such Party from using the second or third of such Waived Years in conjunction with the following Contract Year or Contract Years when exercising rights hereunder at a later time.
- (d) Any time that the MDQ is reduced pursuant to this Section, if the Reduction Recipient is the Seller, then Seller shall have the option to require that Buyer assign a portion of the TCPL Service Agreement to Seller. To exercise this option, Seller must notify Buyer, within 15 Days of receiving the Reduction Notice, that Seller elects to take an assignment of that portion of the TCPL Service Agreement required to transport, on a firm basis from Empress to Sabrevois, a quantity of Gas equal to the amount of the reduction in the MDQ. Upon receipt of Seller's election, Buyer shall assign the applicable portion of the TCPL Service Agreement to Seller, such

assignment to be effective as of the date that the reduction in the MDQ is to become effective (as stipulated in subsection 3.4(b)). Buyer shall be responsible for all obligations to TCPL under the assigned portion of the TCPL Service Agreement up to such effective date and Seller shall be responsible for all obligations pertaining to the assigned portion of the TCPL Service Agreement after that date. Buyer represents and warrants to Seller that any such assignment shall be made free and clear of any claims, security interests, encumbrances or other burdens of any nature or kind whatsoever such that Seller shall obtain the applicable portion of rights and benefits under the TCPL Service Agreement free and clear of any and all adverse claims and interests whatsoever for its sole use and benefit. Without limiting the foregoing, Buyer shall obtain, on or before the time Buyer is to make such assignment to Seller, a release of any rights or interests the Lenders may have in such assigned portion of the TCPL Service Agreement.

- (e) Any time that the MDQ is reduced pursuant to this Section, if the Reduction Recipient is the Buyer, then Buyer shall have the option to require that Seller accept an assignment from Buyer of a portion of the TCPL Service Agreement. To exercise this option, Buyer must notify Seller, within 15 Days of the receiving the Reduction Notice, that Buyer elects to put to Seller that portion of the TCPL Service Agreement required to transport, on a firm basis from Empress to Sabrevois, a quantity of Gas equal to the amount of the reduction in the MDQ. Seller shall accept an assignment of the applicable portion of the TCPL Service Agreement, such assignment to be effective as of the date that the reduction in the MDQ is to become effective (as stipulated in subsection 3.4(b)). The last three sentences of subsection 3.4(d) shall apply, *mutatis mutandis*, to the assignment by Buyer to Seller under this subsection.
- (f) In the event any election by either Party has the effect of reducing the MDQ below 2,000 MMBtus per Day ("Final Election"), Seller shall have the right, by notice to Buyer given within the time period required to reduce the MDQ, to terminate this Contract effective as of the Day that a MDQ reduction would have taken effect. The provisions of subsection 3.4(e) (including the last sentence thereof) shall apply, *mutatis mutandis*, giving Buyer the option to assign to Seller that portion of the TCPL Service Agreement required to transport that MDQ which was in effect under this Contract immediately prior to the Final Election.

3.5 Maintenance of Authorizations and Arrangements

Each Party shall use all commercially reasonable efforts during the Term to maintain in effect sufficient regulatory authorizations and other arrangements in order to ensure the full performance of its obligations and to ensure the other Party is able to obtain the benefit of all of its rights under this Contract.

3.6 Credit Requirements

(a) Notwithstanding anything else herein contained:

- (i) Buyer does not have the right to require that Seller deliver any Purchase Quantity for any Day under a Purchase Notice; and
- (ii) Seller has no obligation to deliver Gas under any Purchase Notice,

unless Seller has first received reasonable financial assurances (reasonably satisfactory to Seller) ensuring that Seller will be paid in full for all of the Purchase Quantities to be delivered by Seller under each Purchase Notice.

(b) Although Seller shall act reasonably when demanding financial assurances and make reasonable efforts to avoid being oversecured at any time, the Parties recognize that the amount of financial assurances which Seller is entitled to request:

- (i) will vary with the level of the Purchase Quantity under a Purchase Notice, the length of the Purchase Period under each Purchase Notice, the number of Purchase Notices outstanding, and other matters; and
- (ii) will reflect the independent creditworthiness of the Buyer from time to time such that at certain times it will be reasonable for Seller to request:
 - A. a prepayment to be received by Seller 4 Business Days prior to the start of each Month during a Purchase Period, for the Seller's estimated value of the aggregate Purchase Quantity to be delivered during that Month; or
 - B. letters of credit for the amounts which will become due and payable to Seller under each Purchase Notice; and

- (iii) will not exceed the financial assurances which are reasonable in the Gas marketplace for similar transactions.

If Buyer is to provide prepayments for each Month in respect of a Purchase Notice and fails to timely provide such prepayment for any Month, Seller shall be entitled to refuse to deliver Gas for the Month for which a prepayment was not received (or to immediately suspend deliveries if Seller has already commenced deliveries for that Month) until 2 Business Days following the Day during which the proper prepayment is received. If Seller's suspension of deliveries under this subsection continues for 90 consecutive Days, then Seller may terminate the Purchase Notice on 1 Business Day's notice to Buyer without liability to Buyer and without waiving any rights or remedies. Following the termination of a Purchase Notice ("Terminated PN") under this subsection 3.6(b), (1) Buyer shall be precluded from forwarding a Purchase Notice to Seller for all or any portion of the originally specified Purchase Quantity under the Terminated PN for the remainder of the originally specified Purchase Period under the Terminated PN, and (2) Seller shall have the option (but not the obligation) to have the exclusive daily use and benefit of that portion of the TCPL Service Agreement equal to the originally specified Purchase Quantity under the Terminated PN for the remainder of the originally specified Purchase Period under the Terminated PN. If Seller fails to elect (by notice to Buyer) to make use of the TCPL Service Agreement under this subsection within 5 Business Days of terminating the Terminated PN, Seller shall be deemed to have elected not to make use of the applicable portion of the TCPL Service Agreement and Buyer shall be solely responsible for the applicable TCPL Demand Charges and shall be entitled to use that portion of the TCPL Service Agreement equal to the originally specified Purchase Quantity under the Terminated PN for the remainder of the originally specified Purchase Period under the Terminated PN.

- (c) From time to time, Seller shall notify Buyer of its requirements for financial assurances ("Assurances Notice"). Each Assurances Notice shall:
- (i) remain in effect until replaced by Seller with a subsequent Assurances Notice; and
 - (ii) be structured so that Buyer is able to determine Seller's credit requirements each time Buyer intends to exercise the Purchase Option. For example and without limitation,

Seller's Assurances Notice can require either Monthly prepayments (as described in subsection 3.6(b)) or letter of credit security for (1) a specified amount per MMBtu (multiplied by the aggregate quantity to be delivered under the applicable Purchase Notice), or (2) a percentage (not exceeding 100%) of the aggregate amount (or a reasonable estimate thereof) which will be payable to Seller over the Purchase Period. In addition, the Assurances Notices shall detail the acceptable form and content required of any security to be provided by Buyer.

Each Purchase Notice forwarded by Buyer shall include financial assurances meeting the requirements of the Assurances Notice then in effect, otherwise such Purchase Notice shall, at Seller's option, be void *ab initio*, provided that, for any Purchase Notice that Buyer is required to provide prepayments, Seller's termination remedy shall be as set out in subsection 3.6(b) and Section 10.2. For Buyer's Purchase Notice to be void for this reason, Seller must have provided Buyer with a notice to that effect within 1 Business Day after receiving both the Purchase Notice and the inadequate security from Buyer.

- (d) In respect of any Purchase Notice ("LT Purchase Notice") having a Purchase Period in excess of 7 Months and under which Seller is not fully secured (whether by way of letters of credit, Monthly prepayments, or otherwise) for all Gas remaining to be delivered thereunder, if Seller (acting reasonably) believes at any time that Buyer's creditworthiness has deteriorated (when compared with Seller's assessment of Buyer's creditworthiness at the time the LT Purchase Notice was delivered to Seller), then Seller is entitled to require that Buyer deliver sufficient reasonable security to Seller. If Buyer fails to provide the requested security within 3 Business Days of Seller's request, Seller in its sole discretion may, immediately after delivery of notice to Buyer, without liability to Buyer and without waiving any rights or remedies it has (including, without limitation, those under Section 7.2), terminate the LT Purchase Notice. Following the termination of an LT Purchase Notice under this subsection 3.6(d), (1) Buyer shall be precluded from forwarding a Purchase Notice to Seller for all or any portion of the originally specified Purchase Quantity under the terminated LT Purchase Notice for the remainder of the originally specified Purchase Period under the terminated LT Purchase Notice, and (2) Seller shall have the option (but not the obligation) to have the exclusive daily use and benefit of that portion of the

TCPL Service Agreement equal to the originally specified Purchase Quantity under the terminated LT Purchase Notice for the remainder of the originally specified Purchase Period under the terminated LT Purchase Notice. If Seller fails to elect (by notice to Buyer) to make use of the TCPL Service Agreement under this subsection within 5 Business Days of terminating the LT Purchase Notice, Seller shall be deemed to have elected not to make use of the applicable portion of the TCPL Service Agreement and Buyer shall be solely responsible for the applicable TCPL Demand Charges and shall be entitled to use that portion of the TCPL Service Agreement equal to the originally specified Purchase Quantity under the terminated LT Purchase Notice for the remainder of the originally specified Purchase Period under the terminated LT Purchase Notice.

3.7 Supply Exclusivity

- (a) In this Section, "Incremental Gas" shall mean, for any Day, the quantity of Gas consumed or otherwise utilized at the Plant during that Day above the Baseload Quantity, up to a maximum of the MDQ in effect for that Day.
- (b) Except as otherwise contemplated within this Section 3.7, Seller has the exclusive right to supply the Incremental Gas on each Day in priority to any and all persons whomsoever including, without limitation, Buyer.
- (c) Buyer shall not consume or otherwise utilize Gas at the Plant (or allow any Gas to be consumed or otherwise utilized at the Plant) on any Day in excess of the Baseload Quantity from any source whatsoever (whether Gas acquired from third parties, Gas owned by Buyer, or otherwise) unless:
 - (i) the Gas so consumed or utilized was Incremental Gas acquired from Seller; or
 - (ii) Seller failed to deliver all or any portion of the Incremental Gas to Buyer on that Day pursuant to a Purchase Notice in effect for that Day, but only to the extent of such failure by Seller and only to the extent Seller's failure to deliver is not due to Seller having suspended deliveries due to a Buyer default under this Contract; or
 - (iii) the third party Gas consumed at the Plant is Gas purchased by Buyer to replace the Purchase Quantity under a Purchase

Notice terminated by Seller under subsections 3.6(b) or 3.6(d) but only for the remainder of the originally specified Purchase Period under the terminated Purchase Notice; or

- (iv) Buyer has complied with the requirements of subsection 3.7(i) (before acquiring the Gas) and Seller chose not to sell that Gas to Buyer thereunder.
- (d) For purposes of certainty and without limiting the generality of the foregoing:
 - (i) Buyer shall not consume or otherwise use Gas at the Plant (or allow any Gas to be consumed or otherwise utilized at the Plant) on any Day above the Baseload Quantity if there is no Purchase Notice in effect for that Day including, without limitation, when a Purchase Notice is deemed to be void *ab initio* pursuant to any term hereof or when Buyer terminates a Purchase Notice due to Buyer not accepting a Sabrevois Price selected by an Umpire, provided that nothing herein shall prevent Buyer from purchasing Gas:
 - A. up to the originally specified Purchase Quantity under a Purchase Notice terminated by Seller under subsections 3.6(b) or 3.6(d) for the remainder of the originally specified Purchase Period under the terminated Purchase Notice; or
 - B. pursuant to and in compliance with subsection 3.7(i);
 - (ii) Buyer shall not use or otherwise consume any Gas at the Plant (or allow any Gas to be consumed or otherwise utilized at the Plant) above the Baseload Quantity on any Day when Seller has suspended its deliveries pursuant to any provision of this Contract entitling Seller to suspend deliveries due to a default by Buyer in its obligations to Seller hereunder;
 - (iii) on any Day that Buyer does not purchase any Incremental Gas from Seller, the Unutilized Capacity shall equal the MDQ in effect on that Day (but excluding from the MDQ those quantities suspended by Seller in circumstances where Seller has not elected to make use of the TCPL Service Agreement) and Seller shall have first priority use to the TCPL Service Agreement in accordance with Section 14.1; and

- (iv) on any Day that the quantity of Incremental Gas purchased by Buyer from Seller is less than the MDQ for that Day, the Unutilized Capacity shall equal the amount by which the MDQ exceeds such purchased quantity of Incremental Gas (but excluding from the MDQ those quantities suspended by Seller in circumstances where Seller has not elected to make use of the TCPL Service Agreement) entitling Seller to first priority use of the TCPL Service Agreement in accordance with Section 14.1.
- (e) Buyer shall not allow any other person to utilize the Plant and Buyer shall not assign, lease or otherwise alienate any of its interest in the Plant or otherwise operate the Plant in any manner whatsoever which reduces Seller's exclusive supply rights under this Contract. Buyer represents and warrants that, on the Date of First Delivery, it will be the sole legal and beneficial owner of the Plant subject only to the security interests granted to the Lenders.
- (f) If any Gas (not purchased from Seller) is consumed or otherwise utilized at the Plant on any Day above the Baseload Quantity, then Buyer shall pay to Seller, for that Day, an amount ("Gas Inventory Charge" or "GIC") calculated as follows:

$$\text{GIC} = \$20 \times [\text{IG} - (\text{DS} + \text{PS})]$$

Where:

IG = the quantity of Incremental Gas consumed or otherwise utilized at the Plant on that Day which was not purchased from Seller

DS = the quantity of Gas acquired by Buyer to replace the Gas which Seller was obligated to but failed to deliver on that Day, determined in accordance with clause 3.7(c)(ii)

PS = that portion of the quantity of Incremental Gas which Buyer acquired from third parties but only to the extent Buyer was entitled to buy that third party Gas as permitted in accordance with clause 3.7(c)(iii) and subsections 3.7(h) and 3.7(i)

The GIC represents a genuine pre-estimate by the Parties of the Seller's loss when Buyer fails to comply with its obligations under this Section.

- (g) Subsection 3.7(f) shall not be applicable in respect of that quantity of Gas consumed or otherwise utilized at the Plant on any Day which exceeds the sum of the Baseload Quantity and the MDQ for that Day (if Buyer has purchased a quantity of Incremental Gas from Seller for that Day equal to the MDQ).
- (h) Notwithstanding the foregoing restrictions on Buyer in this Section 3.7:
 - (i) if Buyer at any time forwards a Purchase Notice to Seller having a Purchase Period exceeding 7 Months but fails to include financial assurances meeting the requirements of the Assurances Notice in effect at that time under this Contract; and
 - (ii) Seller elects under subsection 3.6(c) that such Purchase Notice is void *ab initio*,

then Buyer shall be entitled to purchase Incremental Gas from any third party equal to the Purchase Quantity ("Third Party Quantity"), for the Purchase Period ("Third Party Purchase Period"), and at no higher price, all as set forth in the void Purchase Notice, without contravening this Section, provided that Buyer does not provide the third party Gas supplier with financial assurances in excess of those offered to Seller.

- (i) Notwithstanding the foregoing restrictions on Buyer in this Section 3.7, if Buyer fails to timely exercise the Purchase Option for any Month and thereafter determines that it requires Gas for that Month, Buyer shall be entitled to purchase Gas for consumption at the Plant for all or a portion of the remainder of that Month in accordance with the following:
 - (i) Buyer shall provide Seller with a notice ("ROFO Notice") specifying all terms (including but not limited to the price and the purchase period) ("Terms") under which Buyer desires to purchase and receive delivery of such Gas and giving Seller the right of first offer to sell and deliver such Gas to Buyer;
 - (ii) Seller shall have 1 Business Day after receipt of the ROFO Notice within which to notify Buyer whether it accepts Buyer's offer to sell Gas to Buyer on the Terms. If Seller accepts the Terms, the Parties shall sell and purchase Gas in accordance with the Terms;

- (iii) if Seller does not accept the Terms or fails to notify Buyer of its election within 1 Business Day after receiving a ROFO Notice, then Buyer shall be entitled, for the entire purchase period specified in the ROFO Notice, to purchase Gas from any other entity; provided, however, that (1) the price paid by Buyer to such other entity does not exceed (but may be less than) the price offered to Seller in the ROFO Notice, and (2) the remaining terms of that gas purchase transaction (from the perspective of the seller thereunder) are not more favourable than the Terms offered to Seller;
- (iv) Buyer has no entitlement whatsoever to recall the TCPL Service Agreement to transport any Gas purchased from another entity under this subsection 3.7(i); provided, however, that Buyer may transport such Gas using all or any portion of the TCPL Service Agreement that Seller elects not to utilize pursuant to any applicable provision of this Contract so long as Buyer is responsible for all associated Demand Charges and Commodity Charges; and
- (v) if Buyer wishes to purchase Gas from another entity on different terms more favourable to such entity than the Terms specified in the ROFO Notice, then Buyer may only do so after first offering Seller a further opportunity to supply the Gas in accordance with this subsection 3.7(i).

Buyer is not entitled to purchase Gas pursuant to this provision to replace any quantities for which Seller has suspended deliveries under any provision of this Contract due to a default by Buyer. For purposes of clarity and certainty, when Buyer is not so entitled to purchase Gas, Buyer has no obligation to provide to Seller an ROFO Notice. If Seller is of the opinion that Buyer has purchased Gas from another entity on terms more favourable than the Terms offered to Seller, then Seller shall be entitled to refer the matter to an arbitrator under Section 16.1. The arbitrator shall have the authority to award damages to Seller if Buyer has breached its obligations to Seller under this subsection 3.7(i).

- (j) For purposes of certainty and without in any way limiting Seller's rights under Section 14.1, when Buyer purchases Gas from a third party pursuant to subsection 3.7(h):
 - (i) Buyer has no entitlement whatsoever to recall or otherwise use the TCPL Service Agreement to transport that Gas; and

- (ii) Buyer shall not be entitled to forward a Purchase Notice to Seller, during the Third Party Purchase Period, for a daily quantity of Gas equal to some or all of the Third Party Quantity such that, and in addition to Seller's other rights under this Contract to use the TCPL Service Agreement from time to time, the Unutilized Capacity shall never be less than the Third Party Quantity during each Day of the Third Party Purchase Period.

Article 4
Term of Contract

4.1 Term

- (a) This Contract shall commence on the date hereof and shall, subject to any provisions relating to earlier termination and subsection 4.1(b), continue in full force and effect for 120 Months following the Date of First Delivery ("Term").
- (b) Not less than 12 months prior to the end of the Term, either Party shall be entitled to notify the other Party ("Extension Notice") that it wishes to negotiate an extension to the Term. Unless the Party receiving the Extension Notice notifies the other Party that it does not wish to extend this Contract (such notice to be given within 15 Days of receiving the Extension Notice), then the Parties shall meet for the purposes of agreeing upon the terms which shall apply during the extended period. If the Parties fail to reach agreement on all terms within 180 Days from the date the Extension Notice was received by the receiving Party, then the negotiations shall terminate, neither Party shall have any further obligations to the other Party under this subsection, and this Contract shall terminate at the end of the Term. Any extension of the Term is subject to each Party obtaining the authorizations, approvals and transportation service arrangements required by that Party in order to perform its obligations during the extended period.
- (c) Upon:
 - (i) the expiration of the Term of this Contract, or
 - (ii) the earlier termination of this Contract as a result of any material default hereunder,

any capacity under the TCPL Service Agreement not previously assigned to Seller hereunder or which is not required to be assigned to Seller under either Section 10.2 or Section 14.4(d) shall remain the capacity of Buyer, and Seller shall have no right to require Buyer to assign such capacity to Seller hereunder except to the extent Buyer is in default (at the time of termination) of an accrued obligation to assign all or any portion of the TCPL Service Agreement to Seller.

**Article 5
Rates and Charges**

5.1 Monthly Charges

For each MMBtu of Gas delivered by Seller to Buyer during a Month under each Purchase Notice (other than Gas delivered to Buyer for TCPL fuel gas purposes pursuant to clause 3.2(a)(ii)), Buyer shall pay Seller, in Dollars and as invoiced by Seller pursuant to Section 10.1, the "Price" applicable to that Purchase Notice, calculated as follows:

Price = SP - TCPL Charge

Where:

SP = the Sabrevois Price in effect under the applicable Purchase Notice for that Month (whether determined by agreement of the Parties or by the Umpire).

TCPL Charge = the sum of (1) the Demand Charges (calculated on a 100% load factor basis), and (2) the Commodity Charges, which are payable under the TCPL Service Agreement to transport one MMBtu of Gas under the TCPL Service Agreement from the Delivery Point to Sabrevois during the applicable Month.

5.2 Determination of Sabrevois Price

- (a) If Seller accepts Buyer's proposed Sabrevois Price as set out in a Purchase Notice, Seller shall notify Buyer of that decision within 1 Business Day.
- (b) If Seller either disagrees with Buyer's proposed Sabrevois Price and Buyer does not accept Seller's proposed Sabrevois Price or fails to notify Buyer that such price is acceptable (in either case within one Business Day of receiving the Purchase Notice), then the

determination of the Sabrevois Price may be referred to an Umpire by either Party. The Party referring the pricing disagreement to the Umpire shall:

- (i) if there is a list of Umpires, determine the first available from the list (commencing with the first name and continuing down the list to the extent required),
 - (ii) advise the other Party of the name of the Umpire who will establish the Sabrevois Price,
 - (iii) concurrently provide the Umpire with a copy of the Pricing Notice forwarded by Buyer together with Seller's proposed Sabrevois Price (if Seller provided an alternative price to Buyer), and
 - (iv) immediately notify the other Party that such reference has occurred.
- (c) Each Party is entitled to deliver to the Umpire a brief written submission ("Submission") supporting its view of the appropriate Sabrevois Price for the applicable Purchase Notice. Each Party must concurrently provide a copy of its Submission to the other Party. With the exception of such Submission, neither Party is entitled to provide any written or verbal suggestion or argument of any nature or kind whatsoever to the Umpire. The Parties intend that the Umpire will determine the Sabrevois Price based solely upon (1) the Submissions of each Party (if any), (2) his judgment of what should be the appropriate market price at the Sabrevois export point for a firm gas sales transaction reflecting the terms of the Purchase Notice, and (3) the Umpire's gas marketing experience and the relevant information available to the Umpire from its own sources. In addition, the Sabrevois Price determined by the Umpire can only be either one of the prices proposed by Seller or Buyer, or a price between those prices.
- (d) If for any reason whatsoever (including any delay in contacting the Umpire), the Umpire has not notified the Parties of the Sabrevois Price by 7 a.m. Eastern Time on the day ("Preceding Day") which precedes the first Day of the Purchase Period, then Buyer must notify Seller by 8 a.m. Eastern Time ("Notification Time") on the Preceding Day, whether Buyer requires Seller to commence Gas deliveries to Buyer on the first Day of the Purchase Period under that applicable Purchase Notice.

- (i) If Buyer requires Seller to commence deliveries, then Buyer shall accept such deliveries starting on the first Day of the Purchase Period and for every Day of the Purchase Period thereafter until the earlier of (1) the end of the Purchase Period, and (2) the date Buyer elects to terminate that Purchase Notice under subsection 5.3(c). For purposes of Monthly Statements (until the Umpire selects a Sabrevois Price) the Sabrevois Price for each Day shall be equal to the Waddington Price for that Day. Upon receipt of the Umpire's determination of the Sabrevois Price, Seller's next Monthly Statement shall make the necessary adjustments to reflect the Umpire's Sabrevois Price back to the first Day of the Purchase Period.
- (ii) If Buyer either notifies Seller not to commence deliveries on the first Day of the Purchase Period or fails to notify Seller by the Notification Time whether Buyer does or does not require Seller to commence deliveries on the first Day of the Purchase Period, then Seller shall not commence deliveries to Buyer on the first Day of the Purchase Period, the Purchase Notice shall be deemed to be void *ab initio* and the Purchase Quantity thereunder shall be deemed to be added to the Unutilized Capacity.

5.3 Price Determination by Umpire

- (a) In the event a price disagreement is referred to the Umpire pursuant to Section 5.2, the Umpire shall determine the Sabrevois Price for the applicable Purchase Notice and Purchase Period by the end of the second Business Day following the Day that the Umpire receives both the referral and a copy of the applicable Pricing Notice.
- (b) The decision of the Umpire respecting the appropriate Sabrevois Price in respect of any Purchase Notice shall be final and binding upon the Parties.
- (c) If, under Section 5.2, Buyer has elected to require Seller to commence deliveries under a Purchase Notice notwithstanding that the Sabrevois Price has not yet been determined by the Umpire, Buyer has the option of terminating that Purchase Notice after receiving the Umpire's determination of the Sabrevois Price if Buyer exercises the option within 1 Business Day following Buyer's receipt of the Umpire's Sabrevois Price. Any such termination of the Purchase Notice shall be effective at the end of the second

Business Day following Seller's receipt of Buyer's termination notice. Buyer may only terminate a Purchase Notice pursuant to this provision if the Umpire's Sabrevois Price is higher than the Sabrevois Price supported by Buyer in its Submission (or as set out in its Purchase Notice if no Submission was provided by Buyer). Notwithstanding the termination of a Purchase Notice pursuant to this provision, Buyer shall pay for all Gas delivered by Seller under the Purchase Notice (until the effective termination time of the Purchase Notice) using the Sabrevois Price selected by the Umpire.

- (d) All costs associated with the Umpire determining the Sabrevois Price at any time shall be shared equally by the Parties. If, at any time, Buyer has not paid its share of costs associated with an Umpire's determination of the Sabrevois Price or the arbitration costs associated with the selection of one or more names for Umpires, then Buyer's right to forward any further Pricing Notices to Seller shall be suspended until Buyer has fully paid its share of all such costs and expenses (including any interest thereon). If Seller has not paid its share of such costs, then Buyer shall be entitled to set off (against any amounts payable to Seller hereunder) those amounts which Buyer paid on Seller's behalf.
- (e) If, for any period of time during the Term:
- (i) the Parties have not agreed upon a mutually acceptable Umpire,
 - (ii) the Parties have initiated arbitration to establish the name of an Umpire (but an Umpire has not yet been selected), or
 - (iii) all of the preselected or prechosen Umpires (as applicable) are unavailable or unwilling to perform the role of Umpire for any reason whatsoever,

then and until such time as a mutually acceptable Umpire (or an Umpire selected by an arbitrator) is available to perform the role of the Umpire hereunder, Buyer is entitled to forward Purchase Notices and require that Seller deliver Gas to Seller under those Purchase Notices on the basis of clause 5.2(d)(i) which shall apply, *mutatis mutandis*.

Article 6
Reserves for Required Authorizations

6.1 Reserves

Seller shall submit sufficient Alberta Gas reserves to both the AEUB and the NEB in support of its applications for a Removal Permit and Buyer's application for an Export Licence, as contemplated in Section 2.1. The submission of reserves to the AEUB and the NEB shall not be construed as a dedication of those reserves to this Contract. No reserves are being dedicated to this Contract.

Article 7
Remedies

7.1 Buyer's Remedies

If, for any reason other than due to an event of Force Majeure or an exercise by Seller of any of its suspension rights as set forth in this Contract, Seller fails to supply ("Supply Failure") all or any portion of each Purchase Quantity in effect for any Day ("Shortfall Quantity"), then Buyer shall have the right to obtain Gas supply from third parties ("Replacement Gas") in accordance with the terms hereof to replace the Shortfall Quantity. Seller shall reimburse Buyer, within 30 Days after Buyer has delivered an invoice and supporting documentation to Seller pursuant to Section 10.6, for the following incremental costs incurred by Buyer in purchasing Replacement Gas. Such incremental costs shall be as follows:

- (a) an amount per MMBtu of Replacement Gas acquired by Buyer, which amount is equal to the positive difference between the weighted average price per MMBtu paid by Buyer for Replacement Gas LESS the applicable Price then in effect under Section 5.1; and
- (b) all penalties assessed by TCPL for any imbalances caused by Seller (when Seller has failed to advise Buyer of any Shortfall Quantity sufficiently in advance of nomination deadlines on Buyer's First Transporter so as to reasonably permit Buyer to alter its nomination accordingly at the Delivery Point).

Seller shall advise Buyer of the expected duration of the Supply Failure. Buyer shall use reasonable efforts to minimize the costs and expenses for which Seller is liable under this Section including, without limitation, only securing supplies of Replacement Gas for the length of the expected duration of the Supply Failure. Buyer shall use commercially reasonable efforts to obtain the lowest cost supplies of Replacement Gas and to purchase the Replacement Gas at Empress.

7.2 Seller's Remedies

In addition to its rights under Section 3.4 (the exercise of which do not affect payments due under this Section), in the event of Buyer's failure to take delivery ("Take Failure") of all or any portion of each Purchase Quantity in effect for any Day ("Take Shortfall") hereunder for any reason other than an event of Force Majeure, Seller shall have the right to resell the Take Shortfall. Buyer shall pay to Seller, when invoiced by Seller under Section 10.1 (which shall include supporting documentation) for the following losses and costs suffered or incurred by Seller in reselling the Take Shortfall. Such losses and costs shall be as follows:

- (a) an amount per MMBtu of Take Shortfall resold by Seller, which amount is equal to the positive difference between the applicable Price then in effect under Section 5.1 LESS the weighted average price per MMBtu received by Seller upon reselling the Take Shortfall; and
- (b) all penalties assessed by NOVA for any imbalances caused by Buyer (when Buyer has failed to advise Seller of any Take Shortfall sufficiently in advance of nomination deadlines on NOVA so as to reasonably permit Seller to alter its nomination accordingly on NOVA).

Buyer shall advise Seller of the expected duration of the Take Failure. Seller shall use reasonable efforts to minimize the costs and expenses for which Buyer is liable under this Section including, without limitation, only committing to resales of the Take Shortfall for the length of the expected duration of the Take Failure. Seller shall use commercially reasonable efforts to resell the Take Shortfall at the highest price reasonably available under the circumstances. For purposes of certainty, the Parties agree that the Take Shortfall quantity for any Day includes the Purchase Quantity under each Purchase Notice for which Seller has suspended deliveries under this Contract.

7.3 Clarification

The amounts which are provided for in Sections 7.1, 7.2 and subsection 3.7(f) represent the sole and exclusive remedies available to each of Buyer and Seller in the event that Buyer fails to take all or any portion of the Purchase Quantity at any time or Seller fails to deliver all or any portion of the Purchase Quantity at any time, as required by the terms of this Contract. For purposes of certainty and clarification:

- (a) when there is a Purchase Notice in effect, all or any portion of the Purchase Quantity thereunder is not taken by Buyer for any Day, and a quantity of Incremental Gas (as defined in Section 3.7) equal

to IG-DS (as those terms are defined in Section 3.7), is used or otherwise consumed at the Plant ("Third Party Incremental Gas") on that Day, then (1) the amount of \$.20 per MMBtu is payable by Buyer to Seller for the full quantity of Third Party Incremental Gas, and (2) the amount calculated pursuant to Section 7.2 is payable by Buyer to Seller in respect of that portion of the Purchase Quantity not taken by Buyer which is in excess of the quantity of Third Party Incremental Gas; and

- (b) when there is no Purchase Notice in effect for that Day or when Buyer has taken the full Purchase Quantity in effect for that Day but there is also Third Party Incremental Gas on that Day, then the amount calculated pursuant to subsection 3.7(f) applies in respect of the entire quantity of Third Party Incremental Gas for that Day.

Article 8
Delivery Point; Title

8.1 Title

Title to all Gas purchased and sold hereunder shall pass from Seller to Buyer at the Delivery Point.

8.2 Transfer at Delivery Point

Seller shall arrange for the delivery of Gas purchased and sold hereunder to the Delivery Point and Buyer shall arrange for receipt and downstream transportation of such Gas. For the Term of this Contract, each Party is obligated to maintain firm transportation service with its respective Transporter(s) (except for transportation under the PNGTS Service Agreement which may be firm or interruptible at Buyer's sole discretion) to ensure the delivery and receipt of the Gas to be sold and purchased hereunder.

8.3 Taxes

Seller warrants the title to all Gas purchased and sold hereunder or that it has the right and authority to sell such Gas. Subject to the following terms of this Section, Seller will pay or cause to be paid all royalties, present and future taxes and other charges due on production, gathering, severance or handling of the Gas prior to its delivery by Seller to or for the account of Buyer, and Seller will indemnify and hold Buyer harmless against all loss, damage and expense of every character on account of adverse claims to the Gas delivered by it or for such royalties, present and future taxes, and other charges thereon applicable before delivery to the Delivery Point, and for any breach of Seller's warranties contained herein.

- 31 -

Buyer shall pay or cause to be paid all present and future taxes and other charges attributable to the Gas at and after delivery to or for the account of Buyer and any and all other taxes and charges of any nature or kind whatsoever (including any import, use or consumption taxes or levies) which are charged during the Term by any federal, state, provincial, district, municipal or governmental authority (including any regulatory authority in the United States). In the event Seller is required to remit any tax or charge for which Buyer is responsible hereunder, Buyer shall reimburse Seller for such amount when included by Seller in a Monthly Statement.

Buyer indemnifies and agrees to save harmless Seller from any and all costs, liabilities, penalties, claims and damages of any nature or kind whatsoever which Seller may incur or be liable for, on account of such present and future taxes, including, without limitation, any penalty or interest arising directly or indirectly as a result of the Gas being sold hereunder ceasing to be zero rated supply under the Excise Tax Act, and other charges thereon or claims applicable thereto and which are Buyer's responsibility hereunder. Without limiting the generality of the foregoing, Buyer is responsible for and shall pay to Seller any Goods and Services Tax ("GST") (or any tax in replacement or substitution for the GST) which Seller is required to collect in respect of Gas delivered hereunder, which Seller shall thereafter remit as required by law.

It is the intention of the Parties that Seller is not to receive any economic gain or to incur any economic loss arising from either the Seller's legal obligation to collect the GST or the payment of any GST by Buyer to Seller hereunder. In the event Seller receives a rebate or other return from any Canadian governmental entity of all or any portion of any GST collected by Seller from Buyer hereunder, Seller shall pay such amount to Buyer to the extent Seller does not otherwise incur any economic loss relating to that payment. If Buyer believes that Seller is entitled to a rebate or other return of GST paid by Buyer to Seller hereunder, Seller shall apply for such amount provided that Buyer agrees to reimburse Seller for any out-of-pocket costs Seller incurs in that regard.

8.4 Possession

As between the Parties, Seller shall be deemed to be in exclusive control and possession of the Gas to be sold hereunder and responsible for any damage or injury caused thereby before the same shall have been delivered to Buyer at the Delivery Point, and Buyer shall be deemed to be in exclusive control and possession thereafter and responsible for any damage or injury caused thereby at and after the Delivery Point. As between the Parties, the Party deemed to be in control and possession of the Gas shall be responsible for any and all loss and agrees to indemnify and hold the other harmless from third party claims, expenses, costs or losses of any nature whatsoever while the Gas is, or is deemed to be, in its control and possession.

8.5 Imbalance Penalties

In addition to Sections 7.1 and 7.2, each Party shall indemnify and hold the other harmless from any imbalance penalties caused by or attributable to it (whether or not caused by a Force Majeure claimed by it) and which may be imposed by any Transporter arising out of the delivery or receipt of Gas by Seller and Buyer hereunder, and shall reasonably cooperate to minimize such penalties and charges.

Article 9 Measurement, Quality and Pressure

9.1 Measurement

Measurement and determination of the quantity of Gas delivered shall be made in accordance with the measurement procedures provided in TCPL's tariff. Any measurement document Buyer or Seller may possess shall be provided to the other Party upon request by such Party.

9.2 Quality

Gas tendered for delivery to Buyer hereunder shall have the quality and thermal content found in NOVA's commingled stream at Empress.

Article 10 Billing and Payment

10.1 Monthly Statement

Not later than the 15th Day of each Month, Seller shall provide to Buyer a statement ("Monthly Statement") setting forth the quantity of Gas delivered at the Delivery Point during the preceding Month, the amount payable by Buyer for such Gas, and any other amounts due from Buyer to Seller hereunder including, without limitation, amounts due to Seller under subsection 3.7(f) and Section 7.2. If any actual information is not available to Seller by the 15th Day of any Month, Seller shall issue a Monthly Statement based on its reasonable estimates which shall be adjusted to the actual amounts in the following Monthly Statement. In the event of a delivery by Seller in excess of the quantity which should have been delivered hereunder, Buyer agrees to promptly notify Seller of the amount and use reasonable efforts to work to resolve such imbalance. In the event an imbalance cannot be corrected under the preceding sentence, after reasonable efforts by the Parties to do so, Buyer shall pay over to Seller any "cash out" or similar amounts it receives from Buyer's First Transporter with respect to such overdelivery.

10.2 Payment and Payment Default

- (a) Buyer shall make payment to Seller by the 25th Day of the Month or 10 Days from the date of receipt of the Monthly Statement, whichever is later. Payment shall be made in Dollars by wire transfer of funds, unless otherwise agreed by the Parties. Any amounts in the Monthly Statement which are expressed in Canadian dollars shall be converted to Dollars in accordance with Section 10.5. In the event Buyer fails to pay any amount described in a Monthly Statement:
- (i) Interest shall accrue on the unpaid portion from the date the original unpaid amount was due until the same is paid; and
 - (ii) Seller may, after 5 Days' notice of non-payment to Buyer and without relieving Buyer of its obligations hereunder (including, without limitation, those under Sections 3.7 and 7.2), do either or both of the following:
 - A. suspend further deliveries of Gas after 1 Business Day's prior notice to Buyer; and
 - B. draw the unpaid amount under any letter of credit previously provided by Buyer under Section 3.6 for the applicable Purchase Notice,unless Buyer cures the payment default within such 5 Day period.
- (b) If Seller draws any amount under a letter of credit pursuant to subsection 10.2(a) and if Buyer fully replenishes the letter of credit or replaces that letter of credit with a new letter of credit on the same terms and for the full stated amount of the original letter of credit prior to Seller's termination of this Contract under subsection 10.2(c), then Seller shall, within 2 Business Days of receipt thereof, recommence deliveries of Gas under the applicable Purchase Notice.
- (c) If any Gas deliveries are suspended under this Section for 60 consecutive Days, Seller may at any time on or after such 60th Day terminate this Contract (including all Purchase Notices then in effect) on 1 Business Day's notice to Buyer. Termination by Seller is a remedy which is in addition to and not in substitution for any and all other rights and remedies available to Seller arising from Buyer's payment failure or Seller's termination of this Contract.

- (d) If:
- (i) Seller suspends deliveries under subsection 3.6(b) due to Buyer's failure to timely provide required prepayments;
 - (ii) Seller has delivered Gas to Buyer, the payment for which is not covered by a prepayment (if any) previously provided by Buyer to Seller ("Deficient Amount");
 - (iii) Seller's suspension under subsection 3.6(b) continues for 90 consecutive Days; and
 - (iv) Seller has not been paid the Deficient Amount, together with Interest thereon (if applicable) during the above-mentioned 90 consecutive Day period,

then Seller may at any time on or after such 90th Day terminate this Contract (including all Purchase Notices then in effect) on 1 Business Day's notice to Buyer. Termination by Seller is a remedy which is in addition to and not in substitution for any and all other rights and remedies available to Seller arising from Buyer's payment failure or Seller's termination of this Contract.

- (e) If Seller has suspended deliveries to Buyer under either or both of subsection 3.6(b) or this Section 10.2, then for each Day during the period of time that the suspension continues, Seller shall have the daily option (but not the obligation) to have the exclusive daily use and benefit of that portion of the TCPL Service Agreement equal to the Purchase Quantity under each Purchase Notice for which Seller has suspended deliveries.
- (f) If Seller elects to terminate this Contract pursuant to this Section, Buyer shall, if requested by Seller, assign the TCPL Service Agreement to Seller. Any such assignment shall be effective as of the date of termination of this Contract such that Buyer shall be responsible for all obligations to TCPL respecting the TCPL Service Agreement up to such effective date and Seller shall be responsible for all obligations pertaining to such agreement thereafter. Buyer represents and warrants to Seller that any such assignment shall be made free and clear of any claims, security interest, encumbrances and other burdens of any nature or kind whatsoever such that Seller shall obtain the TCPL Service Agreement free and clear of any and all adverse claims and interest whatsoever for its sole use and benefit.

10.3 Errors

In the event an error is discovered by either Party, or a reallocation of amounts received at the Delivery Point occurs, the Party discovering the change shall notify the other Party in writing within 20 Days of such discovery. If such change results in an additional payment by Buyer or a refund by Seller, such payment or refund shall be made within 10 Days of receipt of the written notification. In the event of an error directly attributable to the Party required to make payment, the other Party shall also be entitled to Interest on any payment or refund from the date such underpayment or overpayment was made until the date the payment or refund is received by the applicable Party.

10.4 Good Faith Disputes

Buyer may, in good faith, dispute any portion of an invoice or Monthly Statement, provided Buyer first attempts to resolve such dispute prior to the due date by notifying Seller prior to the due date of such invoice or Monthly Statement as to the portion being disputed and the reason for such dispute. Buyer shall nevertheless pay the total amount stated to be due in the invoice or Monthly Statement, and in the event that it is ultimately determined that any disputed amount is due to Buyer, such amount shall be immediately payable to Buyer by Seller along with Interest on such amount to be accrued from the date Buyer made payment of the overpayment amount to Seller until the date such overpayment is repaid to Buyer.

10.5 Currency Conversions

Any necessary conversions from either United States or Canadian currency with respect to any charges or other amounts for any Month shall be calculated at the rate of exchange for such Month, which rate of exchange shall be the average of the noon spot exchange rates for the Dollar in terms of Canadian dollars for such Month, as published by the Bank of Canada.

10.6 Other Invoices

In the event that a sum is due from Seller to Buyer under Section 7.1, subsection 14.1(b) or any other provision of this Contract, Buyer shall furnish to Seller an invoice therefor together with relevant supporting documents showing the basis of calculations thereof. Upon receiving such invoice, Seller shall pay the amount due thereon within the time period specified in the provision of this Contract under which such amount has become due from Seller to Buyer. If Seller fails to make payment when due hereunder, then Interest shall accrue on such amount, and shall be paid by Seller, for the period from the due date up to and including the date when the payment is received by Buyer. If no time is specified for any

such payment from Seller to Buyer, then payment shall be due on the 15th Day after the Day Seller receives Buyer's invoice.

Article 11 Force Majeure

11.1 Definition

The term Force Majeure ("Force Majeure") as employed herein shall mean: acts of God; strikes, lockouts, or other industrial disturbances; acts of the public enemy, wars, blockades, insurrections, riots, arrests and restraints of government and people; civil disturbances; epidemics; landslides; lightning; earthquakes; fires; storms; floods; washouts; explosions; breakage or accident to machinery or lines of pipe; freezing of wells or delivery facilities; unforeseeable inability to obtain materials, equipment, supplies, or labour; any act or omission of any natural gas transportation pipeline used by Buyer or Seller that is excused under relevant agreements by any event or occurrence of the nature herein defined as constituting Force Majeure, but only to the extent the pipeline system curtails firm service; the curtailment or interruption of firm transportation service which affects Buyer's receipt of or ability to transport Gas downstream of the Delivery Point to the Plant or Seller's delivery of Gas into the NOVA system or to transport that Gas on the NOVA system to the Delivery Point, and which is not attributable to a breach by Buyer or Seller, respectively, of its obligations to the interrupting or curtailing pipelines; an order, directive or restraint issued or imposed by governmental authority, regulatory body or court having jurisdiction; an inability to obtain, or a revocation or adverse amendment of, any licence, permit, approval or authorization of any governmental authority or regulatory body having jurisdiction; or any other similar cause or event, and whether or not caused or occasioned by, or happening on the account of, the act or omission of one of the Parties or some person or concern not a Party to this Contract, not within the reasonable control and without default or negligence of the Party claiming Force Majeure. Without in any way expanding the meaning of Force Majeure (and simply to clarify the Parties' intentions), it is expressly agreed that none of the following shall constitute an event of Force Majeure:

- (a) Buyer's inability to economically use or resell Gas purchased under this Contract (including loss of markets for resale Gas);
- (b) the depletion of Seller's reserves;
- (c) lack of financial resources or available funds or similar financial predicament which is due to the inability to pay any amount which a financially sound entity would be expected to pay;

- (d) either Party's operational or transportation balancing requirements;
- (e) any transportation difficulty or impediment attributable to having interruptible transportation service in place or using such service from time to time;
- (f) lack of resale markets for electricity at any time, other than any circumstance beyond Buyer's reasonable control preventing Buyer from physically delivering electricity into the New England Power Pool transmission grid; and
- (g) any interruption of transportation service (of any kind) on any pipeline system other than the systems of NOVA, TCPL and PNGTS.

11.2 Notice of Force Majeure

In the event of either Party being rendered unable, wholly or in part, by Force Majeure to carry out its obligations (other than the obligations set forth hereinbelow), such Party shall promptly notify and provide full particulars of such Force Majeure to the other Party as soon as practicable and in any event within 2 Business Days after the occurrence of the cause relied on. The obligations of both Parties, to the extent they are affected by such Force Majeure, shall be suspended during such period of Force Majeure, but for no longer period, and such cause shall so far as possible be remedied with all reasonable dispatch by the Party rendered unable to perform its obligations due to such Force Majeure.

11.3 Estimate of Force Majeure Duration

In the event of a Force Majeure, the Party declaring such Force Majeure shall use commercially reasonable efforts to estimate the length of time such Force Majeure will be in effect and immediately notify the other Party of such estimate. The Party claiming the Force Majeure shall promptly notify the other Party of any change in such estimate. When a Force Majeure claimed by Seller requires Buyer to arrange for replacement Gas or alternate fuel during the period such conditions exist, Buyer shall use reasonable efforts to commit to purchase such supplies for a period consistent with the expected duration of the Force Majeure claimed by Seller.

11.4 Termination Option

Either Party ("Terminating Party") shall have the right to terminate this Contract, upon 30 Days' prior notice, due to a Force Majeure condition claim by the Non-Terminating Party which prevents any delivery or receipt of the entire Purchase Quantities, and which lasts for:

- (a) 365 consecutive Days in the case of a Force Majeure that results in a mechanical failure of the Plant; and
- (b) 180 consecutive Days in the case of all other Force Majeure events,

provided the Force Majeure condition was not remedied within the 30 Day notice period. If the Non-Terminating Party is the Seller, then Seller shall be entitled to require that Buyer assign the TCPL Service Agreement to Seller. If the Non-Terminating Party is the Buyer, then Buyer shall be entitled to require that Seller accept an assignment of the TCPL Service Agreement to Seller. Any such assignment shall be effective as of the date of termination of this Contract such that Buyer shall be responsible for all obligations to TCPL respecting the TCPL Service Agreement up to the termination of this Contract and Seller shall be responsible for all obligations under the TCPL Service Agreement thereafter. Buyer represents and warrants to Seller that any such assignment shall be made free and clear of claims, security interests, encumbrances and other burdens of any nature or kind whatsoever such that Seller shall obtain the TCPL Service Agreement free and clear of any and all adverse claims and interests whatsoever for its sole use and benefit.

11.5 Resumption of Performance

As soon as possible after a Force Majeure event shall have been remedied, the Party claiming Force Majeure shall likewise give notice to the effect that the same has been remedied and that the Party has resumed, or is then in a position to resume, the performance of such covenants or obligations.

11.6 Seller's Additional Rights

If Buyer declares a Force Majeure pursuant to the notification provisions of Section 11.2, Seller shall have the option, but not the obligation, to require Buyer to make available to Seller that portion of the capacity under the TCPL Service Agreement equal to the quantity of the then-effective Purchase Quantity affected by such Force Majeure. If Seller so elects to require Buyer to make all or any portion of that capacity available to Seller, then such capacity (to the extent elected to be used by Seller) shall be made available to Seller as if such capacity were Unutilized Capacity pursuant to the provisions of Section 14.1 and shall remain available to Seller until the earlier of the date that the Force Majeure is remedied or the date of the expiration of the Purchase Period under the Purchase Notice so affected by the Force Majeure. To the extent Seller does not elect to use all or any portion of the TCPL Service Agreement pursuant to this provision, Buyer shall be solely responsible for the applicable TCPL Demand Charges and Buyer may utilize such portion of the TCPL Service Agreement for the duration of such Force Majeure.

11.7 Obligation to Pro Rate Available Supply

In the event that Seller claims Force Majeure at any time, then Seller shall allocate a pro rata share of those of its remaining Alberta Gas supplies and transportation service arrangements (which are reasonably capable of effecting the delivery of Gas to the Delivery Point) to this Contract and to its other gas supply contracts (of any kind) which require firm deliveries by Seller. Such pro rata allocation shall be done on the basis of the respective maximum daily quantity delivery obligations of Seller in effect under this Contract and those other contracts for that Day or those Days that Seller claims Force Majeure. In addition to the foregoing and for purposes of certainty, (1) Seller shall suspend deliveries of Gas under those of its Gas sales arrangements which allow the interruption of Gas deliveries without liability or loss to Seller of any kind, and (2) Seller's permitted allocation of Gas to its other contracts having firm Gas delivery obligations include, without limitation, those contracts entered into by Seller after the date of this Contract.

Article 12 Laws and Regulatory Bodies

12.1 Subject to Law

This Contract and the rights and obligations of the Parties hereunder are subject to all applicable present and future laws, rules, regulations and orders of any regulatory or legislative body or duly constituted authority having jurisdiction over Seller or Buyer.

Article 13 Transfer and Assignment

13.1 Assignment

Any corporation which shall succeed by purchase, merger or consolidation, to the properties, substantially as an entirety, of Buyer or Seller, as the case may be, shall be entitled to the rights of its predecessor in title under this Contract upon providing the other Party with a written undertaking agreeing to perform the obligations of its predecessor hereunder. Seller or Buyer may, without relieving itself of its obligations under this Contract, assign all of its rights and obligations hereunder to a corporation with which it is affiliated at the time of such assignment. Otherwise, no assignment hereunder shall be made by Seller or Buyer without the written consent of the other having first been obtained, which consent may be arbitrarily withheld. The term "affiliated" shall have the meaning given to it in Section 2(1) of the Business Corporations Act (Alberta).

13.2 Lenders' Rights

- (a) Notwithstanding Section 13.1, Buyer may assign this Contract to any person or persons providing construction financing for the Plant as well as to the lenders providing permanent financing for the Plant (if different from the construction financing lenders) ("Lenders") as security for funds advanced by those Lenders relating to the Plant. If there is more than one entity comprising the Lenders, Buyer shall provide Seller, forthwith following the completion of Buyer's financial closing for the construction of the Plant, with a notice signed by Buyer and the Lenders which designates one entity to represent the Lenders as the "Lenders' Agent". If the Lenders foreclose under their security on the Plant, then either the Lenders or the person acquiring the Plant through the Lenders shall be entitled to enforce this Contract subject to the following conditions precedent:
- (i) all accrued obligations and liabilities of the Buyer to Seller shall have been performed or otherwise complied with and any and all defaults shall have been completely remedied to Seller's satisfaction, acting reasonably;
 - (ii) the person wishing to enforce this Contract is either the new owner of the Plant or, in the case of the Lender, the secured party legally in possession and control of the Plant pursuant to its security interests;
 - (iii) the person wishing to enforce this Contract holds and is entitled to use the TCPL Service Agreement for its remaining term and is able to make that service available to Seller in accordance with Buyer's obligations under this Contract; and
 - (iv) the person wishing to enforce this Contract has undertaken to perform all of Buyer's obligations under this Contract pursuant to a written agreement with Seller (in form and substance satisfactory to Seller, acting reasonably).
- (b) It is understood and agreed that:
- (i) if the Lenders initially elected to enforce this Contract (and satisfied all of the conditions in subsection 13.2(a) prior to commencing enforcement), the Lenders shall thereafter be entitled to assign this Contract to a purchaser (of the Plant)

that concurrently satisfies each of the conditions in subsection 13.2(a);

- (ii) the Lenders shall not be obligated to perform any of Buyer's obligations under this Contract unless and until the Lenders have elected to enforce this Contract by satisfying the conditions in subsection 13.2(a);
 - (iii) if Seller receives conflicting instructions, undertakings or other communications pursuant to this Section 13.2 from Buyer, any of the Lenders (including persons purporting to be a Lender), or any persons purporting to claim through one or more of the Lenders or Buyer, Seller shall act in compliance with the instructions, undertakings and other communications of the Lenders' Agent; and
 - (iv) nothing herein shall hinder or prevent Seller from using or enforcing any and all of its rights, remedies and elections under this Contract at any time and from time to time including those arising as a result of a breach by Buyer hereunder (including, without limitation, termination rights), the Lenders' remedy in any such event being to enforce the Contract (prior to its termination) in accordance with subsection 13.2(a).
- (c) The provisions of this Section 13.2 are for the benefit of the Lenders as well as each of the Parties hereto, and shall be enforceable by each of them. Seller hereby agrees that none of the Lenders, nor any bondholder or participant for whom they may act, shall be obligated to perform any obligation or be deemed to incur any liability or obligation provided for herein on the part of Buyer or have any obligation or liability to Seller in respect of this Contract, unless and until any such entity shall have provided an undertaking to Seller pursuant to clause 13.2(a)(iv).

Article 14

Access to TCPL and PNGTS Firm Service

14.1 TCPL Use Arrangements

- 14.1 (a) Each Day from and after the Date of First Delivery, Seller shall have the exclusive use and benefit of the TCPL Service Agreement, to the extent of the Unutilized Capacity, in priority to Buyer or any other person and be entitled to retain all rights and benefits which it can

derive from the use thereof without any obligation whatsoever to share any benefits or advantages derived from such use with Buyer other than to pay to Buyer the amount specified in subsection 14.1(b). Buyer has no right to recall or otherwise access such firm capacity during any period when Seller has exclusive use of and obligation for that capacity notwithstanding that Buyer may require additional firm service to transport Gas to its Plant, or any other reason whatsoever.

- (b) Each Month, Buyer shall render an invoice to Seller in accordance with Section 10.6 and Seller shall pay to Buyer:
 - (i) the Demand Charges (calculated on a 100% load factor basis) which are directly attributable to the Unutilized Capacity during the preceding Month; and
 - (ii) the Commodity Charges which are directly attributable to Seller's use of the TCPL Service Agreement during the preceding Month.

Such amount shall be paid to Buyer by not later than the Business Day prior to the Day that Buyer is obligated to make payment in respect of those charges to TCPL without incurring interest or other penalties. Subsections 14.1(a) and (b) are not applicable to any TCPL service Seller does not elect to utilize under all or any of subsections 3.6(b) and (d) and Sections 10.2 and 11.6.

- (c) Buyer shall maintain the TCPL Service Agreement in good standing (including, without limitation, maintain all financial assurances required by TCPL) and shall not amend, release, assign, terminate or allow the TCPL Service Agreement (or any portion thereof) to be terminated. In addition, Buyer shall not take any action or fail to take any action including, without limitation, failing to make proper and timely payment to TCPL or creating any encumbrance on or security interest in the TCPL Service Agreement, which might in any way adversely affect Seller's right to make use of the TCPL Service Agreement in accordance with the terms of this Contract or to take an assignment of all or any portion of the TCPL Service Agreement from time to time as contemplated by this Contract free and clear of claims, encumbrances and security interests created by, through or under Buyer including, without limitation, security relating in any way to any financing for the Plant (other than any security interest which is in accordance with Section 13.2).

- (d) Buyer shall timely provide all necessary cooperation and assistance to Seller to ensure that Seller is able to obtain the full use and benefit of the TCPL Service Agreement to the extent of the Unutilized Capacity on each Day. Without limiting the generality of the foregoing, Buyer shall (1) timely place with TCPL all nominations received by Buyer from Seller in order to ensure that Seller's Gas is timely received at Empress and delivered to Seller at either Sabrevois or any point upstream of Sabrevois in accordance with Seller's instructions, and (2) timely advise Seller of any information or developments of which Buyer becomes aware which might in any way affect Seller's use of the TCPL Service Agreement. Seller shall have the right from time to time to review Buyer's records relating to the administration and operation of the TCPL Service Agreement.

- (e) Notwithstanding the foregoing subsections of this Section 14.1, Seller's use of the TCPL Service Agreement is subject to Buyer obtaining all Canadian Regulatory Approvals (if any) which are required by Buyer to allow Seller to use the TCPL Service Agreement as contemplated by this Contract, provided that:
 - (i) Seller shall have no obligations, responsibilities or liabilities of any nature or kind whatsoever in respect of the TCPL Service Agreement (including, without limitation, those in subsection 14.1(b)) to the extent Seller does not obtain the exclusive use and benefit of the TCPL Service Agreement at any time and from time to time; and
 - (ii) Buyer shall use all commercially reasonable efforts to obtain all Canadian Regulatory Approvals as are required from time to time for this purpose.

In addition, if any such Canadian Regulatory Approvals obtained by Buyer impose any conditions or limitations on Seller's use of the TCPL Service Agreement which Seller is not prepared to accept, then Seller may choose not to use that transportation service from time to time and, in that event, will not have any obligations, responsibilities or liabilities of any nature or kind whatsoever in respect of the TCPL Service Agreement (including without limitation, those in subsection 14.1(b)) to the extent Seller does not choose to use the TCPL Service Agreement because of any such conditions or limitations.

14.2 PNGTS Use Arrangements

(a) Interruptible Transportation Capacity

- (i) Availability. For that portion of the transportation capacity available to Buyer under the PNGTS Service Agreement which is interruptible transportation service, if any, Seller shall have the following option. For each Day during the Term of this Contract, Seller shall have the option of acquiring the use or benefit of any portion of that interruptible capacity that Buyer does not intend to use for its own benefit (such uses by Buyer being limited to transporting Gas purchased hereunder either to the Plant or to any point for resale and delivery to any third party) on that Day and which capacity (if not used by Seller) will otherwise remain unutilized by Buyer or be made available by Buyer to some third party to enable such party to transport its own gas.
- (ii) Rates. Seller shall be entitled to the use of such interruptible capacity under the PNGTS Service Agreement if it elects to exercise its option in accordance with Section 14.2(a)(iii) and shall be entitled to retain all rights and benefits which it can derive from the use thereof without any obligation whatsoever to share any benefits or advantages derived from such use with Buyer other than to pay to Buyer the amount otherwise payable by Buyer to PNGTS under the PNGTS Service Agreement for the use of that interruptible capacity.
- (iii) Procedures. Buyer shall use all commercially reasonable efforts to provide Seller with as much advance notice as is reasonably practical when Buyer anticipates that any such interruptible capacity will be available. Seller shall exercise each option to acquire such interruptible capacity within 1 Business Day of being advised by Buyer that such interruptible capacity will be available; provided, however, that if Seller fails to exercise such option then Buyer may allow any third party(s) to utilize such capacity. Buyer shall make all nominations to PNGTS required by Seller to transport Seller's Gas under such interruptible transportation capacity, provided, however that Seller shall be obligated to advise Buyer during Buyer's normal business hours of the information required to make such nominations at least 2 hours prior to the nomination deadlines of PNGTS for interruptible transportation nominations. The provisions of Section 8.5 shall apply to any imbalances that occur when Seller is utilizing such interruptible capacity on PNGTS.

(iv) Regulatory Requirements. Seller and Buyer agree that for regulatory purposes, but not for any loss or third party liability purposes, Seller shall be considered to have transferred to Buyer title to all such Gas immediately prior to its delivery into the facilities of PNGTS and Buyer shall be considered to have transferred back to Seller title to such Gas immediately at the earlier of the point where such Gas leaves the facilities of PNGTS or the point where Seller is obligated to deliver such Gas to a purchaser of such Gas (other than Buyer). Notwithstanding any other provision of this Section 14.2, the availability to Seller of such interruptible capacity under Buyer's PNGTS Service Agreement shall at all times be subject to any order or requirement of any regulatory entity having jurisdiction over such PNGTS Service Agreement or the use of capacity thereunder by Seller.

(b) Firm Transportation Capacity.

(i) Availability. For that portion of the transportation capacity available to Buyer under the PNGTS Service Agreement which is firm transportation service, if any, Seller shall have the following option. For each Day during the Term of this Contract, Seller shall have the option of acquiring the use or benefit of any portion of that firm capacity in excess of ~~25,000~~^{25,000} MMBtus per Day that Buyer does not intend to use to transport (1) Gas purchased from Seller hereunder, (2) Gas purchased by Buyer from Seller or third parties under subsection 3.7(i), and (3) Gas purchased from third parties to replace Gas lost to Buyer when Seller terminates a Purchase Notice under subsections 3.6(b) or 3.6(d), and which will otherwise remain unutilized by Buyer or be made available by Buyer to some third party to enable such third party to transport its own Gas.

(ii) Rates. Seller shall be entitled to the use of such firm capacity under the PNGTS Service Agreement if it elects to exercise its option in accordance with Section 14.2(b)(iii) and shall be entitled to retain all rights and benefits which it can derive from the use thereof without any obligation whatsoever to share any benefits or advantages derived from such use with Buyer other than to pay directly to PNGTS the amount otherwise payable by Buyer to PNGTS under the PNGTS Service Agreement for the use of that firm capacity; provided, however, that if any particular release to Seller of Buyer's firm capacity on PNGTS is posted on PNGTS's electronic bulletin board pursuant to PNGTS's firm capacity release procedures (as set forth in PNGTS's then effective tariff) and, as a result, Seller is obligated to pay a higher rate for such firm capacity, then Seller shall pay such higher rate directly to PNGTS. Buyer shall provide

Seller with as much advance notice as is reasonably possible prior to posting any firm capacity on PNGTS's electronic bulletin board.

- (iii) Procedures. Buyer shall use all commercially reasonable efforts to provide Seller with as much advance notice as is reasonably practical when Buyer anticipates that any such firm capacity will be available. Seller shall exercise each option to acquire such firm capacity within 1 Business Day of being advised by Buyer that such firm capacity will be available; provided, however, that if Seller fails to exercise such option then Buyer may allow any third party(s) to utilize such capacity. On or before the date of any such release from Buyer to Seller of Buyer's firm capacity under the PNGTS Service Agreement, Seller and PNGTS shall execute either a "Gas Transportation Contract With Replacement Shipper" or such other document as is required at the applicable time.
- (iv) Regulatory Requirements. Notwithstanding any other provision of this Section 14.2, the availability to Seller of such firm capacity under Buyer's PNGTS Service Agreement shall at all times be subject to any order or requirement of any regulatory entity having jurisdiction over such PNGTS Service Agreement or the use of capacity thereunder by Seller. In that regard, within sixty (60) Days after Buyer executes the PNGTS Service Agreement for transportation of the Gas purchased hereunder from Seller, provided that such PNGTS Service Agreement includes any firm transportation capacity, Seller and Buyer shall negotiate and enter into a prearranged capacity release agreement, pursuant to which Seller and Buyer shall effectuate the terms and conditions of this subsection 14.2(b). Such prearranged capacity release agreement shall comply fully with the capacity release provisions of PNGTS's tariff implementing the regulations of the Federal Energy Regulatory Commission regarding releases of firm capacity, as such tariff may be amended or modified from time to time during the Term of this Contract.

- (c) In connection with the use by Seller of any of Buyer's interruptible or firm transportation capacity under the PNGTS Service Agreement, Seller must obtain its own gas export authorization from the NEB and gas import authorization from the appropriate United States regulatory authorities.

14.3 Responsibilities

In the event (1) Buyer fails to comply with any of its obligations to Seller to make firm service under the TCPL Service Agreement available to Seller at any time, (2) Buyer fails to comply with any of its obligations to provide PNGTS capacity

available to Seller at any time, or (3) Buyer fails to assign transportation service to Seller, in each case, in accordance with Buyer's obligations under this Contract, then Buyer shall pay to Seller:

- (a) the amount paid by Seller to purchase and deliver replacement Gas supplies to third parties to whom Seller had committed to deliver Gas using the transportation capacity which Buyer failed to make available to Seller hereunder (reduced by the amount paid by the third parties to Seller for such Gas); and
- (b) the amount of any additional transportation charges paid by Seller to deliver replacement Gas supplies to third parties.

14.4 Plant - Permanent Changes

- (a) If there occurs a material and permanent engineering or operational modification to the Plant which has the effect of permanently reducing Buyer's Gas requirements for the Plant, Buyer shall have the right to either reduce the MDQ or to terminate this Contract (as applicable).
- (b) In order to reduce the MDQ or terminate this Contract, Buyer must provide Seller with not less than one Contract Year's notice ("Notice Period") of that election and include with that election a description (in reasonable detail) of both the permanent modification to the Plant and Buyer's analysis supporting a reduction in the MDQ or a termination of this Contract, as applicable.
- (c) If, as a result of Buyer exercising its rights under subsection 14.4(a), the MDQ is reduced to less than 2,000 MMBtu per Day, Seller shall have the right to terminate this Contract by providing Buyer with notice of that election within the first 60 Days of the Notice Period. For purposes of clarification, Seller shall have this termination right notwithstanding that all or a portion of prior reductions to the original MDQ are attributable to Seller's exercise of its rights under Section 3.4.
- (d) In the event of a reduction in the MDQ under this Section, Buyer shall assign and Seller shall accept an assignment of that portion of the TCPL Service Agreement required to transport, on a firm basis from Empress to Sabrevois, a quantity of Gas equal to the amount of the reduction in the MDQ. If either Buyer or Seller elects to terminate this Contract under this Section, Buyer shall assign and Seller shall accept an assignment of the TCPL Service Agreement.

Any such assignment shall be effective as of the beginning of the first Day following the end of the Notice Period, such that Buyer shall be responsible for all obligations to TCPL respecting the assigned interests up to the end of the Notice Period and Seller shall be responsible for all obligations pertaining to the assigned interests thereafter. Buyer represents and warrants to Seller that any such assignment shall be made free and clear of any claims, security interests, encumbrances and other burdens of any nature or kind whatsoever such that Seller shall obtain the applicable portion of rights and benefits under the TCPL Service Agreement free and clear of any and all adverse claims and interests whatsoever for its sole use and benefit.

Article 15 Umpire

15.1 Selection

- (a) If, prior to May 1, 1998, the Parties have not selected an individual or a firm to act as the Umpire under this Contract (and obtained the commitment of that individual or firm to perform the role of the Umpire under this Contract), then, at any time after May 1, 1998, either Party shall have the right to require that the Parties meet to agree upon the name or names of either or both of individuals and firms that are acceptable to both Parties to perform the role of the Umpire. If more than one name is agreed upon, the Parties shall prioritize the list of names with the intention that the first available name on the list would be used each time that the Parties require an Umpire. The list shall only include names of mutually acceptable individuals and firms from whom the Parties have obtained a commitment to perform the role of Umpire (for not less than 6 times).
- (b) If by May 30, 1998:
 - (i) the Parties have not met to agree upon one or more mutually acceptable names;
 - (ii) the Parties have met but were unable to agree upon any names; or
 - (iii) the Parties have agreed upon one or more mutually acceptable individuals or firms but a commitment to perform the role of Umpire (for not less than 6 times) has not

been obtained from at least one of those mutually acceptable individuals and firms,

then either Party may refer the selection of an Umpire to arbitration for binding determination. The arbitration shall be conducted in Vancouver pursuant to the Rules of the British Columbia International Commercial Arbitration Centre ("Centre") and be administered by the Centre in accordance with its "Procedures for Cases under the BCICAC Rules". If the Parties are unable to select a single arbitrator, then either Party is entitled to apply to the Centre to have a single arbitrator qualified by education or experience appointed (in accordance with Sections 6 and 8 of the Rules) in order to select not less than one name (but not more than three names) of individuals and firms who will perform the role of the Umpire under this Contract. To the extent required, the single arbitrator shall have the authority to negotiate compensation arrangements and other terms with individuals and firms (which will be shared equally by the Parties) in order to obtain a firm level of commitment to perform the role of Umpire under this Contract (for not less than 6 times). To the extent the arbitrator has selected more than one name (and obtained the required commitments), the arbitrator shall prioritize the list of names. The arbitrator shall have exclusive jurisdiction to determine whether any individual or firm has provided a sufficient commitment in order to be listed as a potential Umpire. Any individual or firm selected by the arbitrator must reside in or have its principal office (as applicable) at Calgary, Alberta and shall be qualified by education, training and experience to render a decision respecting the appropriate Sabrevois Price from time to time. The decision of the arbitrator shall be final and binding on the Parties.

- (c) If at any time during the Term either Party becomes aware that the Umpire (or Umpires if more than one name is on the list) is (or are) unwilling to continue to perform the role contemplated by Section 5.2, then that Party shall immediately notify the other Party of such fact. The Parties shall promptly meet for the purposes of agreeing upon the name of not less than one new individual or firm which will undertake to perform the role of Umpire (as contemplated by this Contract). The provisions of this Section shall apply *mutatis mutandis* to ensure that not less than one individual or firm is selected (either by the Parties or an arbitrator) and will be available to act as the Umpire under this Contract.
- (d) All costs and expenses of any arbitration conducted pursuant to this Section shall be shared equally by the Parties. If, at any time,

Buyer has not paid its share of costs and expenses, then Buyer's right to forward any further Pricing Notices under this Agreement shall be suspended until Buyer has fully paid its share of all such costs and expenses (including any interest thereon).

- (e) Notwithstanding that the Parties had agreed upon a particular individual or firm to be a Umpire or that Umpire had been selected by arbitration hereunder, if that Umpire has provided a Sabrevois Price on not less than 3 occasions, then either Party may thereafter require the removal of that Umpire from the list of permitted Umpires for the purposes of this Contract. Any such removal shall be effective upon the earlier of (1) the naming of a replacement Umpire for that Umpire (whether by agreement or arbitration), and (2) 2 Months from the date that the Party requiring the removal of the Umpire notifies the other Party that the Umpire is to be removed.

Article 16 Waddington Price

16.1 Arbitration

- (a) If, at any time during the Term, the *Canadian Gas Price Reporter* (1) is no longer published, or (2) ceases to publish a price report providing the information specified in the definition of "Waddington Price", or if the price reflected in the definition of "Waddington Price" is no longer representative of current market prices for Gas to be exported to the United States at the point specified in that definition, then the Parties shall promptly meet, following the request of either Party, to agree upon an alternate publication for a pricing mechanism for the purposes of this Contract. If the Parties fail to meet for any reason whatsoever within 20 days of either Party requesting a meeting for this purpose or if the Parties meet but fail to agree for any reason whatsoever upon an alternate publication, price reference or pricing mechanism within 60 Days following the request of either Party hereunder, then either Party may refer the matter to arbitration for binding determination.
- (b) (i) Any dispute under subsection 16.1(a),
- (ii) any dispute relating to whether or not a Party has acted reasonably when not accepting an authorization or agreement pursuant to subsection 2.6(a),

- (iii) any dispute relating to either Buyer's obligations to provide financial assurances or Seller's right to request financial assurances,
- (iv) any dispute under subsection 3.7(i) relating to Buyer purchasing Gas from another entity on more favourable terms, or
- (v) any dispute respecting each Party's entitlement to use or obligation to pay for the TCPL Service Agreement,

may be referred for final resolution by arbitration under the Rules of the British Columbia International Commercial Arbitration Centre by a single arbitrator. The appointing authority shall be the British Columbia International Commercial Arbitration Centre and such appointment shall be made pursuant to Sections 6 and 8 of the Rules. The case shall be administered by the British Columbia International Commercial Arbitration Centre in accordance with its "Procedures for Cases under the BCICAC Rules". The place of arbitration shall be Vancouver, British Columbia.

Article 17 Miscellaneous Provisions

17.1 Waiver

No waiver by Buyer or Seller of any default of the other under this Contract shall operate as a waiver of any or all of such Party's rights with respect to all prior or subsequent obligations of the other Party.

17.2 Access to Records

The Parties shall have reasonable access to each other's accounts, books, and records to verify the accuracy of any statement, charge or calculation made pursuant to this Contract or any other matter reasonably relating to this Contract for a period of 2 years following the statement, charge, calculation or the time the other matter arose.

17.3 Headings

The headings used throughout this Contract are inserted for reference purposes only and are not to be considered or taken into account in construing the terms or provisions of any Article or Section hereof, nor to be deemed in any way to qualify, modify or explain the effect of any such provisions or terms.

17.4 Notices

Except as provided for in Section 3.3, every notice, statement or other communication provided for in this Contract shall be in writing directed by prepaid courier, hand delivery or telephone facsimile to the Party to whom given, made or delivered at such Party's address as follows:

Seller:

Notices: Renaissance Energy Ltd.
3000, 425 First Street S.W.
Calgary, AB, Canada
T2P 3L8
Attention: Vice-President, Marketing
Telephone: (403) 750-1400
Facsimile: (403) 750-1811

Billing and Payments: Wire Transfer Information specified on Invoice

Gas Operations: Attention: Gas Supply Operations
Telephone: (403) 750-1400
Facsimile: (403) 750-1811

Buyer:

Notices: Androscoggin Energy, L.L.C.
650 Dundee Road, Suite 150
Northbrook, IL 60062
Attention: Mr. Michael Polsky
Telephone: (847) 559-9800
Facsimile: (847) 559-1805

Billing and Payments:

Gas Operations: Androscoggin Energy, L.L.C.
650 Dundee Road, Suite 150
Northbrook, IL 60062
Attention: Mr. Michael Polsky
Telephone: (847) 559-9800
Facsimile: (847) 559-1805

Either Party may change its address for service or other communications particulars from time to time by giving written notice of such change to the other Party. Any notice, statement, or other communication made, given or delivered hereunder by prepaid overnight courier shall be deemed to have been effectively delivered to the addressee thereof at the end of the next business Day of the

receiving Party after the date of forwarding by prepaid overnight courier. If any such notice, statement, or other communication is delivered by electronic telecommunication to the designated representative of the addressee during the normal business hours of the addressee, it shall be deemed to have been received by the addressee within 2 hours of its delivery to the addressee, and if delivered after the close of business of the addressee on the Day that the transmission has been made to said designated representative, it shall be deemed to have been received 2 hours following the start of the following business Day of the addressee.

17.5 Choice of Laws

This Contract shall be construed in accordance with the laws of the Province of Alberta, and the Courts having jurisdiction in the Province of Alberta at Calgary shall have exclusive jurisdiction in relation to any legal proceedings arising in connection with this Contract other than in respect of matters referable to arbitration herein.

17.6 Further Assurances

Each Party shall perform all acts, execute and deliver all documents and give all assurances reasonably necessary to give effect to this Contract.

17.7 Entire Agreement

This Contract supersedes and replaces any oral or written communications heretofore made by and between the Parties relating to the subject matter hereof, and this Contract constitutes the entire agreement between the Parties respecting the subject matter of this Contract.

17.8 Conflicts

Any schedule or exhibit to this Contract is incorporated herein by reference. If any provision of a schedule or exhibit conflicts with a provision in the body hereof, the latter shall prevail.

17.9 Time

Time shall be of the essence in this Contract.

17.10 Gender

Whenever the singular or masculine or neuter is used in this Contract, the same shall be construed as meaning the plural or feminine or body politic or corporate and vice versa, as the context so requires.

17.11 "Hereof Etc."

Except as otherwise provided herein, "this Contract", "hereto", "hereof", "herein", "hereunder" and similar expressions refer to this Contract in its entirety (including any schedules hereto) and not to any particular Article, Section, subsection, clause, subclause, paragraph, subparagraph, exhibit or schedule, or other portion thereof. Unless otherwise specified herein, references herein to a Schedule refer to a Schedule to this Contract.

17.12 Severability

Every provision of this Contract is intended to be severable. If any term or provision hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity of the remainder of this Contract.

17.13 Inurement

This Contract shall be binding upon the Parties, their successors, and permitted assigns, and shall inure to the benefit of the Parties and their successors and permitted assigns.

17.14 Confidentiality

The terms and conditions of this Contract shall be kept confidential by Buyer and Seller, except to the extent information must be disclosed in order to (1) obtain transportation, (2) allow for routine audit procedures, (3) comply with reporting obligations under applicable federal, provincial or state laws or the requirements of any Transporter, (4) obtain any necessary Canadian Regulatory Approvals and United States Regulatory Approvals required hereunder, or (5) enforce a right or claim under this Contract.

17.15 Counterpart Execution

This Contract may be executed in separate counterparts with the same effect as if the Parties had signed the same document. All counterparts shall be construed together and constitute one agreement. Each Party shall be entitled to rely on the delivery of an executed facsimile copy of this Contract and such facsimile copy

shall be legally effective to create a valid and binding agreement between the Parties.

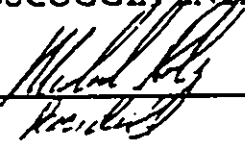
Executed and delivered.

RENAISSANCE ENERGY LTD.

Per: 

Per: JOHN A. CURKAN
VICE PRESIDENT MARKETING

ANDROSCOGGIN ENERGY, L.L.C.

Per: 

Per: _____

GAS SALES AGREEMENT

between

RIO ALTO EXPLORATION LTD.

AND

ANDROSCOGGIN ENERGY LLC

Dated as of May 24, 1997.

ARTICLE I	
<u>DEFINITIONS OF TERMS</u>	
Section 1.1	<u>Definitions</u> 1

ARTICLE II	
<u>CONDITIONS PRECEDENT</u>	
Section 2.1	<u>Conditions Precedent</u> 6
Section 2.2	<u>Notification</u> 8
Section 2.3	<u>Satisfaction of Conditions Precedent</u> 9

ARTICLE III	
<u>SCOPE OF AGREEMENT</u>	
Section 3.1	<u>Purchase and Sale</u> 9
Section 3.2	<u>Deliveries Prior to Initial Delivery Date</u> 11
Section 3.3	<u>Minimum Annual Quantity; Payment</u> 11

ARTICLE IV	
<u>DELIVERIES</u>	
Section 4.1	<u>Quantity</u> 11
Section 4.2	<u>Uniform Deliveries</u> 12
Section 4.3	<u>Gas Imbalances</u> 12

ARTICLE V	
<u>SELLER'S SUPPLY WARRANTY</u>	
Section 5.1	<u>Warranty and Covenant of Adequate Supply and Reserves</u> 13

ARTICLE VI	
<u>TERM OF AGREEMENT</u>	
Section 6.1	<u>Term</u> 14

ARTICLE VII	
<u>TRANSPORTATION</u>	
Section 7.1	<u>NOVA Transportation</u> 14
Section 7.2	<u>NOVA Receipt Point Firm Service</u> 14
Section 7.3	<u>NOVA Delivery Point Firm Service</u> 14
Section 7.4	<u>Downstream Transportation</u> 15

ARTICLE VIII

	<u>PRICE</u>	15
Section 8.1	<u>Commodity Charge</u>	15
Section 8.2	<u>Market Risk Assessment</u>	15
Section 8.3	<u>Taxes</u>	16

ARTICLE IX

BILLINGS AND PAYMENTS

	<u>BILLINGS AND PAYMENTS</u>	16
Section 9.1	<u>Billings and Payments</u>	16
Section 9.2	<u>Payment</u>	16
Section 9.3	<u>Audit Rights</u>	17
Section 9.4	<u>Security</u>	17
Section 9.5	<u>Interest on Late Payments</u>	17
Section 9.6	<u>Failure to Pay</u>	17
Section 9.7	<u>Corrections of Errors</u>	18
Section 9.8	<u>Non-Business Days</u>	18

ARTICLE X

POINT OF DELIVERY

	<u>POINT OF DELIVERY</u>	18
Section 10.1	<u>Point of Delivery</u>	18

ARTICLE XI

DELIVERY PRESSURE

	<u>DELIVERY PRESSURE</u>	18
Section 11.1	<u>Delivery Pressure</u>	19

ARTICLE XII

QUALITY

	<u>QUALITY</u>	19
Section 12.1	<u>Quality</u>	19
Section 12.2	<u>Non-Conforming Gas</u>	19

ARTICLE XIII

MEASUREMENT OF GAS

	<u>MEASUREMENT OF GAS</u>	19
Section 13.1	<u>Unit of Measure</u>	19
Section 13.2	<u>Meters</u>	19
Section 13.3	<u>Reading and Testing</u>	19
Section 13.4	<u>Meter Records</u>	20

ARTICLE XIV

POSSESSION, TITLE AND WARRANTY

	<u>POSSESSION, TITLE AND WARRANTY</u>	20
Section 14.1	<u>Possession and Title</u>	20
Section 14.2	<u>Warranty</u>	20

	ARTICLE XV	
	<u>FORCE MAJEURE</u>	21
Section 15.1	<u>Burden of Proof</u>	21
Section 15.2	<u>Event of Force Majeure</u>	21
Section 15.3	<u>Settlement of Strikes, Lockouts, or Other Labour Disputes</u>	21
Section 15.4	<u>Force Majeure Curtailment</u>	22
Section 15.5	<u>Impossibility of Performance due to an Event of Force Majeure</u>	22
	ARTICLE XVI	
	<u>LAWS AND REGULATORY BODIES</u>	23
Section 16.1	<u>Laws and Regulatory Bodies</u>	23
	ARTICLE XVII	
	<u>TRANSFER AND ASSIGNMENT</u>	23
Section 17.1	<u>Assignments</u>	23
	ARTICLE XVIII	
	<u>NOTICE</u>	24
Section 18.1	<u>Notice</u>	24
	ARTICLE XIX	
	<u>DEFAULT AND REMEDIES</u>	25
Section 19.1	<u>Definition</u>	25
Section 19.2	<u>Remedies for Breach</u>	26
Section 19.3	<u>Limitation</u>	27
Section 19.4	<u>Financing Parties</u>	27
	ARTICLE XX	
	<u>ARBITRATION</u>	28
Section 20.1	<u>Arbitration</u>	28
	ARTICLE XXI	
	<u>MISCELLANEOUS PROVISIONS</u>	29
Section 21.1	<u>Captions</u>	29
Section 21.2	<u>Other Agreements</u>	30
Section 21.3	<u>Binding Effect</u>	30
Section 21.4	<u>Non-Waiver of Defaults</u>	30
Section 21.5	<u>Written Amendments</u>	30

Section 21.6	<u>Severability and Regeneration</u>	30
Section 21.7	<u>Survival</u>	30
Section 21.8	<u>Further Assurances</u>	30
Section 21.9	<u>Limitation of Liability</u>	31
Section 21.10	<u>Governing Law</u>	31

"AEUB Reserves Under Control Locations Listing" means the listing of natural gas reserves designated by AEUB.

"Agreement Year" means a period of twelve (12) consecutive Months beginning on November 1st of each year subsequent to the year in which the Initial Delivery Date occurs; the first Agreement Year shall begin with the Initial Delivery Date hereunder and end on the November 1st next following and the tenth Agreement Year shall begin on November 1st following October 31st of the ninth Agreement Year and end on the tenth anniversary of the Initial Delivery Date; and provided that in any Agreement Year containing less than or more than 365 Days, the obligations of the parties hereunder shall be prorated based on a fraction, the numerator of which is the number of Days in the Agreement Year in question and the denominator of which is 365, or 366 in any year that includes February 29.

"Arbitration" shall have the meaning set forth in Article XX.

"Arbitrator" shall have the meaning set forth in Article XX.

"Board" shall have the meaning set forth in Article XX.

"BCICAC" shall have the meaning set forth in Section 20.1 hereof.

"Business Day" means any Day other than Saturday, Sunday or other Day on which banks are authorized to be closed in the State of Maine or in the Province of Alberta.

"Buyer's Facility" means the electric generation facility to be constructed by Buyer near International Paper Company's facility located near the City of Jay, State of Maine.

"Canadian Regulatory Authorities" means each governmental agency or other authority in Canada, which has jurisdiction over the subject matter of this Agreement including, without limitation, the Alberta Energy Utilities Board, the Alberta Lieutenant Governor in Council, the National Energy Board and the Governor in Council for Canada.

"Corporate Supply Pool" means the aggregate quantity of gas reserves available to Seller under its contracts with producers or owned by either Seller or an affiliate of Seller.

"Cover Gas" shall have the meaning set forth in Sub-section 3.1 (b).

"m³" means cubic meter.

"Day" means a period of twenty-four consecutive hours, beginning and ending at 8:00 a.m. Mountain Standard Time or at such other hour as Seller and Buyer shall agree upon in writing.

"Delivery Month" shall have the meaning set forth in Article IX hereof.

"Event of Force Majeure" means any: acts of God; strikes, lockouts, or other industrial disturbances; act of the public enemy, wars, blockades, insurrections, riots, arrests and restraints of government and people; civil disturbances; epidemics; landslides; lightning; earthquakes; fires; storms; floods; washouts; explosions; breakage or accident to machinery or lines of pipe; freezing of wells or delivery facilities; unforeseeable inability to obtain materials (other than Gas), equipment, supplies, or labour; any act or omission of the natural gas transportation pipelines used by Seller or Buyer that is excused under relevant agreements by any event or occurrence of the character herein defined as an Event of Force Majeure; the curtailment or interruption of firm transportation service which affects Buyer's receipt of or ability to transport Gas downstream of the Point of Delivery or Seller's delivery of Gas at the Point of Delivery and which is not attributable to a breach by Buyer or Seller, respectively, of its obligations to the interrupting/curtailing pipeline; an order, directive or restraint issued or imposed by any governmental authority, regulatory body or court having jurisdiction; an inability to obtain, or a revocation or adverse amendment of, any license, permit, approval or authorization of any governmental authority or regulatory body having jurisdiction; or any other cause, whether of the kind herein enumerated or otherwise, and whether or not caused or occasioned by, or happening on the account of, the act or omission of one of the Parties or some person or concern not a Party to this Agreement, not within the reasonable control and without the fault or negligence of the Party claiming the Event of Force Majeure. It is expressly agreed that none of the following shall constitute an Event of Force Majeure hereunder: Buyer's inability economically to use or resell Gas purchased under this Agreement; Seller's inability to obtain Gas supplies at a desirable or economic price; depletion of Seller's reserves, if any; lack of financial resources or available funds or similar financial predicament which is due to the inability to pay any amount which a financially sound entity would be expected to pay; either Party's operational or transportation balancing requirements; any transportation difficulty or impediment that does not directly affect Buyer's receipt of or ability to transport Gas downstream of the Point of Delivery or Seller's delivery of Gas at the Point of Delivery; or any transportation difficulty or impediment attributable to having interruptible transportation service in place.

"F.E.R.C." means the Federal Energy Regulatory Commission, or its successor, of the United States.

"Financing Documents" means any and all loan agreements, notes, indentures, security agreements, subordination agreements, mortgages, partnership agreements, subscription agreements, participation agreements and other documents relating to the construction, interim and long-term financing (both debt and any third-party equity) of Buyer's Facility and any refinancing thereof (including a leveraged lease pursuant to which Buyer is the lessee of Buyer's Facility) provided by the Financing Parties, including any and all modifications, extensions, renewals and replacements of any such financing or refinancing.

"Financing Parties" means (i) any and all lenders providing the construction, interim or long-term financing or refinancing of Buyer's Facility (including a leveraged lease), and any trustee or agent acting on their behalf, and (ii) any and all equity investors providing any such financing or refinancing of Buyer's Facility, and any trustee or agent acting on their behalf.

"Firm Basis" means the obligation of Seller to provide Buyer a non-interruptible Quantity of Gas and Buyer's obligation to purchase a non-interruptible Quantity of Gas.

"Gas" means natural gas of the quality specified in Article XII hereof.

"GJ" means one billion Joules.

"Gas Inventory Charge" or "GIC" means for any Agreement Year, a payment of \$0.40 (Canadian dollars) per GJ.

"Heating Value of Gas" means when applied to a cubic meter of Gas, the number of Joules expressed in MJ per m³, produced by the complete combustion at constant pressure of one (1) cubic meter of Gas with air, with the Gas free of water vapor and the temperature of the Gas, air and products of combustion to be at a standard temperature and all water formed by combustion reaction to be condensed to the liquid state determined in accordance with NOVA's tariff at the Point of Delivery.

"Initial Delivery Date" means the Day certified in writing to Seller by Buyer to be the Day on which Buyer shall first take delivery of the Gas Seller shall deliver at the Point of Delivery.

"Interest Rate" means (i) the floating annual rate of interest established from time to time by the Bank of Montreal, or its successor bank, as the base rate it will use to determine the rates of interest on Canadian dollar loans made in Canada and designated by it as its Prime Rate, plus (ii) two (2) percent per annum, but in no event greater than the maximum interest rate allowed by law.

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

"Makeup Level" shall have the meaning set forth in Section 3.3(c).

"Maximum Daily Quantity" or "MDQ" means a Quantity of Gas equal to 11,500 GJ per Day.

"Minimum Annual Quantity" or "MAQ" means eighty-five percent (85%) of the Quantity of Gas resulting from multiplying the MDQ by 365 Days (366 Days in an Agreement Year that includes February 29) and reducing the product obtained by the Volume Deficiency, if any, for the same period.

"Minimum Quarterly Quantity" means a Quantity of Gas equal to twenty percent (20%) of the MAQ applicable to each quarter of an Agreement Year (i.e., the three month periods ending January 31, April 30, July 31, and October 31 in each Agreement Year), reduced by the Volume Deficiency, if any, for each such quarter.

"MJ" means one million Joules.

"Month" means the period beginning at 8:00 a.m. Mountain Standard Time on the first Day of a given calendar month and ending 8:00 a.m. Mountain Standard Time on the first Day of the next succeeding calendar month.

"Natural Gas Reserves" means reserves of unprocessed raw gas.

"NEB" means the National Energy Board of Canada, or its successor.

"NOVA" means NOVA Gas Transmission Ltd., its successors and assigns.

"NOVA Delivery Point Firm Service" means firm gas transportation service under NOVA's Rate Schedule FS, or its successor rate schedule, from the Point of Delivery to the interconnection of the NOVA Facilities with TransCanada's facilities at Empress, Alberta.

"NOVA Delivery Point Service Agreement" means an agreement between NOVA and Buyer respecting NOVA Delivery Point Firm Service to be provided pursuant to NOVA Rate Schedule FS, or its successor rate schedule.

"NOVA Facilities" means NOVA's pipelines and other NOVA facilities or any part or parts thereof for the gathering, treating, transporting, storing, distribution, exchange, handling or delivery of any Gas.

"NOVA Fuel Gas" means the Gas, if any, used as compressor fuel at the NOVA facilities for deliveries from the Receipt Point(s) to the NOVA Inventory Transfer.

"NOVA Inventory Transfer" means the location of the point on the NOVA Facilities designated by NOVA as the NOVA Inventory Transfer; provided, however, that if NOVA does not normally specify the location of the NOVA Inventory Transfer, then the location shall be such point on the NOVA Facilities as may be mutually agreed by the Parties or, if the Parties cannot agree, the location shall be determined by arbitration in accordance with Article XX.

"NOVA Receipt Point Firm Service" means firm gas transportation service under NOVA's Rate Schedule FS, or its successor rate schedule, from each Receipt Point to the Point of Delivery.

"NOVA Receipt Point Service Agreement" means an agreement between NOVA and Seller respecting NOVA Receipt Point Firm Service to be provided pursuant to NOVA Rate Schedule FS, or its successor rate schedule.

"Party" or "Parties" means a signatory or the signatories to this Agreement, and its or their successor and permitted assigns, as the case may be.

"Point of Delivery" shall mean the NOVA Inventory Transfer point, as set forth in Article X.

"Portland" means Portland Natural Gas Transmission System Limited (a Maine general partnership), its successors and assigns.

"Portland Service Agreement" means an agreement between Portland and Buyer under Portland's Rate Schedule FT, or its successor rate schedule.

"Purchase Deficiency" shall have the meaning set forth in Section 3.3(b).

"Quantity of Gas" means an amount of Gas expressed in GJs determined by the product of the applicable Volume of Gas and the applicable Heating Value of Gas.

"Receipt Point" means any inlet valve of the NOVA Facilities at which Seller is able and authorized to deliver Gas into the NOVA Facilities.

"Scheduled Delivery Quantity" for any period means the Quantity of Gas that Buyer requests Seller to deliver during such period in accordance with Sub-section 4.1 (a), but in no event shall the Scheduled Delivery Quantity for any Day exceed the MDQ.

"10³m³" means thousand cubic meters.

"Term" shall have the meaning set forth in Section 6.1.

"TransCanada" means TransCanada PipeLines Limited, a Canadian corporation, its successors and assigns.

"TransCanada Service Agreement" means an agreement between TransCanada and Buyer under TransCanada's FS Toll Rate or its successor rate.

"U.S. Regulatory Authorities" means each governmental agency or other authority in the United States of America which has jurisdiction over the subject matter of this Agreement including without limitation, F.E.R.C.

"Volume Deficiency" shall have the meaning set forth in Sub-section 3.1 (b).

"Volume of Gas" means an amount of Gas expressed in 10³m³.

ARTICLE II CONDITIONS PRECEDENT

Section 2.1 Conditions Precedent

(a) Except as provided in Section 2.3, Seller shall have no obligation to sell, deliver or cause to be delivered to Buyer, and Buyer shall have no obligation to pay for, purchase, receive or cause to be received from Seller, at the Point of Delivery, the Quantity of

Gas specified in this Agreement, unless and until all of the following conditions precedent have been satisfied.

(i) On or before November 1, 1997, Seller shall have applied for and, on or before the date that NOVA prescribes for execution of the necessary NOVA Receipt Point Service Agreement, Seller shall have entered into all necessary firm natural gas transportation agreements, including but not limited to the NOVA Receipt Point Service Agreement(s), or where applicable transportation precedent agreements, to provide Seller transportation service from the Receipt Points to the Point of Delivery for the delivery of the Quantity of Gas to be sold, delivered or caused to be delivered by Seller to or for the account of Buyer at the Point of Delivery, for deliveries to commence on November 1, 1998; provided, however, that if Buyer is unable to obtain transportation from TransCanada and Portland commencing on November 1, 1998, then such NOVA contract(s) shall be effective as and from the date such service by TransCanada and Portland commences, but no later than November 1, 1999; and

(ii) On or before November 1, 1997, Buyer shall have applied for and, on or before the date that NOVA prescribes for execution of the necessary NOVA Delivery Point Service Agreement, Buyer shall have entered into all necessary firm natural gas transportation agreements, including but not limited to the NOVA Delivery Point Service Agreement, or where applicable transportation precedent agreements, to provide Buyer transportation service from the Point of Delivery to the receipt point on TransCanada's facilities at Empress, Alberta, to receive from Seller and transport to TransCanada's facilities the Quantity of Gas to be sold, delivered or caused to be delivered by Seller to or for the account of Buyer at the Point of Delivery, for deliveries to commence on November 1, 1998; provided, however, that if Buyer is unable to obtain transportation from TransCanada and Portland commencing on November 1, 1998, the execution of the contract(s) with NOVA providing for commencement of such deliveries no later than November 1, 1999, shall satisfy this condition precedent; and

(iii) On or before November 1, 1997, Buyer shall have applied for and, on or before the date that TransCanada prescribes for execution of the necessary TransCanada Service Agreement, Buyer shall have entered into all necessary firm natural gas transportation agreements, including but not limited to the TransCanada Service Agreement, or where applicable transportation precedent agreements, to provide Buyer transportation service from the receipt point on TransCanada's facilities at Empress, Alberta, to the receipt point on Portland's facilities for the transportation of the Quantity of Gas to be sold, delivered or caused to be delivered by Seller to or for the account of Buyer at the Point of Delivery, for deliveries to commence on November 1, 1998; provided, however, that the execution of the contract(s) with TransCanada providing for commencement of such deliveries no later than November 1, 1999, shall satisfy this condition precedent; and

(iv) On or before November 1, 1997, Buyer shall have applied for and, on or before the date that Portland prescribes for execution of the necessary Portland Service Agreement, Buyer shall have entered into all necessary firm natural gas transportation agreements, including but not limited to the Portland Service Agreement, or where applicable transportation precedent agreements, to provide Buyer transportation service from the receipt point on Portland's facilities to Buyer's Facility for the delivery of the Quantity of Gas to be

sold, delivered or caused to be delivered by Seller to or for the account of Buyer at the Point of Delivery, for deliveries to commence on November 1, 1998; provided, however, that the execution of the contract(s) with Portland providing for commencement of such deliveries no later than November 1, 1999, shall satisfy this condition precedent; and

(v) On or before November 1, 1997, Seller shall have applied for and shall have obtained not later than November 1, 1998, all necessary regulatory and governmental authorization or assurances including, but not limited to, provincial natural gas removal permits, sufficient to satisfy Seller's obligations as set forth in Article III hereof; and

(vi) On or before November 1, 1997, Buyer shall have applied for and obtained not later than November 1, 1998, all necessary regulatory and governmental authorizations or assurances including but not limited to provincial permits and approvals, an export license for the removal of gas from Canada, an import license from the U.S. Department of Energy for the import of gas from Canada into the United States, sufficient to satisfy Buyer's obligations as set forth in Article III hereof; and

(vii) Prior to the Initial Delivery Date, NOVA, TransCanada, Portland and other transporters, if any, referred to in Section 2.1(a)(ii), (iii) and (iv) hereof, shall have obtained all necessary regulatory and governmental authorizations or assurances, and shall have constructed and put into service all necessary facilities, to enable Buyer to take delivery at Buyer's Facility of the Quantity of Gas to be sold, delivered or caused to be delivered by Seller to or for the account of Buyer hereunder; and

(viii) On or before November 1, 1999 the Initial Delivery Date shall have occurred pursuant to this Agreement.

(b) Notwithstanding the foregoing Section 2.1(a), Buyer's obligations under this Agreement are expressly subject to the fulfillment of each of the conditions precedent listed below; provided, however, that Buyer may waive any such condition or may extend the date for fulfillment of any such condition, but not beyond November 1, 1999. In the event that any of such conditions are not fulfilled by the date indicated (as such date may be extended), Buyer may terminate this Agreement without further obligation:

(i) On or before November 1, 1997, Buyer shall have applied for and obtained not later than November 1, 1998, all necessary regulatory authorizations and all site and environmental permits sufficient for Buyer to construct and operate Buyer's Facility; and

(ii) On or before November 1, 1997, Buyer shall have secured financing adequate and sufficient, in Buyer's sole discretion, for the construction and completion of Buyer's Facility.

Section 2.2 Notification

(a) Seller shall notify Buyer, in writing, upon the satisfaction by Seller of Seller's conditions precedent in Section 2.1 (a)(i) and (v), or waiver or extension by Seller at Buyer's request, of Buyer's conditions precedent in Section 2.1 (a)(ii), (iii), (iv), (vi), (vii) and (viii) hereof.

(b) Buyer shall notify Seller, in writing, upon the satisfaction by Buyer of Buyer's conditions precedent in Section 2.1 (a)(ii), (iii), (iv), (vi), (vii) and (viii), or waiver or extension by Buyer at Seller's request, of Seller's conditions precedent in Section 2.1 (a)(i) and (v) hereof. Buyer shall notify Seller, in writing, upon the satisfaction, extension or waiver by Buyer of Buyer's conditions precedent in Section 2.1 (b)(i) and (ii).

Section 2.3 Satisfaction of Conditions Precedent

Upon satisfaction or waiver of all the conditions precedent in Section 2.1 hereof, Seller's obligation to sell, deliver or cause to be delivered and Buyer's obligation to pay for, purchase, receive, or cause to be received, the Quantity of Gas specified in this Agreement in accordance with Section 3.1 hereof shall become effective. Seller and Buyer shall use due diligence to satisfy the conditions precedent referred to in Section 2.1 hereof, within the respective control of each and shall cooperate reasonably with each other in satisfying any condition precedent in Section 2.1 hereof.

If any of the conditions precedent included in Section 2.1 hereof have not been satisfied or waived by the date specified in Section 2.1, then the Party which has performed its obligation may thereafter terminate this Agreement by giving thirty (30) Days written notice to the other Party of its intention to terminate, and this Agreement shall terminate and shall thereafter be of no further force and effect; provided, however, that in the event Buyer has not satisfied one or more of the conditions precedent set out in Section 2.1 (a)(ii), (iii), (iv), (vi), (vii) and (viii), or satisfied or waived one or more of the conditions precedent set out in Section 2.1(b), but agrees, beginning November 1, 1999, to either take gas or commence monthly payments of the GIC multiplied times one-twelfth of the MAQ, then Buyer shall provide Seller with written notice of such agreement by so notifying Seller that (i) Buyer has waived any remaining condition(s) precedent, (ii) Buyer will commence either taking the gas or paying the GIC as described above beginning on November 1, 1999 (or any earlier date that Buyer shall state in such notice to Seller), and (iii) the Parties' rights and obligations under this Agreement shall no longer be subject to satisfaction of any conditions precedent effective, and, thereafter, Seller shall not have the right to terminate this Agreement under this Section 2.3.

ARTICLE III SCOPE OF AGREEMENT

Section 3.1 Purchase and Sale

(a) Subject to all of the terms, conditions, and limitations set forth in this Agreement, commencing on the Initial Delivery Date Seller shall sell, deliver or cause to be

delivered to Buyer on a Firm Basis, and Buyer shall purchase, receive or cause to be received at the Point of Delivery on a Firm Basis, a Quantity of Gas equal to the Scheduled Delivery Quantity.

(b) In the event Seller is unable, except due to an Event of Force Majeure, to deliver all or a portion of the Scheduled Delivery Quantity on any Day in accordance with the terms and conditions of this Agreement, then a "Volume Deficiency" for such Day equal to the difference between the Scheduled Delivery Quantity and the Quantity of Gas delivered by Seller shall exist. If a Volume Deficiency occurs, Buyer shall have the right to purchase the Volume Deficiency from other fuel suppliers. Should Buyer purchase fuel from a third party to replace any Volume Deficiency ("Cover Gas"), Buyer will first endeavor to acquire the Cover Gas at the lowest price reasonably available at the Point of Delivery, it being understood however, that Buyer's primary consideration in purchasing Cover Gas will be to obtain delivery of same at Buyer's Facility when needed. Upon receipt of Buyer's detailed invoice for its cost of Cover Gas, Seller shall, within ten (10) Days of receipt of such invoice, reimburse all of Buyer's reasonable incremental costs except consequential damages, incurred in obtaining such Cover Gas. Buyer's invoice shall be based on the amount, if any, by which Paragraph (i) below exceeds Paragraph (ii) below:

- (i) The amount that Buyer paid for the Cover Gas per GJ plus any incremental demand charges relative to unused transportation resulting from such Volume Deficiency; and
- (ii) The applicable price per GJ computed pursuant to Section 3.1; such difference then being multiplied by the Quantity of Gas contained in the Cover Gas.

So long as Seller's failure to deliver Gas does not constitute, or result in, an Event of Default, Buyer's remedy of Cover Gas shall be Buyer's sole remedy in contract and in tort for Seller's breach of its obligation to deliver Gas. If Seller's failure constitutes an Event of Default under Article XIX hereof, Buyer also has the right to terminate the Agreement as provided in Article XIX and Buyer's Cover Gas remedy shall be in addition to such other remedies available to Buyer. The provision of Section 21.9 shall apply to any failure to deliver by Seller whether or not such failure is an Event of Default.

Section 3.2 Deliveries Prior to Initial Delivery Date

Notwithstanding any other provision of this Agreement, if Buyer wishes to purchase and Seller wishes to sell a Quantity of Gas for initial synchronization, performance testing and operation of Buyer's Facility for a Quantity of Gas less than forty-five percent (45%) of the MDQ on a balanced daily basis ("Initial Synchronization Gas") prior to the Initial Delivery Date on terms and at a price per GJ to be agreed to by Seller and Buyer in writing, then Seller may sell, deliver or cause to be delivered such Quantity of Gas to the Point of Delivery for Buyer's account. If Buyer requires a Quantity of Gas on a Firm Basis for the purpose of conducting performance testing of Buyer's Facility for a Quantity of Gas equal to or in excess of forty-five percent (45%) of the MDQ on a balanced daily basis ("Test Gas") prior to the Initial Delivery Date, then Seller shall have the right but not the obligation to make Test Gas available to Buyer on a Firm Basis at the price of \$1.870 per GJ at any time prior to November 1, 1999, plus costs incurred by Seller to transport such Gas to the Point of Delivery.

Section 3.3 Minimum Annual Quantity; Payment

(a) Buyer shall purchase from Seller in each Agreement Year an aggregate Quantity of Gas at least equal to the Minimum Annual Quantity; provided further that Buyer shall nominate and take during each of the three month periods ending January 31, April 30, July 31, and October 31 in each Agreement Year an aggregate Quantity of Gas at least equal to the Minimum Quarterly Quantity; provided, further, that Buyer's minimum purchase obligations hereunder do not obligate Buyer to take a Quantity of Gas on any Day in excess of the MDQ.

(b) If, for any Agreement Year, the total Quantity of Gas taken and paid for by Buyer under this Agreement (the "Actual Purchased Quantity") is less than the Minimum Annual Quantity (the "Purchase Deficiency"), then within thirty (30) Days after Buyer's receipt of Seller's notice, which Seller shall render within ninety (90) Days after the end of such Agreement Year in which a Purchase Deficiency has occurred, Buyer shall pay to Seller a sum equal to the Purchase Deficiency multiplied by the GIC.

(c) On any Day, in the event that Buyer nominates less than the MDQ, Seller shall have the right to sell Gas to third parties equal to the MDQ less the Quantity of Gas nominated by Buyer.

ARTICLE IV
DELIVERIES

Section 4.1 Quantity

(a) Commencing with the Initial Delivery Date and continuing throughout the Term of this Agreement, Buyer shall provide Seller with schedules showing the Scheduled Delivery Quantity (up to the MDQ) which Buyer requests to be sold, delivered or caused to be delivered by Seller to Buyer at the Point of Delivery, in accordance with the following procedures:

- (i) Buyer shall deliver to Seller a written nomination schedule showing the Scheduled Delivery Quantity for each Day of the Month not later than one (1) Business Day prior to the date by which Buyer must make nominations to NOVA and the other pipelines transporting the Gas that Seller delivers for Buyer's account at the Point of Delivery during such Month under this Agreement.
- (ii) Buyer shall give Seller at least four (4) hours' notice prior to a proposed change in a daily Scheduled Delivery Quantity from that set forth in the nomination provided for in Section 4.1 (a) (i) hereof and Seller shall accept notice. Notice of any such change shall be provided in writing, or by telephone simultaneously reduced to writing and delivered by telecopier, and shall be provided to Seller in accordance with Article XVIII hereof.
- (iii) After the Initial Delivery Date, at least fifteen (15) Days prior to the first Day of each February, May, August and November, Buyer shall furnish Seller a written schedule of the estimated Scheduled Delivery Quantity for purchase and delivery during each Month of the quarter of an Agreement Year beginning on that date.

(b) Buyer shall purchase from Seller a minimum Monthly volume of Seller's gas equal to the Quantity of Gas calculated, on a daily basis, as the MDQ divided by 43,000 GJ multiplied times Buyer's actual total daily purchases of Gas, provided that such Quantity of Gas, on a daily basis, shall not exceed the MDQ.

(c) Buyer shall comply with all reasonable requests by Seller for additional information requested by Seller as necessary to sell, deliver or cause to be delivered the Quantity of Gas contemplated under this Agreement and to comply with the valid reporting or other requirements of any administrative or regulatory agency having jurisdiction.

Section 4.2 Uniform Deliveries

The Quantity of Gas sold in accordance with this Agreement shall be delivered or caused to be delivered to the Point of Delivery to Buyer or for Buyer's account and received or caused to be received at the Point of Delivery by Buyer or for Buyer's account, as reasonably practicable, at hourly rates of flow that are uniform over the course of a Day.

Section 4.3 Gas Imbalances

Seller and Buyer agree to cooperate with each other to have delivered and received a Quantity of Gas at the Point of Delivery equal to the Scheduled Delivery Quantity; provided, however, to the extent that either Party causes deliveries or receipts of a Quantity of

ARTICLE VI
TERM OF AGREEMENT

Section 6.1 Term

Subject to the other provisions of this Agreement, this Agreement shall become effective as of the date first above written, and shall continue in full force and effect for a term of (the "Term") ten (10) Agreement Years from and after the Initial Delivery Date.

ARTICLE VII
TRANSPORTATION

Section 7.1 NOVA Transportation

The Parties acknowledge that the Gas to be sold by Seller to Buyer under this Agreement is to be transported from each Receipt Point through the NOVA Facilities to the Point of Delivery.

Section 7.2 NOVA Receipt Point Firm Service

Seller shall maintain a NOVA Receipt Point Service Agreement or NOVA Receipt Point Service Agreements with NOVA for NOVA Receipt Point Firm Service effective as and from November 1, 1998 (provided, however, that if Buyer is unable to obtain transportation from TransCanada and Portland commencing on November 1, 1998, then such NOVA contract(s) shall be effective as and from the date such service by TransCanada and Portland commences, but no later than November 1, 1999), for a daily Quantity of Gas equal to at least the MDQ plus NOVA Fuel Gas required to transport the MDQ on the NOVA Facilities, from such Receipt Points as Seller may determine as necessary or desirable from time to time during the Term of this Agreement to the Point of Delivery.

Section 7.3 NOVA Delivery Point Firm Service

Buyer shall maintain a NOVA Delivery Point Service Agreement with NOVA for NOVA Delivery Point Firm Service effective as and from November 1, 1998 (provided, however, that if Buyer is unable to obtain transportation from TransCanada and Portland commencing on November 1, 1998, then such NOVA contract(s) shall be effective as and from the date such service by TransCanada and Portland commences, but no later than November 1, 1999), for a daily Quantity of Gas equal to at least the MDQ, from the Point of Delivery to the interconnection of the NOVA Facilities with TransCanada's facilities at Empress, Alberta. Buyer shall have the option at any time during the Term of this Agreement to assign to Seller a portion, not to exceed the MDQ, of its NOVA Delivery Point Service Agreement and, thereafter, Seller shall be responsible for the firm transportation under such agreement of the Quantity of Gas purchased by Buyer under this Agreement and the Commodity Charge under Section 8.1 applicable to Gas purchased hereunder shall be increased by the 100% load factor

equivalent of the cost of transporting such Gas under the assigned portion of the NOVA Delivery Point Service Agreement.

Section 7.4 Downstream Transportation

Buyer shall maintain the NOVA Delivery Point Service Agreement, the TransCanada Service Agreement, the Portland Service Agreement and all other necessary firm transportation downstream of the Point of Delivery.

ARTICLE VIII
PRICE

Section 8.1 Commodity Charge

Commencing upon the Initial Delivery Date and thereafter during the Term of the Agreement, Buyer shall pay to Seller for each GJ of Gas delivered to the Point of Delivery the product obtained by multiplying the Quantity of Gas delivered by the following prices (all prices in this Agreement are expressed in Canadian dollars), with each price per GJ applicable to all Gas delivered during the twelve Months beginning with the date specified for each such price:

November 1, 1998	\$1.870
November 1, 1999	\$1.917
November 1, 2000	\$1.964
November 1, 2001	\$2.014
November 1, 2002	\$2.064
November 1, 2003	\$2.115
November 1, 2004	\$2.163
November 1, 2005	\$2.223
November 1, 2006	\$2.278
November 1, 2007	\$2.335

If the Initial Delivery Date occurs after November 1, 1998, then the above price schedule is extended by one year with a price of \$2.394 per GJ applicable for deliveries beginning on November 1, 2008.

Section 8.2 Market Risk Assessment

Each party represents and warrants that:

(a) The prices for Gas contained in Section 8.1 are acceptable to Seller and Buyer given the mutual consideration provided in this Agreement and the market outlook for Gas prices generally over the Term; and

(b) Each Party accepts the risk described in the representation and warranty in Section 8.2(a) above and each Party shall continue to perform its obligations to the other on every Day during the Term notwithstanding that the prices for Gas contained in Section 8.1 may be below or above the market price of Gas at anytime or from time to time.

Section 8.3 Taxes

The price of Gas sold under this Agreement excludes all provincial and federal sales taxes, goods and services taxes and other similar taxes. Any provincial or federal sales tax, goods and services tax or other similar tax imposed by any lawful authority which by its terms is payable by Buyer, but is to be collected and remitted by Seller shall be added to the amount invoiced by Seller, and shall be paid by Buyer to Seller in the same manner as the amount for Gas invoiced by Seller, or separately invoiced by Seller. Buyer will provide evidence to Seller showing that the Gas delivered to Buyer under this Agreement was exported, such evidence to be in a form satisfactory for Revenue Canada's review.

ARTICLE IX BILLINGS AND PAYMENTS

Section 9.1 Billings and Payments

Commencing with the earlier of November 1, 1999, or the Initial Delivery Date, and continuing with each succeeding Month thereafter ("Delivery Month"), Seller shall present to Buyer, on or before the fifteenth (15) Day of the Month following each Delivery Month, an invoice showing the Quantity and the Heating Value of the Gas, if any, delivered on each Day during the Delivery Month, the GIC, if any, and the total amounts and charges due and payable to Seller for such Gas. If the actual Quantity of Gas sold, delivered or caused to be delivered during the Delivery Month is not known or available in time to prepare the invoice, Seller shall estimate the amounts based on Seller's reasonable estimate of the Quantity of Gas sold, delivered or caused to be delivered to Buyer. Seller shall provide, in the succeeding Month's invoice, an adjustment based on any differences between the estimated quantities and the actual Quantity of Gas delivered to Buyer during the Delivery Month.

Section 9.2 Payment

Subject to the provisions of Section 9.7 hereof, Buyer agrees to pay Seller in immediately available funds the amount invoiced under Section 9.1 hereof at Seller's address, as designated in Article XVIII hereof, on or before the twenty-fifth (25th) Day of the Month in which such billing invoice is presented to Buyer. If presentation of an invoice to Buyer occurs after the fifteenth (15th) Day of a Month, then the payment date shall be postponed by a period equal to the number of Days elapsed between the fifteenth (15th) Day of the Month and the Day on which the invoice was actually received by Buyer.

Section 9.3 Audit Rights

Each Party shall have the right at reasonable hours and upon reasonable notice to examine, on any Business Day on which either Party is open for business, the books, records and charts of the other Party relating to the previous twenty-four (24) month period to the extent necessary to verify the accuracy of any statement, chart or computation made under or pursuant to the provisions of this Agreement.

Section 9.4 Security

No later than thirty Days before the Initial Delivery Date, Buyer shall provide Seller a letter of credit as security for Buyer's payments to Seller for Gas delivered and sold to Buyer hereunder. The value of the letter of credit shall be equal to 55 days multiplied by the MDQ and multiplied by the price specified in Section 8.1 and applicable to that first Agreement Year. A new letter of credit shall be provided on the first Day of each subsequent Agreement Year, at an increased amount equal to 55 days multiplied by the MDQ and multiplied by the price specified in Section 8.1 and applicable to such Agreement Year. Upon receipt of each new letter of credit under this Section 9.4, Seller shall return the preceding letter of credit to Buyer. Each letter of credit shall be irrevocable, payable to Seller upon demand, and drawn on a bank reasonably satisfactory to Seller. In the event that any letter of credit provided under this Section 9.4 and held by Seller is not replaced at least ten (10) Days prior to the expiration date of such letter of credit, then Seller may draw on such letter of credit and shall place such funds into an escrow account, held by a bank reasonably acceptable to Buyer, to utilize in the place of the replacement letter of credit until the replacement letter of credit is provided by Buyer, at which time the amount in the escrow account shall be refunded to Buyer; provided, further, that no later than sixty (60) Days prior to the Initial Delivery Date Seller and Buyer shall establish an escrow account on terms mutually acceptable to both Buyer and Seller.

Section 9.5 Interest on Late Payments

Should Buyer fail to pay the amount of any invoice when due pursuant to Section 9.2 or should Seller fail to pay the amount of any invoice when due pursuant to Section 3.1(b), interest at the Interest Rate shall accrue on the unpaid portion of the invoice calculated and compounded monthly from the date payment was due until payment is made; provided, however, that Seller and Buyer shall use their best efforts to resolve any dispute regarding the amount of any invoice within thirty (30) Days after notice from one Party to the other Party that it disputes the amount of any invoice; provided, further, that if the resolution of such a dispute requires one Party to refund any amount previously paid to it by the other Party, then such refund shall include interest at the Interest Rate on such amount from the date such amount was originally paid until such amount is refunded.

Section 9.6 Failure to Pay

Should Buyer fail to pay the undisputed amount of any invoice when due hereunder, Seller shall give Buyer five Business Days prior written notice of such non-payment and Seller's intention to suspend deliveries and draw on the letter of credit provided under

Section 9.4. If Buyer does not make such payment prior to the expiration of such five Business Days, then Seller may, in its sole discretion, draw on the letter of credit provided under Section 9.4 for the amount of such undisputed payment and/or suspend deliveries of Gas hereunder. Upon payment of the undisputed amount or, in the case of a draw on the letter of credit by Seller, reinstatement of the letter of credit to its original amount, Seller shall immediately resume deliveries of Gas to Buyer hereunder. In the event of such a suspension by Seller, Buyer shall remain responsible for payments due for the GIC.

Section 9.7 Corrections of Errors

In the event either Party determines that there is an error in the amount billed in any invoice rendered by Seller, the error shall be adjusted within thirty (30) Days of a final determination of whether an error has occurred; provided, however, any claim therefor shall have been made within sixty (60) Days from the Day the error was determined. If the error resulted in an overcharge and the invoice has been paid, Seller shall refund the amount of the overcharge with interest at the Interest Rate from the Day the overcharge was paid until the date of the refund to Buyer.

Section 9.8 Non-Business Days

If the payment date under this Article IX falls on a Day that is not a Business Day, then the payment date shall be the nearest Business Day prior to the date that the payment is otherwise due.

ARTICLE X
POINT OF DELIVERY

Section 10.1 Point of Delivery

The Point of Delivery for the Quantity of Gas to be sold and delivered by Seller hereunder for purchase and receipt by Buyer or for Buyer's account shall be the NOVA Inventory Transfer; provided, however, that Seller may from time to time deliver Quantities of Gas from Saskatchewan directly into TransCanada's facilities provided that (i) TransCanada allows Seller to introduce such supplies of Gas into TransCanada's facilities downstream of the Point of Delivery hereunder and (ii) utilization of such Gas supplies by Seller does not increase the costs incurred by Buyer for purchase and transportation of any quantities of Gas to Buyer's Facility.

ARTICLE XI
DELIVERY PRESSURE

Section 11.1 Delivery Pressure

The Quantity of Gas sold, delivered or caused to be delivered by Seller to Buyer at the Point of Delivery shall be at the pressure required by NOVA, as set forth by NOVA in its effective gas tariff, as amended or modified from time to time and as approved by the AEUB.

ARTICLE XII
QUALITY

Section 12.1 Quality

The quality of the Quantity of Gas delivered under this Agreement shall meet or exceed the minimum quality specifications established by NOVA in its effective gas tariff, as amended or modified from time to time and as approved by the AEUB.

Section 12.2 Non-Conforming Gas

Buyer shall not be obligated to receive and purchase Gas hereunder that fails to conform to the specifications set out in this Article XII; provided, however, should Buyer accept deliveries of any such Gas, Buyer shall nevertheless pay Seller for such Gas received and accepted at the price payable pursuant to Article VIII.

ARTICLE XIII
MEASUREMENT OF GAS

Section 13.1 Unit of Measure

The unit of measure for the Quantity of Gas received by or delivered to Buyer at the Point of Delivery shall be one GJ. GJ's delivered to Buyer at the Point of Delivery as specified in Section 10.1 hereof shall be determined by multiplying the applicable Volume of Gas sold, delivered or caused to be delivered to Buyer by the applicable Heating Value of Gas.

Section 13.2 Meters

Meter(s) and other related equipment and facilities installed and maintained by NOVA at the Receipt Point and at the Point of Delivery shall be the exclusive method and means of determining the Quantity of Gas, the Volume of Gas and the Heating Value of Gas sold, delivered or caused to be delivered to Buyer under this Agreement.

Section 13.3 Reading and Testing

Reading, testing, calibration and adjustment of any NOVA meter(s) and related measurement equipment shall be performed according to NOVA's effective gas tariff, as amended or modified from time to time and as approved by the AEUB.

Section 13.4 Meter Records

Each Party shall cooperate and endeavor to obtain and make available to the other Party the charts and records relating to NOVA meters and other related equipment to the extent that such charts and records pertain to the Quantity of Gas delivered under this Agreement to Buyer.

ARTICLE XIV
POSSESSION, TITLE AND WARRANTY

Section 14.1 Possession and Title

Possession of and title to Gas sold by Seller to Buyer hereunder shall pass from Seller to Buyer at the Point of Delivery. As between Seller and Buyer, until the Gas reaches the Point of Delivery, Seller shall be deemed to be in exclusive control and possession and have title to the Gas and be responsible for any loss, damage or injury caused thereby for such Gas, and shall indemnify Buyer and save it harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of adverse claims of any or all persons relating to the Gas or to taxes, license fees or charges therein, that are applicable at or before the title to the Gas passes to Buyer. As between Seller and Buyer, upon delivery of Gas at the Point of Delivery, Buyer shall be deemed to be in exclusive control and possession of and have title to the Gas and be responsible for any loss, damage or injury caused thereby for such Gas, and shall indemnify Seller and save it harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of adverse claims of any or all persons relating to the Gas or to taxes, license fees or charges therein, that are applicable after the title to the Gas passes to Buyer.

Section 14.2 Warranty

Seller warrants that at the time of delivery Seller shall have good title to all gas sold and delivered to Buyer under this Agreement free and clear of all liens, encumbrances and claims whatsoever and that Seller shall indemnify Buyer and save it harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of adverse claims of any or all persons relating to the Gas or to royalties, taxes, license fees or charges thereon, that are applicable before the title to the Gas passes to Buyer.

ARTICLE XV
FORCE MAJEURE

Section 15.1 Burden of Proof

In the event that the Parties are unable in good faith to agree that an Event of Force Majeure has occurred, the Parties shall submit the dispute for resolution pursuant to Article XX hereof; provided, however, the burden of proof as to whether an Event of Force Majeure has occurred shall be upon the Party claiming an Event of Force Majeure.

Section 15.2 Event of Force Majeure

If either Party is rendered wholly or partially unable to perform its obligations under this Agreement because of an Event of Force Majeure that Party shall be excused from whatever performance is affected by the Event of Force Majeure to the extent so affected; provided, however:

(a) the non-performing Party, as soon as reasonably practicable after learning of the occurrence of the inability to perform due to an Event of Force Majeure, provides written notice to the other Party giving the particulars of the occurrence, including an estimation of its expected duration and probable impact on the performance of its obligations under this Agreement, and continues to furnish timely regular reports with respect thereto during the Event of Force Majeure;

(b) the non-performing Party shall exercise all reasonable efforts to continue to perform its obligations under this Agreement and to remedy expeditiously its inability to so perform;

(c) the non-performing Party shall provide the other Party with prompt notification of the cessation of the Event of Force Majeure giving rise to the excuse from performance; and

(d) no obligation of either Party that arose prior to the occurrence of the Event of Force Majeure shall be excused as a result of the occurrence.

Section 15.3 Settlement of Strikes, Lockouts, or Other Labour Disputes

Nothing in this Article XV shall require the settlement of any strike, walkout, lockout or other labour dispute on terms that, in the sole judgement of the Party involved in the dispute, are contrary to that Party's interest. It is understood and agreed that the settlement of strikes, walkouts, lockouts, or other labour disputes shall be entirely within the discretion of the Party having the difficulty.

Section 15.4 Force Majeure Curtailment

(a) In the event that, as a result of an Event of Force Majeure, Seller is rendered unable on any Day, wholly or in part, to sell and deliver the quantity of natural gas that Seller's customers have requested for such day, then Seller shall curtail deliveries to such customers (including Buyer hereunder) in the following order of priority:

(i) first, under natural gas sales contracts on a non-firm Basis;

(ii) second, under natural gas sales contracts on a Firm Basis, including this Agreement; provided, however, to the extent that Seller is required by such Event of Force Majeure to curtail deliveries under natural gas sales contracts on a Firm Basis, such deliveries shall be curtailed on a pro rata basis in the proportion of the MDQ under this Agreement to the MDQ (or its equivalent) under all of Seller's natural gas sales contracts of a similar nature, unless required to the contrary by any law, regulation, or prior contractual commitment.

(b) In the event that, as a result of an Event of Force Majeure, Buyer is rendered unable on any Day, wholly or in part, to accept at the Point of Delivery and transport to and use at the Buyer's Facility the Quantity of Gas that Buyer is obligated to purchase from Seller for such day, then Buyer shall curtail purchases from all suppliers at the Point of Delivery (including Buyer hereunder) in the following order of priority:

(i) first, under natural gas sales contracts on a non-firm Basis;

(ii) second, under natural gas sales contracts on a Firm Basis, including this Agreement; provided, however, to the extent that Buyer is required by such Event of Force Majeure to curtail purchases under natural gas purchase contracts on a Firm Basis, such purchases shall be curtailed on a pro rata basis in the proportion of the MDQ under this Agreement to the MDQ (or its equivalent) under all of Buyer's natural gas purchase contracts of a similar nature, unless required to the contrary by any law, regulation, or prior contractual commitment.

Section 15.5 Impossibility of Performance due to an Event of Force Majeure

In the event that any Event of Force Majeure prevents Seller from delivering or Buyer from accepting any Gas under this Agreement for more than twelve (12) consecutive Months and such Event of Force Majeure is expected to remain effective for the remaining Term of this Agreement, the Party not experiencing the Event of Force Majeure may terminate this Agreement without continuing liability by either Party to the other Party upon sixty (60) Day's written notice to the other Party; provided, however, that such termination shall not be effective if, during such sixty (60) Day period, such Event of Force Majeure is remedied or the non-performing Party otherwise resumes performance of its obligations that were prevented by such Event of Force Majeure.

ARTICLE XVI
LAWS AND REGULATORY BODIES

Section 16.1 Laws and Regulatory Bodies

This Agreement and the rights and obligations of the Parties hereunder are subject to all applicable present and future laws, rules, regulations, acts, restraints, and orders of any regulatory or legislative body or other duly constituted authority having jurisdiction over Seller or Buyer.

ARTICLE XVII
TRANSFER AND ASSIGNMENT

Section 17.1 Assignments

(a) Except as specified in Sub-section 17.1(b), (c), (d) or (e) hereof, the rights and obligations of the Parties to this Agreement may not be assigned by either Party except upon the express written consent of the other Party, which consent shall not be unreasonably withheld. In the event such an assignment is made and consented to, the assigning Party shall be released and discharged from all obligations to the other Party hereunder thereafter arising, and such assignee shall be substituted in place of the assigning Party herein.

(b) Either Party shall have the right, without the consent of the other Party, but upon notice to the other Party, to assign this Agreement to any entity owned by, under common ownership with, or owning the assigning Party, or, in the case of Buyer, to a partnership or other entity organized for the purpose of developing, constructing, owning and operating Buyer's Facility, and in which Buyer or an affiliate of Buyer holds an equity interest. Upon such assignment, the Party assigning will not be released from any obligation or liability arising or accruing under this Agreement without the written consent of the other Party. Such consent shall not be unreasonably withheld.

(c) Buyer shall also have the right, without Seller's consent, to assign all of its rights and interest (but not its obligations) under this Agreement to the Financing Parties as security for Buyer's obligations under the Financing Documents. Seller acknowledges that upon an Event of Default by Buyer under the Financing documents, any of the Financing Parties may (but shall not be obligated to) assume, or cause its designee or a new lessee or purchaser of Buyer's Facility to assume, all of the interests, rights and obligations of Buyer arising under this Agreement. If the rights and interests of Buyer in this Agreement shall be assumed, sold or transferred as hereinbefore provided, Buyer shall be released and discharged from, and the assuming Party shall agree in writing to be bound by and to assume, the terms and conditions of this Agreement and any and all obligations to Seller arising or accruing hereunder (whether before or after the date of such assumption) and Seller shall continue this Agreement with the assuming Party as if such person had thereafter been named as Buyer under this Agreement. Notwithstanding any such assumption by any of the Financing Parties or a designee thereof, or under a general assignment, Buyer shall not be released and discharged from and shall remain

liable for any and all obligations to Seller arising or accruing hereunder prior to such assumption unless and until such obligations to Seller are performed by the Buyer, the Financing Parties, a designee of the Financing Parties, or the assignee under a general assignment.

(d) The provisions of Section 19.2 hereof and this Section 17.1 are for the benefit of the Financing Parties as well as the Parties hereto, and shall be enforceable by each. Seller hereby agrees that none of the Financing Parties, or any bondholder or participant for whom they may act, shall be obligated to perform any obligation or be deemed to incur any liability or obligation provided herein on the part of Buyer or shall have any obligation or liability to Seller with respect to this Agreement, except as provided in Section 19.2 hereof and this Section 17.1.

ARTICLE XVIII NOTICE

Section 18.1 Notice

Except as provided in Paragraph 4.1(a)(ii) hereof, every notice, statement, bill or nomination provided for in this Agreement shall be in writing directed to the Party to whom given, made or delivered at such Party's address as follows (or as otherwise directed in writing by such Party):

SELLER: Rio Alto Exploration Ltd.
1600, 111 - 5th Avenue S.W.
Calgary, Alberta
T2P 3Y6
Attention: _____
Telephone: (403) _____
Fax: (403) _____

BUYER: Androscoggin Energy LLC
Suite 170, 650 Dundee RD
Northbrook, IL USA 60062
Attention:
Telephone: (847) 559-9800
Fax: (847) 559-1805

FINANCING PARTIES:

As Buyer may specify from time to time

Either Party may change its address from time to time by giving written notice of such change to the other Party. Any notice, communications, nomination, or statement or other document given or delivered under this Agreement by mail shall be deemed received by the addressee at the end of the third Business Day after the date of mailing by prepaid registered or certified mail in the United States or Canada; provided, however, at any time when there is a strike affecting delivery of United States or Canadian mail, all such deliveries shall be made by hand, overnight courier or by telecopier. If any such notice, communication, nomination, statement, or other document is delivered by hand, overnight courier or by telecopier to the addressee, it shall be deemed to have been received by the addressee as soon as such delivery or transmission has been effected.

ARTICLE XIX DEFAULT AND REMEDIES

Section 19.1 Definition

(a) An Event of Default under this Agreement shall be deemed to exist upon the occurrence of any one or more of the following events:

- (i) Failure by either Party to make payment of any amounts due to the other Party under this Agreement, and that failure continues for a period of thirty (30) Days after such payment is due; or
- (ii) Failure by either Party to perform fully any other material provision of this Agreement, including, without limitation, Seller's obligations under Article V hereof, and (a) such failure continues for a period of thirty (30) Days after written notice of such non-performance from the other Party or (b) if within such thirty (30) Day period the non-performing Party commences and proceeds with due diligence to cure the failure and failure is not cured within one hundred eighty (180) Days or such longer period of time agreed to by the Parties in writing as being necessary for the Party to cure the failure with all due diligence; or
- (iii) If by order of a court of competent jurisdiction, a receiver or liquidator or trustee of either Party or of any of the property of either Party shall be appointed, and such receiver or liquidator or trustee shall not have been discharged within a period of sixty (60) Days; or if by decree of such a court, either Party shall be adjudicated bankrupt or insolvent or any substantial part of the property of such Party shall have been sequestered, or such decree shall have continued undischarged and unstayed for a period of sixty (60) Days after the entry thereof; or if a petition to declare bankruptcy or to reorganize either Party pursuant to the provisions of any applicable bankruptcy law, or pursuant to any other similar

law applicable to such Party, shall be filed against such Party and shall not be dismissed within sixty (60) Days after such filing; or

- (iv) If either Party shall file a voluntary petition in bankruptcy under any provision of any applicable bankruptcy law or shall consent to the filing of any bankruptcy or reorganization petition against it under any similar law; or, without limitation of the generality of the foregoing, if either Party shall file a petition or answer or consent seeking relief or assisting in seeking relief in a proceeding under any bankruptcy law, or pursuant to any other similar law applicable to such Party, or an answer admitting the material allegations of a petition filed against it in such a proceeding; or if either Party shall make an assignment for the benefit of its creditors; or if either Party shall consent to the appointment of a receiver or receivers, or trustee or trustees, or liquidator or liquidators of it or of all or of any part of its property; or

(b) Subject to the limitation in Section 19.3, in the event of an Event of Default, the non-defaulting Party may proceed to exercise any remedy provided under this Agreement or existing at law or in equity. If one Party believes in good faith that no Event of Default has occurred, and promptly informs the Party asserting the existence of the Event of Default of this belief, then the Parties shall enter negotiations in an attempt to resolve the dispute; provided, however, if either Party believes in good faith that negotiated resolution to the dispute is unlikely, then the Party may proceed to exercise any and all remedies available under this Agreement or existing at law or in equity.

Section 19.2 Remedies for Breach

Subject to the limitations in Section 19.3, during any Event of Default, the Party not in default shall have the right:

(a) to terminate this Agreement upon ten (10) Days written notice to the defaulting Party provided however that Seller has no right to terminate this Agreement on account of an Event of Default on the part of Buyer so long as Buyer makes payment of sums due to Seller under this Agreement; or

(b) notwithstanding Section 19.3, with respect to non-payment by Buyer of undisputed sums due Seller, Seller may elect to suspend deliveries five (5) Days after the date on which notice of non-payment was given to Buyer pursuant to Section 9.6; provided, however, that a draw by Seller on the letter of credit provided by Buyer pursuant to Section 9.4 shall not be considered as payment of sums due for purposes of this Article XIX unless and until such letter of credit has been reinstated to its original amount in effect prior to the draw by Seller. Subject to the limitations in Section 19.3, Seller thereafter has the right to terminate this Agreement upon ten (10) Days written notice to Buyer pursuant to Section 19.2(a) unless Buyer has commenced and is proceeding with due diligence to remedy the Event of Default in such ten (10) Day period and such Event of Default is remedied within ninety (90) Days thereafter; or

(c) to pursue any other remedy provided under this Agreement, or now or hereafter existing at law or in equity or otherwise.

Section 19.3 Limitation

Notwithstanding Sections 19.1 and 19.2 and any other provision of this Agreement, if an Event of Default occurs as described in Sub-section 19.1 (a)(ii) from a failure to deliver by Seller under Article III or IV or a failure of warranty of adequate gas supply under Article V, then Buyer shall have the right to terminate this Agreement upon ten (10) Days written notice to Seller as described in Sub-section 19.2(a). If Buyer elects to so terminate this Agreement, Seller shall be released from all obligations and liabilities under this Agreement arising after the date of such termination (including without limitation Buyer's remedy of Cover Gas under Sub-section 3.1(b)); provided, however, that any and all obligations and liabilities arising prior to such termination shall not be released. In the case of an Event of Default by Buyer, Seller shall provide the Financing Parties with notice of such Event of Default at the same time such notice is provided to Buyer and the Financing Parties shall have the right (but not the obligation) for ninety (90) Days after such notice to cure the Event of Default on behalf of Buyer or assume or cause its designee or cause a lessee or purchaser of Buyer's Facility to assume, all of the rights and obligations of Buyer under this Agreement arising before and after the date of such assumption. In the case of an Event of Default by Buyer and Seller elects to pursue a remedy available under Sections 19.1(b) or 19.2(c), the measure of damages for which Seller may seek recovery from Buyer is agreed to be the GIC multiplied times an appropriate quantity of gas that is effected by the Event of Default, which shall not exceed the MAQ multiplied times the Agreement Years (prorated for any partial Agreement Year) remaining in the Term of this Agreement.

Section 19.4 Financing Parties

In the event that any of the Financing Parties or its designee assumes that Agreement in accordance with Section 19.3 hereof:

(a) Buyer shall remain liable for any and all obligations to Seller arising or accruing hereunder prior to such assumption. Buyer shall be released and discharged from any obligations to Seller arising or accruing hereunder from and after the date of such assumption;

(b) Seller shall continue this Agreement with any of the Financing Parties or its designee, as the case may be, substituted in the place of Buyer hereunder; and

(c) If the assuming Party is any of the Financing Parties, such Party shall be liable to Seller for the performance of any and all obligations to Seller under this Agreement, whether arising prior to or after the date of such assumption.

ARTICLE XX
ARBITRATION

Section 20.1 Arbitration

Notwithstanding any other provisions of this Agreement, any controversy arising out of this Agreement may be submitted to Arbitration by either Party. Any Arbitration conducted hereunder shall be conducted in accordance with the rules of the British Columbia International Commercial Arbitration Centre (the "BCICAC") except as such BCICAC rules may be modified by the provisions of this Article XX and such Arbitration proceedings shall be conducted in accordance with the provisions of this Article XX.

(a) Any Party hereto (the "Initiating Party") may commence Arbitration proceedings by serving Notice on the other party hereto (the "Receiving Party"), which Notice shall contain the name of one Arbitrator who would either function as a single Arbitrator, if the Receiving Party consents, or as one of a panel of three Arbitrators if the Receiving Party does not so consent. Within 14 Days after receipt of such Notice, the Receiving Party shall serve Notice on the Initiating Party, which Notice shall contain either a consent to the Initiating Party's Arbitrator functioning as a single Arbitrator or the name of a second Arbitrator to function as a member of an Arbitration Board.

(b) If the Receiving Party fails either to consent to a single Arbitrator or to name a second Arbitrator, then the Initiating Party's Arbitrator shall function as a single Arbitrator. If both Parties appoint their own Arbitrator, the two Arbitrators so appointed shall name a third Arbitrator or, if they fail to do so within 14 Days of the second Arbitrator's appointment, the Parties shall promptly meet and shall attempt to agree upon and to appoint such third Arbitrator. If the Parties are unable to agree within such 14 Day period on the choice of a third Arbitrator then, upon request by either Party, the third Arbitrator shall be appointed by the BCICAC.

(c) The single Arbitrator (the "Arbitrator") or the three Arbitrators (the "Board") appointed hereunder shall be generally knowledgeable in the area of gas production, transportation, marketing and distribution and in the area of development, construction and operation of gas-fired, electric power generation facilities, and shall be qualified by education or experience to decide the particular matters in dispute, and shall not be employees or agents of or otherwise have any interest in either Party or of any of their affiliates.

(d) All Arbitration proceedings shall be administered by the BCICAC in accordance with its "Procedures for Cases", and the rules governing in Arbitration proceedings shall be the "Rules for International Commercial Arbitration and Conciliation Proceedings" in the BCICAC, except where such rules are in conflict with the specific provisions of this Article XX, in which case the latter shall be paramount and prevail. The place of any Arbitration shall be in Vancouver, British Columbia.

(e) The Arbitrator or the Board (or the majority thereof), as the case may be, shall render a decision within 45 Days after an appointment of the Arbitrator or the third

Arbitrator on the Board, as the case may be, subject to any reasonable delay due to unforeseen circumstances. The decision of the Arbitrator, or the decision of the Board (or a majority thereof), shall be made in writing and shall be final and binding upon the Parties, as to the matters submitted to Arbitration, and the Parties shall abide by and comply with the decision. The Parties shall execute, acknowledge and deliver all such documents or assurances as may be necessary to implement the decision. The written decision of the Arbitrator or the Board (or a majority thereof), as the case may be, may be issued with or without a written opinion and shall be issued expeditiously; provided, however, that implementation of and compliance with the decision shall not be delayed pending the issuance of a written opinion.

(f) If a decision is not rendered by the Arbitrator or the Board (or a majority thereof), as the case may be, within the period specified in Sub-Section 20.1 (e), either Party hereto may serve Notice on the other Party requiring that at a new Arbitrator or Arbitrators, as the case may be, be appointed in accordance with the procedures set forth in this Article XX.

(g) Each Party shall bear the expense of prosecuting its own case and each Party shall each pay the compensation and expenses of its named Arbitrator when a Board is selected. The compensation and expenses of an Arbitrator acting as the sole Arbitrator or the third Arbitrator of any Board and all administration costs of the Arbitration shall be paid in equal portions by the Parties.

(h) The failure of either Party hereto to participate in an Arbitration proceeding as scheduled by the Arbitrator or the Board, as the case may be, shall not delay the proceeding. If a Party fails to participate, the Arbitrator or the Board, as the case may be, shall issue a decision as though the non-participating party were a participant in the Arbitration proceeding and the decision shall be final and binding on such non-participating Party, in accordance with Section 20.1 (e).

(i) Except as herein otherwise expressly provided, in this Article XX, the provisions of the International Commercial Arbitration Act (British Columbia), as amended from time to time, and any successor legislation, shall apply to all Arbitration proceedings conducted pursuant to the provisions of this Article XX.

(j) Whenever there is an Arbitration proceeding under this Article, operations under this Agreement shall continue in the same manner as they were conducted before the Arbitration proceeding is commenced, without prejudice to either Party, pending a decision in the Arbitration proceeding.

ARTICLE XXI MISCELLANEOUS PROVISIONS

Section 21.1 Captions

The headings used throughout this Agreement are inserted for reference purposes only and are not to be considered or taken into account in construing the terms or

provisions of any Article or Section hereof nor to be deemed in any way to qualify, modify or explain the effect of any such provisions or terms.

Section 21.2 Other Agreements

This Agreement constitutes the entire Agreement between the Parties relating to the subject matter hereof and supersedes any other agreements, written or oral, between the Parties concerning such subject matter.

Section 21.3 Binding Effect

The terms and provisions of this Agreement, and the respective rights and obligations hereunder of Seller and Buyer, shall be binding upon, and inure to the benefit of, their respective successors and permitted assigns.

Section 21.4 Non-Waiver of Defaults

No waiver by either Party of any default of the other Party under this Agreement shall operate as a waiver of a future default whether of a like or different character.

Section 21.5 Written Amendments

No modifications of the terms and provisions of this Agreement shall be or become effective except by written amendment executed by the Parties.

Section 21.6 Severability and Regeneration

Should any provision of this Agreement for any reason be declared invalid or unenforceable by final and unappealable order of any court or regulatory body having jurisdiction, such decision shall not affect the validity of the remaining portions, and the remaining portions shall remain in force and effect as if this Agreement had been executed without the invalid portion. In the event any provision of this Agreement is so declared invalid or unenforceable, the Parties shall promptly renegotiate in good faith new provisions to eliminate such invalidity or unenforceability and to restore this Agreement as nearly as possible to its original intent and effect.

Section 21.7 Survival

Any provision(s) of this Agreement that expressly or by implication comes into or remains in force following the termination or expiration of this Agreement shall survive the termination or expiration of this Agreement.

Section 21.8 Further Assurances

The Parties shall execute such additional documents reasonably required including, without limitation, a consent to assignment or similar documents, and shall cause such additional action to be taken as may be required or, in the judgement of any party, may be necessary or desirable, to effect or evidence the provisions of this Agreement and the transactions contemplated hereby.

Section 21.9 Limitation of Liability

Notwithstanding anything else in this Agreement, neither Party, nor any of its directors, trustees, agents, officers or employees will be liable whether in contract or tort to the other Party, its directors, trustees, agents, officers or employees for incidental, specific, indirect or consequential damages of any nature connected with or resulting from performance or breach of this Agreement.

Section 21.10 Governing Law

This Agreement shall be governed and interpreted in accordance with the laws of the Province of Alberta.

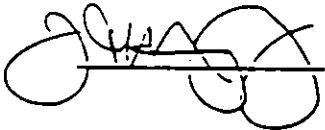
IN WITNESS WHEREOF, intending to be legally bound, the Parties hereby have caused this Agreement to be entered into by their duly authorized officers and attested to by their respective secretaries, as of the Day and Year first above written.

ATTEST:

RIO ALTO EXPLORATION LTD.

by:
title:

ATTEST:



ANDROSCOGGIN ENERGY LLC

by:
title:

TV:

MICHAEL DOBSON

The Parties shall execute such additional documents reasonably required including, without limitation, a consent to assignment or similar documents, and shall cause such additional action to be taken as may be required or, in the judgement of any party, may be necessary or desirable, to effect or evidence the provisions of this Agreement and the transactions contemplated hereby.

Section 21.9 Limitation of Liability

Notwithstanding anything else in this Agreement, neither Party, nor any of its directors, trustees, agents, officers or employees will be liable whether in contract or tort to the other Party, its directors, trustees, agents, officers or employees for incidental, specific, indirect or consequential damages of any nature connected with or resulting from performance or breach of this Agreement.


Section 21.10 Governing Law

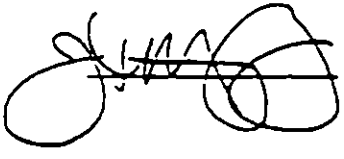
This Agreement shall be governed and interpreted in accordance with the laws of the Province of Alberta.

IN WITNESS WHEREOF, intending to be legally bound, the Parties hereby have caused this Agreement to be entered into by their duly authorized officers and attested to by their respective secretaries, as of the Day and Year first above written.


ATTEST:

RIO ALTO EXPLORATION LTD.

by: 
title: MICHAEL DOBSON
PRESIDENT

ATTEST:


ANDROSCOGGIN ENERGY LLC

by: 
title: President

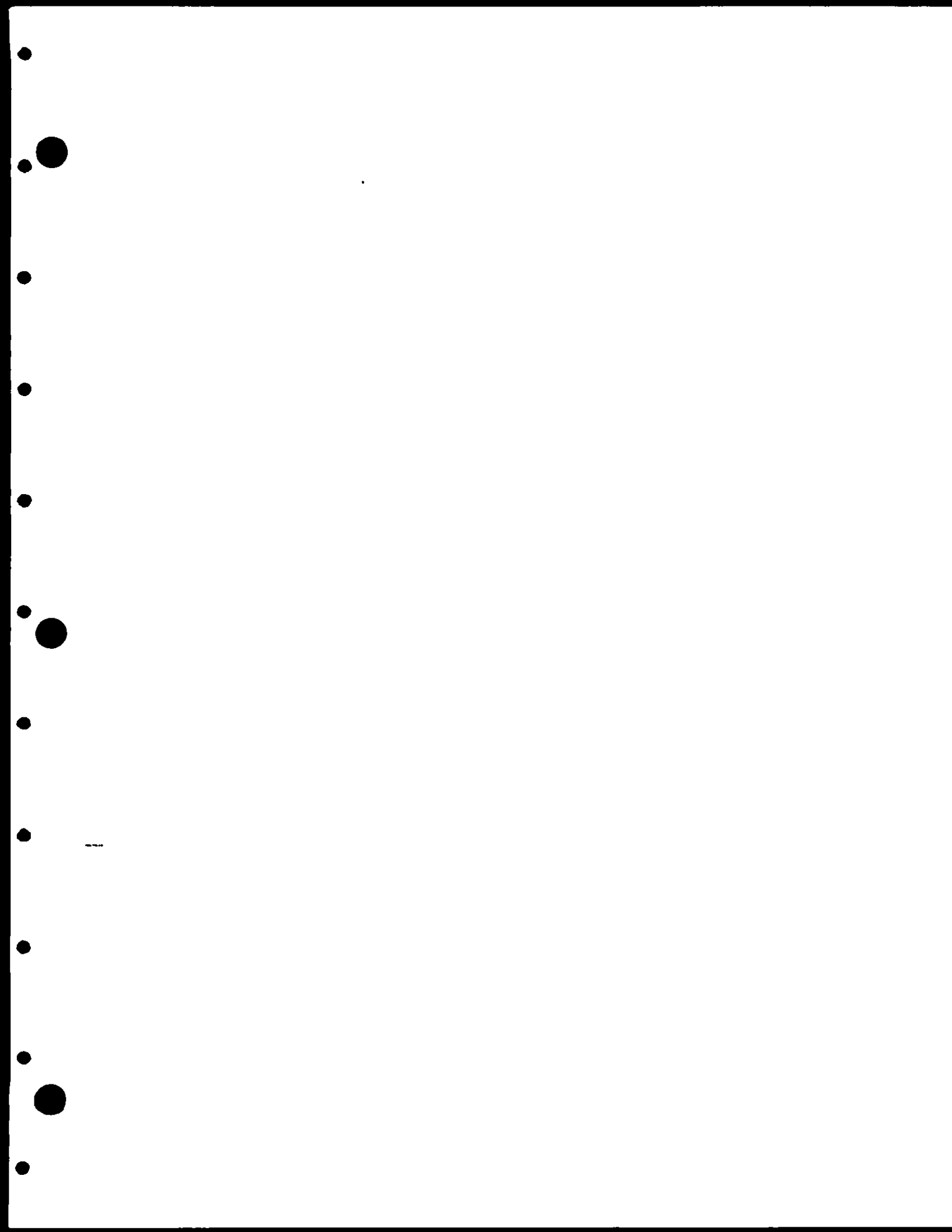


EXHIBIT B

OPINION OF COUNSEL FOR ANDROSCOGGIN ENERGY LLC

REID & PRIEST LLP

MARKET SQUARE

701 PENNSYLVANIA AVENUE, N. W.

WASHINGTON, D.C. 20004

TELEPHONE 202 508-4000

FAX 202 508-4321

WASHINGTON OFFICE
DIRECT DIAL NUMBER

NEW YORK OFFICE
40 WEST 57TH STREET
NEW YORK, N. Y. 10019-4097
212 603-2000
FAX: 212 603-2001

October 30, 1997

Acting Deputy Assistant Secretary
Office of Fuels Programs -- Fossil Energy
U.S. Department of Energy
Forrestal Building
1000 Independence Avenue, S.W.
Washington, D.C. 20585

Re: Application of Androscoggin Energy LLC for
Authorization to Import Natural Gas from Canada

Dear Sir or Madame:

Pursuant to Section 590.202(c) of the Administrative Procedures for the Office of Fossil Energy, 10 C.F.R. § 590.202(c), I am hereby providing the opinion of counsel relating to the corporate power of Androscoggin Energy LLC ("Androscoggin") to import Canadian natural gas.

I have reviewed the Operating Agreement of Androscoggin dated July 24, 1996, the certificate of formation of a limited liability corporation filed for Androscoggin with the Secretary of State of Delaware on July 25, 1996, and a certificate of good standing for Androscoggin issued by the Secretary of State of Delaware on October 28, 1997. Based on a review of these documents, it is my opinion that Androscoggin is duly organized and validly existing under the laws of the State of Delaware. Furthermore, it is my opinion that Androscoggin is not precluded by such documents from importing natural gas.

Respectfully submitted,

Phillip G. Lookadoo



Attorney for

Androscoggin Energy LLC

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

ANDROSCOGGIN ENERGY LLC

FE DOCKET NO. 97-94-NG

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

DOE/FE ORDER NO. 1352

JANUARY 14, 1998

1.3 JAN 14 P 3:21
DOE/FE

I. DESCRIPTION OF REQUEST

On October 30, 1997, Androscoggin Energy LLC (Androscoggin) 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 from Canada an aggregate volume of 160.1 billion cubic feet (Bcf) of natural gas (43,863 thousand cubic feet (Mcf) per day), over ten years from the date of initial deliveries under five gas supply contracts. Initial deliveries are expected to begin no earlier than November 1, 1998, upon completion of construction of related facilities. Androscoggin is a limited liability Delaware corporation with its principal place of business in Northbrook, Illinois.

Androscoggin intends to use the requested volumes to fuel its proposed 150 MW cogeneration facility to be constructed adjacent to International Paper Company's (International Paper) Androscoggin mill near Jay, Maine. The steam and the electricity produced by the cogeneration facility will be sold to International Paper. The applicant states that the electricity produced in excess of International Paper's needs will be sold to the New England Power Pool, or other wholesale purchasers. In addition, any natural gas imported by Androscoggin on any given day that exceeds the fuel requirements of its cogeneration facility, such gas will be sold to third parties.

Androscoggin will take delivery of the gas at various points on the pipeline facilities owned by NOVA Gas Transmission Ltd.

^{1/} 15 U.S.C. § 717b.

(NOVA). NOVA will transport the gas to an interconnection with the pipeline facilities of TransCanada PipeLines Limited (TransCanada) near Empress, Alberta. TransCanada will then transport the gas from Alberta to the United States-Canada border near East Hereford, Quebec and Pittsburg, New Hampshire at an interconnection of certain pipeline facilities proposed to be constructed in Canada by TransQuebec and Maritimes Pipeline, Inc., an affiliate of TransCanada, and proposed to be constructed in the United States by Portland Natural Gas Transmission System Limited (PNGTS). From the United States-Canada border, PNGTS will deliver the gas to Androscoggin.

Androscoggin submitted with its application five supply contracts with following gas producers: AltaGas Services Inc. (AltaGas) (executed April 22, 1997); Beau Canada Exploration Ltd. (Beau Canada) (executed January 27, 1997, as amended June 30, 1997); Producers Marketing Ltd. (Producers) (executed February 12, 1997); Renaissance Energy Ltd. (Renaissance) (executed March 11, 1997); and Rio Alto Exploration Ltd. (Rio Alto) (executed May 24, 1997). All but the Renaissance contract contain similar pricing provisions establishing annual commodity prices, subject to adjustment every year in accordance with an established schedule of price increases. The Renaissance gas purchase agreement contains a netback pricing arrangement whereby the monthly price will be determined by using public market price information at the point of import, or alternatively, published

price information at the Waddington, N.Y. import point if gas price data is not available at the Pittsburg, N.H. entry point.

II. FINDING

The application filed by Androscoggin has been evaluated to determine if the proposed import arrangement meets the public interest requirements of section 3 of the NGA, as amended by section 201 of the Energy Policy Act of 1992 (Pub. L. 102-486). Under section 3(c), the importation of natural gas from a nation with which there is in effect a free trade agreement requiring national treatment for trade in natural gas is deemed to be consistent with the public interest and must be granted without modification or delay. The authorization sought by Androscoggin 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. Androscoggin Energy LLC (Androscoggin) is authorized to import up to 16.01 billion cubic feet (Bcf) of natural gas per year (43,863 thousand cubic feet (Mcf) per day) from Canada. The term of the authorization is for a period of 10 years commencing November 1, 1998, through October 31, 2008, or for 10 years after the commencement of deliveries if deliveries begin after November 1, 1998. This gas may be imported from Canada at the proposed interconnection of the TransQuebec and Maritimes Pipeline and the

Portland Natural Gas Transmission System near Pittsburg, New Hampshire. The gas shall be imported pursuant to the terms and conditions of five gas purchase agreement with AltaGas Services Inc. (executed April 22, 1997); Beau Canada Exploration Ltd. (executed January 27, 1997, as amended June 30, 1997); Producers Marketing Ltd. (executed February 12, 1997); Renaissance Energy Ltd. (executed March 11, 1997); Rio Alto Exploration Ltd. (executed May 24, 1997).

B. Within two weeks after deliveries begin, Androscoggin shall provide written notification to the Office of Natural Gas & Petroleum Import and Export Activities of the date that the first import of natural gas authorized in Ordering Paragraph A above occurred.

C. With respect to the natural gas imports authorized by this Order, Androscoggin shall file with the Office of Natural Gas & Petroleum Import and Export Activities, within 30 days following each calendar quarter, a quarterly report indicating by month the volumes and prices of natural gas imported pursuant to this Order. If no imports have been made, a report of "no activity" for that calendar quarter must be filed. If imports have occurred, Androscoggin must report total monthly volumes in Mcf and the average purchase price of gas in U.S. dollars per MMBtu delivered at the international border (Pittsburg, N.H.). The information for a particular month shall list separately the volume and price under each of the gas purchase agreements between Androscoggin and its five Canadian suppliers. The

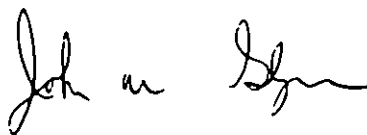
monthly price information shall itemize separately the monthly demand and commodity charges, and, if applicable, any gas inventory charges.

For any imported volumes sold to third parties, Androscoggin shall report: (1) the name of the Purchaser(s); (2) the estimated or actual duration of the agreement(s); (3) the name of the U.S. transporter(s); (4) the geographic markets served (by state); and (5) whether sales are being made on an interruptible or firm basis.

D. The reporting requirements required by Ordering Paragraphs B and C of this Order shall be filed with the Office of Natural Gas & Petroleum Import and Export Activities, Fossil Energy, Room 3F-056, FE-34, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C., 20585.

E. The first quarterly report required by Ordering Paragraph C of this Order is due not later than January 30, 1999, and should cover the period of the fourth calendar quarter of 1998 (October 1, 1998, through December 31, 1998).

Issued in Washington, D.C. on January 17, 1998.



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

DICKSTEIN SHAPIRO MORIN & OSHINSKY LLP

2101 L Street NW • Washington, DC 20037-1526
Tel (202) 785-9700 • Fax (202) 887-0689

September 24, 1999

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

RECEIVED
SEP 27 11:05 AM '99

Re: Application for Amendment of Long-Term Authorization
to Import Natural Gas from Canada, FE Docket No. 97-

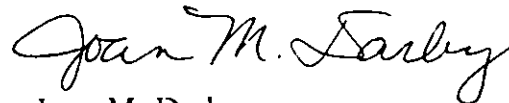
97-94-NG

Dear Ms. Moore:

Please find enclosed for filing an original and fifteen (15) copies of the Application of Androscoggin Energy LLC for Amendment of its Long-Term Authorization to Import Natural Gas from Canada. Also enclosed is a check in the amount of \$50.00 for the filing fee.

Please date-stamp the enclosed sixteenth copy of the Application and return it to us via our messenger. Thank you for your assistance.

Very truly yours,



Joan M. Darby

Enclosures

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

IN THE MATTER OF)
)

ANDROSCOGGIN ENERGY LLC)
_____)

FE Docket No. 99-_____

APPLICATION OF ANDROSCOGGIN ENERGY LLC FOR
AMENDMENT OF ITS LONG-TERM AUTHORIZATION
TO IMPORT NATURAL GAS FROM CANADA

Pursuant to Section 3 of the Natural Gas Act ("NGA"), 15 U.S.C. § 717b, the regulations of the Department of Energy ("DOE"), 10 C.F.R. § 590.201, *et seq.*, and DOE Delegation Order Nos. 0204-111 and 0204-127, Androscoggin Energy LLC ("Androscoggin") hereby applies to DOE's Office of Fossil Energy ("OFE") to amend its authority to import natural gas from Canada.

On January 14, 1998, OFE issued DOE/FE Order No. 1352 granting Androscoggin authorization to import from Canada up to 43,863 Mcf of natural gas per day for a period of ten years commencing November 1, 1998, or the date deliveries commence if after November 1, 1998.¹ The natural gas is to be used as fuel at Androscoggin's cogeneration facility near Jay, Maine. The authorized import point is the interconnection of the TransQuebec and Maritimes Pipeline and the Portland Natural Gas Transmission System ("PNGTS") near Hereford, Quebec and Pittsburg, New Hampshire (the "Import Point"). The authorized imports are pursuant to the terms and conditions of identified gas purchase agreements with five separate gas suppliers.

¹ Androscoggin Energy LLC, 1 FE ¶ 71,515 (1998).

Androscoggin now applies to amend its long-term authorization in two respects. First, Androscoggin seeks authorization to import gas pursuant to the terms of its new gas purchase agreement with Duke Energy Marketing Limited Partnership ("DEM") dated August 31, 1999 which replaces the cancelled gas purchase agreement between Androscoggin and Rio Alto Exploration Ltd. ("Rio Alto") dated May 24, 1997. Second, Androscoggin seeks additional import point flexibility.

In support of its application, Androscoggin states the following:

I.

The exact legal name of Androscoggin is Androscoggin Energy LLC. Androscoggin is a limited liability corporation organized under the laws of the State of Delaware, with its principal office located at 650 Dundee Road, Suite 350, Northbrook, Illinois 60062. Androscoggin is the developer, owner and operator of a 150 megawatt cogeneration facility located adjacent to the International Paper Company's Androscoggin Mill near Jay, Maine. As stated in the opinion of counsel attached hereto as Exhibit A, the proposed natural gas importation is within the corporate powers of Androscoggin.

Communications regarding the application should be directed to:

Scott Ebner
Androscoggin Energy LLC
650 Dundee Road, Suite 350
Northbrook, Illinois 60062
(847) 559-9800 x342
FAX: (847) 559-1805

Beth I. Webb
Joan M. Darby
Dickstein Shapiro Morin & Oshinsky LLP
2101 I. Street, N.W.
Washington, DC 20037
(202) 785-9700
FAX: (202) 296-6216

II.

Androscoggin currently is authorized to import up to 43,863 Mcf per day under the terms of five gas purchase agreements, including one with Rio Alto dated May 24, 1997 (the "Rio Alto Contract"). Androscoggin has, however, cancelled its Rio Alto Contract and entered into a replacement agreement with DEM dated August 31, 1999 (the "DEM Contract"). A copy of the DEM Contract is attached hereto as Exhibit B. Androscoggin therefore seeks an amendment of its long-term import authorization to delete references to the Rio Alto Contract and to permit gas to be imported pursuant to the terms of the DEM Contract.

The terms of this alternative gas supply arrangement differ in a few respects relevant to the import authorization. First, the volume to be purchased from DEM is 10,000 MMBtu per day, the equivalent of 10,000 Mcf per day; the Rio Alto volume was 11,500 GJ per day, the equivalent of 10,905 Mcf per day. Thus the volume has been reduced slightly. Second, the term of the DEM Contract is a period of five years from November 1, 1999 instead of the ten-year term under the Rio Alto Contract.

III.

In the normal course Androscoggin will import its gas at the Import Point. There likely will be occasions, however, when Androscoggin will be able to maximize the benefits of its gas supply contracts by receiving all or part of its volumes at another point of importation. For this reason, Androscoggin also seeks to amend its long-term import authorization to add import point flexibility for all volumes purchased under any of the five gas purchase agreements and imported under the authorization. For the sake of administrative efficiency, and to avoid repetitive filings that would burden both Androscoggin and OFE, Androscoggin seeks authority to import at any point on the international border at which existing United States transportation facilities accessible to

Androscoggin are located. Androscoggin will make all Canadian and U.S. transportation arrangements for gas imported at any other authorized import point.

IV.

Androscoggin will comply with all reporting requirements deemed necessary by the Department of Energy, including filing initial notification within two weeks after the commencement of deliveries and quarterly reports thereafter. The point of importation will be listed in the quarterly reports filed with respect to Androscoggin's imports.

V.

In authorizing Androscoggin's importation of Canadian gas, the OFE has already concluded these import arrangements are consistent with the public interest. See Order No. 1352.² Neither the substitution of the DEM Contract for the Rio Alto Contract nor the addition of new import points should alter in any way the OFE's conclusion.

Section 3 of the Natural Gas Act provides that an import or export of natural gas must be authorized unless there is a finding that it "will not be consistent with the public interest." 15 U.S.C. § 717b(a) (1993). As amended by Section 201 of The Energy Policy Act of 1992, P.L. 102-486, 106 Stat. 2866 (1992), 15 U.S.C. § 717b(c) (1993), the importation and exportation of natural gas from and to "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. 15 U.S.C. § 717b(c). This amended authorization, sought by Androscoggin, is to import natural gas from Canada, a nation with which a free trade

² 1 FERC ¶ 71,515 at 72,954.

agreement is in effect. It therefore meets the new Section 3(c) criterion, and should be approved as consistent with the public interest.

WHEREFORE, Androscoggin respectfully requests amendment of its long-term authorization as set forth hereinabove.

Dated: September 24, 1999

Respectfully submitted,

By: Joan M. Darby

Beth L. Webb

Joan M. Darby

Dickstein Shapiro Morin

& Oshinsky LLP

2101 L Street, N.W.

Washington, DC 20037

(202) 785-9700

Attorneys for Androscoggin Energy LLC

EXHIBIT A

Sachnoff & Weaver, Ltd.

Attorneys at Law

J. Todd Arkebauer
Frank D. Ballantine
Carey L. Bartell
Jack L. Block
David C. Bohan
Sharon M. Buccino
Gary S. Caplan
Paul D. Carman
H. Brian Centeno
Stuart J. Chanen
Melissa A. Coughlin
Michael H. Cramer
Charles E. Dobrusin
Stewart Dolin
William E. Doran
Joel S. Feldman
Roselyn L. Friedman
David C. Fuechtman

Matthew T. Gensburg
Jeffrey T. Gilbert
W. Robert Gold
Neil Greenbaum
Misty S. Gruber
Andrew Hartman
Seth M. Hemming
Austin L. Hirsch
Michelle M. Jackson
Kristin R. James
Cynthia Jared
Jonathan T. Kamun
Marc Kieselstein
Rochelle H. Klaskin
Andrew Kornreich
Lisa J. Krasberg
Michael P. Lee
Jeffrey L. London

Michael A. LoVallo
Lisa M. Madigan
Michael S. Mandell
Siobhan McCambridge
Frances Meehan
Steven A. Miller
James S. Montague
Ines M. Monte
John H. Moore
John W. Moynihan
Douglas R. Newkirk
Rachelle M. Niedzwiecki
William A. O'Connor
Matthew J. O'Hara
Arnold A. Pagnucci
Margaret M. Pasulka
Matthew J. Peterzen
Henry Pietrkowski

30 South Wacker Drive
29th Floor
Chicago, Illinois
60606-7484

Telephone
(312) 207-1000
Facsimile
(312) 207-6400
www.sachnoff.com

Neil B. Posner
Jonathan S. Quinn
Marie R. Quinn
Michael D. Richman
Genita C. Robinson
Brian D. Roche
Lance R. Rodgers
James A. Rolfe
Harry S. Rosen
Carolyn H. Rosenberg
Harry B. Rosenberg
Elbs B. Rosenzweig
Robert A. Roth
Lowell E. Sachnoff
Bina Sanghavi
Joel R. Schader
Bradley S. Schmarak
Charles P. Schulman

Jeffrey A. Schumacher
Marshall Seeder
Clifford J. Shapiro
Duane F. Sigelko
Richard G. Smolev
Susan D. Snyder
Sheldon L. Solow
Abraham J. Stern
J. Samuel Tenenbaum
Edward V. Walsh, III
William N. Weaver, Jr.
Jeffrey B. Whitt
Sarah R. Wolff
Richard K. Wray
Mary Lou Zwick

OF COUNSEL
Jeffrey E. Altschul
Jules G. Cogan
Nathan H. Dardick
Lewis Manlow
Leonard Jay Schragar
Ernest D. Simon

Writer's Direct Dial Number

LEAVE OF ABSENCE
Edward J. Wong, Jr.

September 22, 1999

Office of Fuels Programs
Fossil Energy
United States Department of Energy
Forrestal Building, Room 3F-056, FE-50
Washington, D.C.

Ladies and Gentlemen:

This opinion is furnished to you pursuant to Section 590.202(c) of the Department of Energy Regulations, 10 C.F.R. § 590.202(c) and the Application of Androscoggin Energy LLC ("Androscoggin Energy") for Amendment of its Long-Term Authorization to Import Natural Gas from Canada, dated September 1, 1999 (the "Application").

We are counsel to Androscoggin Energy, and as such are familiar with the formation and organization documents of Androscoggin Energy. In rendering our opinions expressed herein, we have examined a form of the Application and examined and relied upon certificates of public officials concerning the legal existence and good standing of Androscoggin Energy. In rendering our opinions expressed herein, we have assumed without any investigation or independent verification that the signatures of all persons signing all documents in connection with the Application are genuine and authorized and that all documents submitted to us in form only conform to authentic, original documents.

Based on the foregoing and for the purposes of the Application to the Office of Fossil Energy, it is our opinion that Androscoggin Energy is a limited liability company validly existing and in good standing under the laws of the State of Delaware and the proposed imports as described in the Application are within the corporate powers of Androscoggin Energy.

Sachnoff & Weaver, Ltd.

Attorneys at Law

Office of Fuels Programs
September 22, 1999
Page 2

We are qualified to practice law in the State of Illinois and we express no opinion as to laws other than the laws of the State of Illinois, the corporate law of the State of Delaware and the laws of the United States of America.

This letter is furnished by us solely for your benefit in connection with the transactions contemplated in the Application and may not be relied upon for any other purpose, quoted from or delivered to any other person without our express prior written consent. This opinion speaks only as of the date hereof and is limited to present statutes, laws and regulations and to the facts as they currently exist, and we have assumed no obligation to update or supplement this opinion.

SACHNOFF & WEAVER, LTD.

By: *Sachnoff & Weaver, Ltd.*

JTA/JAS

EXHIBIT B

MASTER NATURAL GAS SALES AND PURCHASE AGREEMENT

DUKE ENERGY MARKETING LIMITED PARTNERSHIP ("DEM"), a partnership organized under the laws of the Province of Alberta, Canada, and ANDROSCOGGIN ENERGY LLC ("AE"), a Delaware limited liability company, both referred to as "Party" or "Parties", enter into this Master Natural Gas Sales and Purchase Agreement.

ARTICLE I - PURPOSE AND SCOPE OF AGREEMENT

1.1 This Agreement shall serve as the "Master Agreement" to cover Transactions between the Parties which shall be described more specifically by each Confirmation Notice, in the general form attached as Exhibit "A." Under the terms of this Agreement, the role of each Party may change from time to time as designated within each Confirmation Notice and that role may be in some Transactions as Seller and in other Transactions as Buyer. The Parties agree that the Natural Gas Transaction Confirmation Notice set forth in Exhibit A is the sole transaction to which the Parties have agreed upon execution of this Agreement and the terms of that Transaction are those set forth in the Confirmation Notice as modified or supplemented by the provisions of this Agreement.

1.2 The terms incorporated into this Master Agreement shall enable Buyer and Seller the option to purchase and sell Gas as either (i) Interruptible Service, (ii) Firm Service, or (iii) EFP/ADP Sale as defined herein. The Service Level between the Parties shall be designated within each Confirmation Notice. Each Transaction shall be documented by a Confirmation Notice, which shall become part of this Agreement. Both Parties recognize that any number of Confirmation Notices may be in effect and operation at one time, and that each shall operate independently of one another unless specifically noted within two or more Confirmation Notices.

ARTICLE II - DEFINITIONS

Except as otherwise specified, the following terms as used herein shall be construed to have the following scope and meaning:

2.1 **"ADP"** - shall mean alternative delivery procedures in accordance with the rules of the Commodity Exchange.

2.2 **"Affiliate"** - shall mean, in relation to a Party, any entity controlled directly or indirectly by the Party, an entity that controls directly or indirectly the Party, or any entity directly or indirectly under common control with the Party. For this purpose, "control" of any entity or Party means ownership of a majority of the voting power of the entity or Party.

2.3 **"Agreement"** - shall mean the legally binding relationship established by (i) the Master Agreement, (ii) any oral agreements made in accordance with, and not intended to amend or modify, this Master Agreement and (iii) the provisions contained in any effective Confirmation Notices.

2.4 **"Business Day"** - shall mean any Day other than Saturday, Sunday or other Day on which banks are authorized to be closed in the State of Maine.

2.5 **"Buyer"** for purposes of the Confirmation Notice set forth in Exhibit A and as used throughout this Agreement in connection therewith shall mean Androscoggin Energy LLC.

2.6 **"Buyer's Facility"** means the electric generation facility to be constructed by Buyer near International Paper Company's facility located near the City of Jay, State of Maine.

2.7 **"Commodity Charge"** - shall mean the portion of the Price which is attributable to the quantity of Gas actually delivered and received.

2.8 **"Commodity Exchange"** - shall mean the New York Mercantile Exchange ("NYMEX"), the Kansas City Board of Trade ("KCBOT") or any other commodity trading exchange which may be established in the future, or any successor, as indicated on the applicable Confirmation Notices.

2.9 **"Confirmation Notice"** - shall mean a written notice from DEM to the receiving Party confirming the verbal agreement entered into by the Parties with respect to a specific Transaction.

2.10 **"Cover Standard"** - if applicable, shall mean that if there is an unexcused failure to take or deliver any quantity of Gas pursuant to this Agreement, then the non-defaulting Party shall use commercially reasonable efforts to obtain Gas or No. 2 fuel oil (if the non-defaulting Party is the Buyer) , or sell Gas (if the non-defaulting Party is the Seller). In the case of the Buyer, this shall mean the lowest price reasonably available at the Delivery Point, it being understood however, that Buyer's primary consideration in purchasing replacement fuel will be to obtain delivery of same at Buyer's Facility when needed, and, in the case of the Seller, at the highest price reasonably available.

2.11 **"Day"** - shall mean a period of twenty-four (24) consecutive hours.

2.12 **"Delivery Period"** - shall mean the period commencing on November 1, 1999, and continuing in effect for the term set forth in Article XVIII.

2.13 **"Delivery Point"** - shall mean the interconnection between the pipeline facilities of TransQuebec and Maritimes Pipeline, Inc., and Portland Natural Gas Transmission System at East Hereford, Quebec, and, if Buyer exercises the option in Section 6.2, the interconnection between the pipeline facilities of Nova Gas Transmission and TransCanada PipeLines Limited at Empress, Alberta, or any other Delivery Point mutually acceptable. Title to the Gas shall transfer from Seller to Buyer at the Delivery Points.

2.14 **"Demand Charge"** - shall mean the portion of the Price which is paid periodically irrespective of whether any quantity of Gas is delivered or received.

2.15 **"Dollars"** - shall mean Canadian Dollars or U.S. Dollars as specified by the Confirmation Notice. Unless otherwise specified in the Confirmation Notice, Dollars shall mean U.S. Dollars.

2.16 **"East Hereford Price"** shall mean the Dawn Monthly Index in effect for each month of delivery plus \$_____ U.S./MMBtu, or, if Buyer exercises the option set forth in Section 6.3 and elects a daily pricing mechanism, the Dawn Daily Index in effect for each day plus \$_____ U.S./MMBtu, as published by Gas Daily under the heading Monthly or Daily Contract Price, as may be applicable.

2.17 **"EFP"** - shall mean the exchange of a futures contract for, or in connection with, physical delivery in accordance with the rules of the Commodity Exchange.

2.18 **"Empress Price"** shall mean the monthly price published by Canadian Gas Price Reporter in effect for each month of delivery under the heading "Monthly Canadian and U.S. natural gas price summary," under the subheading "Canadian Domestic Gas Prices," and under the additional heading "Alberta Spot Price – Empress," as listed in US\$/MMBtu., plus U.S. \$_____/ MMBtu, or if Buyer exercises the option set forth in Section 6.3 and elects a daily pricing mechanism, the price listed in Canadian Gas Price Reporter under the heading "Canadian domestic gas price report", under the table

"Daily Spot Gas Price at AECO C & NOVA Inventory Transfer" as listed in US\$/MMBtu, plus the applicable NOVA transportation charges to Empress, plus U.S. \$____ / MMBtu.

2.19 **"Financing Documents"** means any and all loan agreements, notes, indentures, security agreements, subordination agreements, mortgages, partnership agreements, subscription agreements, participation agreements and other documents relating to the construction, interim and long-term financing (both debt and any third-party equity) of Buyer's Facility and any refinancing thereof (including a leveraged lease pursuant to which Buyer is the lessee of Buyer's Facility) provided by the Financing Parties, including any and all modifications, extensions, renewals and replacements of any such financing or refinancing.

2.20 **"Financing Parties"** means (i) any and all lenders providing the construction, interim or long-term financing or refinancing of Buyer's Facility (including a leveraged lease), and any trustee or agent acting on their behalf, and (ii) any and all equity investors providing any such financing or refinancing of Buyer's Facility, and any trustee or agent acting on their behalf.

2.21 **"Force Majeure"** - shall mean a condition or event as described in Article IX.

2.22 **"Gas" or "Natural Gas"** - shall mean merchantable methane and other gaseous hydrocarbons that meet or exceed the specifications of the Transporter(s)' tariff(s) as amended from time to time by jurisdictional regulatory authorities, including, but not limited to, quality, temperature, and pressure.

2.23 **"Imbalance Charges"** - shall mean any fees, penalties, costs or charges (in cash or in kind) assessed by a Transporter for failure to satisfy the Transporter's balance and/or nomination requirements.

2.24 **"Maximum Daily Quantity" or "MDQ"** shall mean the maximum quantity of Gas that Buyer must nominate and that Seller must deliver to the Delivery Point(s) on any Day, in accordance with Section 6.2.

2.25 **"Month"** - shall mean the period beginning on the first Day of the calendar month and ending immediately prior to the commencement of the first Day of the next calendar month.

2.26 **"NYMEX Price"** - shall mean the price for the natural gas futures contract traded on the New York Mercantile Exchange.

2.27 **"Price"** shall mean the East Hereford Price or the Empress Price, as may be applicable.

2.28 **"Process" or "Processing"** - shall mean the extraction of hydrocarbons from the Gas.

2.29 **"Schedule" or "Scheduled"** - shall refer to the respective acts of Seller, Buyer and the Transporter(s) notifying, requesting, and confirming to each other the MDQ to be delivered on any given Day during the Delivery Period. Gas shall be deemed to have been Scheduled when confirmed by the Transporter(s).

2.30 **"Seller"** for purposes of the Confirmation Notice set forth in Exhibit A and as used throughout this Agreement in connection therewith shall mean Duke Energy Marketing Limited Partnership.

2.31 **"Service Level"** - shall mean the commitment by which Seller agrees to sell and deliver and Buyer agrees to purchase and receive the quantity of Gas in a Transaction indicated on a

Confirmation Notice defined as either a (i) Interruptible Service, (ii) Firm Service, or (iii) EFP/ADP Sale as further described in Section 5.1.

2.32 **"Spot Price"** shall mean, for purposes of Section 5.2, (1), the Dawn Daily Price Index in effect for the particular day as published by Gas Daily under the heading Daily, for a failure by either the Buyer to take, or the Seller to deliver, the MDQ at the East Hereford Delivery Point, or (2) the price listed in Canadian Gas Price Reporter under the heading "Canadian domestic gas price report", under the table "Daily Spot Gas Price at AECO C & NOVA Inventory Transfer" as listed in US\$/MMBtu, plus the applicable NOVA transportation charges to Empress, for a failure by Buyer to take, or the Seller to deliver, the MDQ at the Empress Delivery Point.

2.33 **"Transaction"** - shall mean a specific purchase and sale of Gas consummated according to the confirmation and notice procedures of Article III hereof.

2.34 **"Transaction Tape"** - shall mean the recording of a verbal Transaction between the parties occurring on any Business Day whereby a bid or offer and acceptance shall constitute the agreement of the parties to a Transaction as evidenced by a tape recording of the conversation.

2.35 **"Transporter(s)"** - shall mean the natural gas pipeline company (ies) and their associated physical facilities, enabling the physical delivery and receipt of Gas on behalf of either Party pursuant to a Transaction.

2.36 **"Trigger Price Agreement"** - shall mean the agreement between the Parties whereby one Party has the option of fixing or "locking-in" the price to be paid for gas in the future by reference to either the NYMEX Price and/or the location.

2.37 The following units of measurement used in this Agreement have the meanings set forth below:

- (a) **"Btu"** means one British thermal unit.
- (b) **"cubic metre"** or **"m³"** means that quantity of gas which at a temperature of 15° Celsius and at a pressure of 101.325 kilopascals absolute occupies one cubic metre.
- (c) **"Gigajoule"** or **"GJ"** means 1,000,000,000 joules.
- (d) **"Heating Value"** means the gross or higher heating value of the gas expressed in MJ per cubic metre (MJ/m³), produced by the complete combustion of one cubic metre of gas with air, at a temperature of 15° Celsius and at an absolute pressure of 101.325 kilopascals, with the gas free of all water vapor, the products of combustion cooled to a temperature of 15° Celsius, and the water formed by the combustion condensed to the liquid state.
- (e) **"joule"** or **"J"** means the amount of work done when the point of application of a force of one Newton is displaced a distance of one metre in the direction of the force.
- (f) **"MMBtu"** means 1,000,000 Btu's.
- (g) **"MJ"** means one megajoule and is equal to 1,000,000 joules.
- (h) **"10³m³"** means 1,000 cubic metres of gas.

2.38 All conversions to be done for or in any way related to this Agreement, from Imperial units of measurement to metric units or vice versa, will be done on the following basis, namely:

- (a) 1,000 cubic feet of gas at standard reference conditions of 14.73 pounds per square inch absolute and 60° Fahrenheit will be considered equivalent to 28.32784 cubic metres of gas at standard reference conditions of 101.325 kilopascals and 15° Celsius.
- (b) 1 cubic metre of gas at standard reference conditions of 15° Celsius and 101.325 kilopascals will be considered equivalent to 0.0353009 thousand cubic feet at standard reference conditions of 14.73 pounds per square inch absolute at 60° Fahrenheit.
- (c) 1 MMBtu will be considered equivalent to 1.055056 GJ's.
- (d) 1 GJ will be considered equivalent to 0.947817 MMBtu's.

Any conversion from Imperial units of measurement to metric units or vice versa which are not expressly contemplated above, will be carried out in accordance with the Canadian Petroleum Association Supplementary Metric Practice Guide for the Petroleum and Natural Gas Industry and Services, latest edition.

2.39 "Year" shall mean a period of 365 consecutive days and 366 consecutive days in a year in which February contains 29 days.

ARTICLE III – CONDITIONS PRECEDENT

3.1 Seller shall have no obligation to sell, deliver or cause the MDQ to be delivered to Buyer, and Buyer shall have no obligation to pay for, purchase, receive or cause the MDQ to be received from Seller, at the Point of Delivery, unless and until all of the following conditions precedent have been satisfied:

- (1) Buyer has obtained all necessary approvals from the Financing Parties for execution and performance of this Agreement on or before August 1, 1999;
- (2) Buyer has obtained all necessary regulatory approvals to commence operation of Buyer's Facility on or before August 1, 1999;
- (3) Seller has acquired, to Buyer's reasonable satisfaction, firm transportation capacity on Transporters for terms equivalent to that contained in Article XVIII on or before July 15, 1999.
- (4) On or before August 1, 1999, Buyer has provided Seller with a written notice from the financial institution supplying the letter of credit required by Section 11.1, which expresses the financial institution's intention to supply the required letter of credit on or before October 1, 1999;
- (5) Buyer has finalized its transportation arrangements with Transporter(s) to ensure the delivery of the Gas contemplated in this Agreement on or before August 1, 1999; and
- (6) On or before August 1, 1999, Seller has provided Buyer with an executed guarantee from its parent corporation in a form to be reasonably agreed upon by Buyer and Seller; provided, however, that the entity providing the guarantee must have a corporate credit rating of at least "A -" or its equivalent by Standard & Poor's Corporation or Moody's Investment Services, Inc.

3.2 Upon satisfaction or waiver of all the conditions precedent in Section 3.1 hereof, the Parties shall purchase, receive, or cause to be received, the MDQ specified in the Confirmation Notice. Seller and Buyer shall use due diligence to satisfy the conditions precedent referred to in Section 3.1

hereof, within the respective control of each and shall cooperate reasonably with each other in satisfying any conditions precedent in Section 3.1 hereof.

3.3 The conditions precedent set forth in item (4) of section 3.1 shall be deemed to be for the sole benefit of Seller and may be waived by Seller at any time, at seller's sole discretion. The conditions precedent set forth in items (1), (2), (3), (5) and (6) of section 3.1 shall be for the sole benefit of Buyer and may be waived by Buyer at any time, at Buyer's sole discretion.

If any of the conditions precedent included in Section 3.1 above have not been satisfied or waived by the date specified in Section 3.1, then the Party which has satisfied or waived the conditions precedent that are for its sole benefit (as indicated in the previous paragraph) may thereafter terminate this Agreement by giving ninety (90) Days notice to the other Party of its intention to terminate and this Agreement shall terminate and be of no further force and effect; provided, however, that if Buyer has not satisfied or waived one or more of the conditions precedent set forth in Section 3.1(1),(2),(3) (5) and (6) but agrees to take Gas on the first day of the Delivery Period, then Seller shall not have the right to terminate this Agreement for as long as Buyer is taking the Gas or has otherwise satisfied those enumerated conditions precedent during that period. Upon termination of this Agreement pursuant to this Section 3.3, neither Party shall incur any liability to the other Party.

ARTICLE IV - CONFIRMATION AND NOTICE PROCEDURES

4.1 The Parties agree that the Natural Gas Transaction Confirmation Notice set forth in Exhibit A is the sole transaction to which the Parties have agreed upon execution of this Agreement and the terms of that Transaction are those set forth in the Confirmation Notice as modified or supplemented by the provisions of this Agreement.

ARTICLE V - SERVICE LEVELS AND NON-PERFORMANCE DAMAGES

5.1 The Service Level obligations of the Parties shall be one of the following:

(a) **"Interruptible Service"** - shall mean deliveries and receipts of Gas are on a fully interruptible basis so that the delivery or receipt of Gas may be stopped by either Party at any time for any reason subject only to Scheduling requirements and deadlines of affected Transporter(s). Once the Gas is Scheduled with the affected Transporter(s), Seller is expected to deliver and Buyer is expected to receive the Scheduled volume until such time as Seller or Buyer discontinues the sale and purchase of Gas pursuant to the applicable Confirmation Notice and each Party has had sufficient time to notify affected Transporters.

(b) **"Firm Service"** - shall mean that Seller may only interrupt its performance to the extent caused by: (i) interruption or curtailment of necessary primary path firm transportation that renders it impossible for Seller to deliver, or (ii) an applicable Force Majeure event. Either Party's failure or inability to take all necessary actions to obtain such primary path firm transportation service on Transporters necessary to accomplish delivery or receipt of Gas as agreed in a Transaction shall not excuse performance.

(c) **"EFP/ADP Sale"** - shall mean the Parties have agreed to utilize the EFP procedures of the Commodity Exchange to exchange a futures position for a physical position of equal quantity or have agreed to utilize an ADP to consummate delivery in connection with a futures position. This means that Seller and Buyer have agreed to make and accept deliveries of Gas on a Firm Service basis and to

follow all the Commodity Exchange's rules, regulations and guidelines applicable to EFP or ADP transactions. Buyer and Seller agree to submit necessary documentation, and to assume necessary positions on the Commodity Exchange, in order to implement the ADP or EFP procedures in connection with this type of Transaction.

5.2 Cover Standard. In addition to any liability for Imbalance Charges, which shall not be recovered twice by the following remedy and in addition to the LC Basis Differential Portion as stipulated in Section 5.4, the exclusive and sole remedy of the Parties in the event of a breach of any Service Level obligation, other than that provided for in Article XIX, shall be recovery of the following: (i) in the event of a failure by Seller on any Day(s) to deliver at the relevant Delivery Point 100% of the MDQ for any reason other than Force Majeure, payment by Seller to Buyer in an amount equal to the positive difference, if any, between the per MMBtu purchase price paid by Buyer utilizing the Cover Standard and the Price, adjusted for all actual costs reasonably incurred in acquiring and delivering replacement fuel, including but not limited to Gas or No. 2 fuel oil, to Buyer's Facility, multiplied by the difference between the MDQ and the quantity actually delivered by Seller for such Day(s); or (ii) in the event of a failure by Buyer on any Day to receive at the relevant Delivery Point the MDQ for any reason other than Force Majeure, payment by Buyer to Seller in an amount equal to the positive difference, if any, between the Price and the per MMBtu price received by Seller utilizing the Cover Standard, adjusted for actual incremental transportation costs to or from the Delivery Point(s), multiplied by the difference between the MDQ and the quantity actually taken by Buyer for such Day(s)provided, however, that when Seller covers under this Section 5.2(ii), Seller shall use commercially reasonable efforts to ensure that the price per MMBtu for the untaken Gas received by Seller using the Cover Standard less the actual incremental transportation costs to or from the Delivery Point(s) yields the highest positive difference reasonably available in the marketplace; or (iii) in the event that Buyer has used commercially reasonable efforts to replace the Gas or Seller has used commercially reasonable efforts to sell the Gas to a third party, and no such replacement or sale is available, then the exclusive and sole remedy of the non-breaching party shall be any unfavorable difference between the Price and the Spot Price, adjusted for the cost that would otherwise have been incurred to transport the applicable quantity from the Spot Price index location to the applicable Delivery Point(s), multiplied by the difference between the MDQ and the quantity actually delivered by Seller and received by Buyer for such Day(s).

5.3 EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED IN SECTION 5.2 OR ARTICLE XIX HEREIN, NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR ANY SPECIAL, INDIRECT, INCIDENTAL, CONSEQUENTIAL, OR PUNITIVE DAMAGES OF ANY CHARACTER, INCLUDING BUT NOT LIMITED TO LOSS OF USE, LOST PROFITS (PAST AND FUTURE), ADDITIONAL OUT OF POCKET EXPENSES INCURRED BY EITHER PARTY, OR TORT, CONTRACT OR OTHER CLAIMS RESULTING FROM, ARISING OUT OF, IN CONNECTION WITH OR IN ANY WAY INCIDENT TO ANY ACT OR OMISSION OF EITHER PARTY RELATED TO THE PROVISIONS OF THIS AGREEMENT, IRRESPECTIVE OF WHETHER CLAIMS OR ACTIONS FOR SUCH DAMAGES ARE BASED UPON CONTRACT, WARRANTY, NEGLIGENCE, STRICT LIABILITY OR ANY OTHER REMEDY AT LAW OR EQUITY.

5.4 In the event Seller terminates this Agreement pursuant to Article XIX, the sole and exclusive remedy available to Seller shall be the right to draw on the letter of credit as established in Section 11.1. Upon termination, Seller may draw on the letter of credit (1) an amount necessary to compensate Seller, consistent with Seller's obligations set forth in Section 5.2, for any quantities of Gas delivered by Seller prior to Seller's termination and for which Buyer has not made payment pursuant to Section 5.2 or Article XII of this Agreement, as the case may be; and (2) an additional amount of the remaining portion of the letter of credit, up to \$____ if any, which shall be referred to as the "LC Basis Differential Portion." To the extent Seller terminates this Agreement three hundred and sixty-five (365) Days or less before expiration of the term of this Agreement, the amount of the LC Basis Differential Portion that Seller shall be the lesser of (1) the remaining portion of the letter of credit or (2) the amount

established according to the following formula:

$$\text{LC Basis Differential Portion} \times \frac{\text{Remaining Days in Term}}{365}$$

For example, if there are 300 Days remaining in the Agreement's term when Seller terminates the Agreement, then the LC Basis Differential Portion of the letter of credit will equal \$_____ [\$_____ multiplied by 300 divided by 365], assuming the amount is less than the remaining portion of the letter of credit.

5.5 With regard to any Service Level commitment, each Party shall be responsible for complying with the Scheduling deadlines and procedures of applicable Transporter(s) and for any Imbalance Charges incurred as a result of its failure to so comply as set forth in Article VII.

ARTICLE VI – PRICE

6.1 **Price and Lock-In Option.** Buyer shall pay the Price for the MDQ during the Delivery Period in conformance with the nomination requirement of Article VII. The Price for all Gas delivered by Seller and taken by Buyer at the Delivery Point at East Hereford, Quebec, shall be the East Hereford Price. The Price for all Gas delivered by Seller and taken by Buyer at the Delivery Point at Empress, Alberta, shall be the Empress Price. At any time during the Delivery Period, Buyer may elect to "lock-in" a price ("Lock-In Price") for any period of time during the Delivery Period ("Lock-In Period"); provided, however, that Buyer provides Seller with notice of that election two (2) Days prior to the first Day of the Lock-In Period and Buyer and Seller mutually agree on a price and other mutually acceptable terms (including oral agreements) and conditions. At the expiration of the Lock-In Period, the Price shall again be that set forth in this Agreement.

6.2 **Delivery Point and MDQ.** Buyer shall have the option on or before August 1, 1999, to designate both the interconnection between the pipeline facilities of TransQuebec and Maritimes Pipelines, Inc., and Portland Natural Gas Transmission System at East Hereford, Quebec, and the interconnection between the pipeline facilities of Nova Gas Transmission and TransCanada PipeLines Ltd at Empress, Alberta, as the Delivery Points hereunder. If Buyer exercises the option in accordance with this provision, then (1) with respect to the Delivery Point at East Hereford, Quebec, the MDQ shall be 6,500 MMBtu between November 1, 1999, and October 31, 2000, and 7,500 MMBtu between November 1, 2000, and October 31, 2004; and (2) with respect to the Delivery Point at Empress, Alberta, 3,500 MMBtu between November 1, 1999, and October 31, 2000, and 2,500 MMBtu between November 1, 2000, and October 31, 2004. If Buyer fails to exercise such option on or before August 1, 1999, then the interconnection between the pipeline facilities of TransQuebec and Maritimes Pipelines, Inc., and Portland Natural Gas Transmission System at East Hereford, Quebec, shall be the sole Delivery Point during the term of this Agreement and the MDQ under this Agreement shall be 10,000 MMBtu.

6.3 **Monthly or Daily Price Election.** Buyer shall provide Seller with a written notice by the fifth day of the Month preceding the commencement of the delivery Month setting forth (1) whether Buyer elects the monthly or daily index price for deliveries at the Delivery Points, as set forth in Sections 2.16 and 2.18, for the next Month; and (2) the portion of the MDQ, up to the MDQ, that the monthly and/or daily index is to be applied at the Delivery Points. Without such notice, the Monthly Price Index for deliveries at East Hereford or Empress, as applicable, shall apply for the next Delivery Month.

6.4 **Replacement of Index.** The Parties recognize that the index(es) used in this Agreement are the most reliable indicators of Gas prices at the closest liquid point to the respective Delivery Points at the date of execution, but in the event that either index is discontinued, the Parties shall, in good faith, within thirty (30) Days from the date written notice is received from the other Party, negotiate (1) a replacement index that tracks the prevailing price for firm deliveries of Gas to the a delivery point closest to the Delivery Point to which the discontinued index applied under contracts of one Month or less and which best and accurately reflects Gas prices at the Delivery Points and (2), if applicable, an appropriate factor to be added to the replacement index to reflect the actual transportation differential between the replacement index and the delivery point, plus US \$____. Any proposed replacement index shall reflect short-term Gas purchase and sales transactions at liquid trading point(s), as evidenced in part by regular reporting by a recognized trade publication. If the Parties are unable to reach agreement as to a new index within forty-five (45) Days of the date of the written notice provided herein, then the matter shall be referred to arbitration in accordance with Article XVII herein. The Price in effect on the Day before the applicable index is discontinued shall remain in effect until the index is replaced pursuant to this provision.

6.5 **Remarketing of Gas Not Consumed.** On any Day that Buyer does not consume all of the delivered Gas at Buyer's Facility, Buyer shall retain all rights to remarket or otherwise dispose of the Gas not consumed by Buyer ("Unconsumed Quantity"); provided, however, Buyer may at its sole option request that Seller remarket any or all of the Unconsumed Quantity and shall pay Seller a remarketing fee of \$____ U.S./MMBtu for the portion of the Unconsumed Quantity that Seller successfully remarkets; provided further, however, that Seller shall provide Buyer with the proceeds of any and all sales of the Unconsumed Quantity. If Buyer elects to remarket the gas, Seller will use commercially reasonable efforts to comply with transportation requests by Buyer, such as intra-day nominations or use of alternate delivery points, to the extent permitted by the transporters used by Seller.

ARTICLE VII - TRANSPORTATION

7.1 Buyer is obligated daily to Schedule, or cause to be Scheduled, and to receive the MDQ from the Seller's Transporter at each of the Delivery Points in accordance with the provisions of this Article VII. Seller is obligated daily to Schedule, or cause to be Scheduled, the MDQ with its Transporter and deliver Buyer's nominated quantity to each Delivery Point. Seller shall be solely responsible for capacity on Transporters upstream of the Delivery Points and Buyer shall be solely responsible for capacity on Transporter(s) downstream of the Delivery Points.

7.2 The Parties shall coordinate their Scheduling requirements by telephone (with immediate confirmation in writing by telecopy if such confirmation is requested) and shall provide ample time to meet the Scheduling deadlines of the affected Transporter(s). Each Party's gas control dispatcher shall give the other timely notice of a nomination, sufficient to meet the requirements of all Transporters involved with the Gas delivered and received on each Day. Such notice shall be at least one (1) Business Day prior to the earliest regularly scheduled nomination deadline of the Transporter(s) receiving or delivering Gas at the Delivery Points for Gas to be delivered commencing on the first Day of a Month; three hours earlier than such deadline for any subsequent nomination if intra-month changes are authorized; and one hour earlier than such deadline for any subsequent nomination if intra-day or mid-day nominations are authorized. Should either Party become aware that actual deliveries at the Delivery Points are greater or lesser than the Scheduled Gas, such Party shall notify immediately the other Party's gas control dispatcher by telephone to be followed up with written telecopy notice within twenty-four (24) hours.

7.3 The Parties shall use all reasonable efforts to avoid imposition by any Transporter of an Imbalance Charge. If either Party, during any Month, receives an invoice from a Transporter which

includes an Imbalance Charge relating to a Transaction, that Imbalance Charge shall be the responsibility of the Party whose actions or inactions caused that Imbalance Charge. The Parties shall use their reasonable efforts to promptly determine the validity as well as the cause of such Imbalance Charge. If the Parties determine that the Imbalance Charge was imposed as a result of Buyer's actions or inactions, then Buyer shall pay such Imbalance Charge or reimburse Seller for such Imbalance Charge paid by Seller to the Transporter. If the Parties determine that the Imbalance Charge was imposed as a result of Seller's actions or inactions, then Seller shall pay such Imbalance Charge, or reimburse Buyer for such Imbalance Charge paid by Buyer to the Transporter. If a Party is obligated to reimburse the other Party for an Imbalance Charge, such Imbalance Charge shall be due and payable within ten (10) Business Days of receipt of a statement for such amount by the reimbursing Party.

ARTICLE VIII – SELLER SUPPLY WARRANTY

Seller warrants to Buyer that Seller will deliver to Buyer, subject to and in accordance with the provisions of this Agreement and the Confirmation Notice set forth in Exhibit A, sufficient quantities of Gas to satisfy its obligations under this Agreement and, subject to Force Majeure, will use all reasonable industry standard practices to assure such performance.

ARTICLE IX - FORCE MAJEURE

9.1 Except with regard to a Party's obligation to make payments due under this Agreement, neither Party shall be liable to the other for a failure to perform its obligations hereunder, if performance was prevented by Force Majeure. As used herein, the term "Force Majeure" shall mean an occurrence or event beyond the control of the Party claiming excuse which partially or entirely prevents that Party's performance of its obligations. Demand charges shall be waived in the event of Force Majeure.

9.2 The Party whose performance is prevented by Force Majeure must provide notice to the other Party. Initial notice may be given orally; however, written notification with particulars of the event or occurrence is required as soon as reasonably possible. Upon providing written notification of Force Majeure to the other Party, the affected Party will be relieved of its obligation to make/accept delivery of Gas to the extent and for the duration of Force Majeure and neither Party shall be deemed to have failed in such obligations to the other during such occurrence or event. Force Majeure, however, shall not excuse the payment of financial obligations, including but not limited to those incurred in liquidating hedge positions undertaken by a Party with the agreement of the non-performing Party (such as under a Trigger Price Agreement) who shall be liable for any losses incurred in such liquidation.

9.3 Force Majeure shall include but not be limited to the following: (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe, weather related events such as hurricanes or freezing or failure of wells or lines of pipe; (ii) acts of others such as strikes, riots, sabotage, insurrections or wars; (iii) governmental actions such as necessity for compliance with any court order, law, statute, ordinance, or regulation promulgated by a governmental authority having jurisdiction; (iv) inability of Transporter(s) to deliver Gas from either Delivery Point to Buyer's Facility; and (v) any other causes, whether of the kind herein enumerated or otherwise that are not reasonably within the control of the affected Party to prevent or overcome. Seller and Buyer shall make reasonable efforts to avoid Force Majeure and to resolve the event or occurrence once it has occurred in order to resume performance. If deliveries for a Transaction are to be made through an inventory transfer on a pipeline or in a storage facility, an interruption, curtailment or prorating of transportation or storage service will

not constitute a Force Majeure unless the pipeline or storage facility interrupts, curtails or prorates inventory transfer service for all of its firm customers at that point.

9.4 Neither Party shall be entitled to the benefit of the provisions of Force Majeure under either or both of the following circumstances: (i) to the extent the failure to perform was caused by the sole or contributory negligence of the Party claiming excuse; or (ii) to the extent the failure to perform was caused by the Party claiming excuse having failed to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch. Notwithstanding anything to the contrary herein, the Parties agree that the settlement of strikes, lockouts or other industrial disturbances shall be entirely within the discretion of the Party experiencing such disturbance.

9.5 On any day or portion thereof that Force Majeure applies, the Parties' obligations to deliver and receive Gas will be reduced only by the percentage that the affected Party's total Gas flows are interrupted, curtailed or prorated at the Delivery Points as a result of such Force Majeure.

9.6 In the event that a Party does not substantially perform its obligations as a result of an event of Force Majeure and such obligations are suspended pursuant to this Section for a period of six (6) months or more as a result of any single event or combination of events of Force Majeure, the other Party may, by notice within thirty (30) days ("Notice Period") following expiration of such period terminate this Agreement; provided, however, that the Agreement may not be terminated pursuant to this Section 9.6 if the non-terminating Party cures its non-performance during such thirty (30) day period.

9.7 In the event that, as a result of Force Majeure, Seller is rendered unable on any Day, wholly or in part, to sell and deliver the quantity of Gas at the Delivery Points that Seller's customers have requested for such day, the Seller shall curtail deliveries to such customers (including Buyer hereunder) in the following order of priority:

(a) first, under natural gas sales contracts on a non-firm Basis;

(b) second, under natural gas sales contracts on a firm Basis, including this Agreement; provided, however, to the extent that Seller is required by such Force Majeure to curtail deliveries under natural gas sales contracts on a firm Basis, such deliveries shall be curtailed on a pro rata basis in the proportion of the MDQ under this Agreement to the MDQ (or its equivalent) under all of Seller's natural gas sales contracts of a similar nature, unless required to the contrary by any law, regulation, or prior contractual commitment.

ARTICLE X - TAXES

10.1 Seller shall be responsible for payment of all taxes, royalties, transportation charges, production-related costs, severance, ad valorem taxes and other expenses attributable to the Gas prior to its delivery at the Delivery Point(s). Seller shall reimburse Buyer for any such taxes, charges, costs or expenses paid on behalf of Seller by Buyer. Buyer shall be responsible for the payment of taxes attributable to the Gas hereunder at or after its delivery at the Delivery Points including, but not limited to, all sales or use, true value-added, gross receipts, consumption and franchise taxes. Buyer shall provide Seller with any applicable certificate or other documentation of sales or use tax exemption; and Buyer shall be liable for any sales or use tax and associated interest or penalties assessed against Seller due to Buyer's failure to timely provide or properly complete any such certificate or documentation.

10.2 If any Goods and Service Tax ("GST") or similar tax is due, Buyer shall pay it to Seller, as agent for the Crown, and Seller shall remit same as required by law. Unless the Confirmation Notice

specifies otherwise, the Price does not include GST or similar taxes; provided, however, that the Confirmation Notice included at Exhibit A is not subject to GST and Buyer shall not be liable for any GST associated with any Gas purchases pursuant to that Confirmation Notice.

ARTICLE XI - FINANCIAL RESPONSIBILITY

11.1 Prior to commencement of performance, or at any other time during the term of this Agreement, either Party may require the other to provide financial information reasonably needed to ascertain the other Party's ability to pay for Gas to be received under this Agreement or to meet any other obligation which may accrue, including without limitation the obligation to pay damages in the event of failure to perform. Buyer shall post an irrevocable letter of credit of U.S. \$_____ in favor of the Seller on or before October 1, 1999. The form of the letter of credit shall be reasonably acceptable to Seller and the issuer shall be a financial institution having a long-term unsecured senior debt rating of at least "A -" or its equivalent by Standard & Poor's Corporation or Moody's Investment Services, Inc. Buyer shall renew or replace and keep in full force and effect each letter of credit provided by Buyer under this Article XI until Seller advises Buyer that there is no further requirement to maintain any such letter of credit. If any letter of credit is not renewed or replaced prior to the tenth (10th) Day before its maturity or expiry date or if Seller has not received appropriate confirmation of such renewal or replacement from the issuer of such letter of credit prior to such tenth (10th) day, then Seller shall be entitled to draw the full amount payable under the letter of credit in effect. Seller may draw on the letter of credit upon termination of this Agreement pursuant to Article XIX due to a default by Buyer; provided, however, that Seller may only draw on the letter of credit in accordance with Sections 5.2 and 5.4 up to the amount that Buyer owes Seller under this Agreement as a result of the default. Seller may also draw on the letter of credit upon failure of Buyer to make payment in accordance with the provisions of this Agreement for deliveries of Gas hereunder, consistent with Seller's obligations set forth in Sections 5.2 and 5.4. If Seller has properly drawn on the letter of credit in accordance with the provisions of this Agreement, then Buyer shall use all reasonable efforts to ensure that the letter of credit is replenished to its full, preexisting amount, or provide Seller with reasonable confirmation of such replenishment from the issuer, within ten (10) Days of the date that funds are drawn from the letter of credit. Buyer shall notify Seller of the replenishment of the letter of credit as soon as is reasonably practicable and upon such replenishment, Seller shall reimburse Buyer for all amounts drawn by Seller under the previous letter of credit and not applied to satisfy amounts due and owing by Buyer under this Agreement. Seller shall have the right to delay commencement of deliveries, or suspend deliveries hereunder after notice to Buyer if:

- (i) Buyer fails to post the letter of credit in accordance with this Section 11.1, after a demand is made by Seller to so post such letter of credit, in accordance with the time requirements stipulated hereunder; or
- (ii) Buyer fails to replenish the amount of any letter of credit in the required amounts in the manner contemplated by this Section or Seller has not received appropriate confirmation pursuant to this Section.

If during the term of the Agreement, the entity providing the guarantee required by Section 3.1(6) at any time does not have an investment grade rating (defined as a Corporate Credit Rating of A - or its equivalent by Standard & Poor's Corporation or Moody's Investment Services, Inc.), Buyer may require Seller to post an irrevocable \$_____ letter of credit that Buyer may draw upon when, and to the extent, Seller has not performed under this Agreement. The form of the letter of credit shall be reasonably acceptable to Buyer and the issuer shall be a financial institution having a long-term unsecured senior debt rating of at least "A -" or its equivalent by Standard & Poor's Corporation or Moody's Investment Services, Inc. Seller shall renew or replace and keep in full force and effect each

letter of credit provided by Seller under this Article XI until Buyer advises Seller that there is no further requirement to maintain any such letter of credit. If any letter of credit is not renewed or replaced prior to the tenth (10th) Day before its maturity or expiry date or if Buyer has not received appropriate confirmation of such renewal or replacement from the issuer of such letter of credit prior to such tenth (10th) day, then Buyer shall be entitled to draw the full amount payable under the letter of credit in effect. If Buyer has properly drawn on the letter of credit in accordance with the provisions of this Agreement, then Seller shall use all reasonable efforts to ensure that the letter of credit is replenished to its full, preexisting amount, or provide Buyer with reasonable confirmation of such replenishment from the issuer, within ten (10) Days of the date that funds are drawn from the letter of credit. Seller shall notify Buyer of the replenishment of the letter of credit as soon as is reasonably practicable. Buyer shall reimburse Seller for all amounts drawn by Buyer under the previous letter of credit and not applied to satisfy amounts due and owing by Seller under this Agreement.

11.2 In the event either Party shall (i) make an assignment or any general arrangement for the benefit of creditors; (ii) file a petition or otherwise commence, authorize, or acquiesce in the commencement of a bankruptcy proceeding against it; or (iii) otherwise become bankrupt or insolvent (however evidenced); , then in addition to any and all other remedies available hereunder or pursuant to law, the other Party shall have the right without further notice to (i) withhold or suspend deliveries or receipts or terminate the Agreement and any or all Transactions without further notice; and/or (ii) immediately close out any or all Transactions then outstanding between the parties so that each such Transaction (as evidenced in a Confirmation Notice) is effectively canceled by the Unsecured Party's buying back from the other Party the Gas to be purchased by the other Party and/or by the Unsecured Party's selling back to the other Party the gas to be sold by the other Party thereunder. The difference, if any, between the price specified for individual transactions set forth in individual Confirmation Notices and the price determined using the Cover Standard shall be due and payable within two (2) Business Days of receipt of a statement for such amounts by the other Party.

ARTICLE XII - BILLING AND PAYMENT

12.1 On or before the fifteenth (15th) day following the Month in which deliveries of Gas were made hereunder, Seller shall deliver to Buyer a statement for the preceding Month showing the Delivery Points and the total volume of Gas delivered and the amount due. If the actual volume delivered is not available by such billing date, billing will be prepared based on the Scheduled quantities. The estimated volume will then be corrected to the actual volume on the following month's billing or as soon thereafter as actual delivery information is available.

12.2 Unless a different payment method is specified in the Confirmation Notice, Buyer shall remit the full amount due by wire transfer, electronic funds transfer or other similarly expeditious means, pursuant to Seller's invoice instructions, on or before the later of (i) the twenty-fifth (25th) Day of the Month immediately following the delivery Month or (ii) ten (10) days after receipt of the invoice by Buyer; provided that if such date is not a Business Day, payment is due on the closest Business Day. Payment will be in U.S. Dollars, as specified in the Confirmation Notice.

12.3 If a Party fails to pay the full amount payable by it when due, interest on the unpaid portion shall accrue from the date due until the date of payment at a rate equal to the lower of: (i) the then effective prime rate of interest for large U.S. Money Center commercial banks, published under "Money Rates" by The Wall Street Journal, plus two percent (2%) per annum from the date due until the date of payment, or (ii) the maximum applicable lawful interest rate. A Party is entitled to set-off any amount owed to it under any Transaction or any other agreement with the other Party from the amount required to be paid under the agreement or any other Transaction. In any action to collect an amount due under this Agreement, the prevailing Party shall be entitled to recover its reasonable legal fees and

collection costs, either as determined by arbitration under Article XV hereof or by a court of competent jurisdiction.

12.4 Each of the Parties, at its own expense, shall have the right, upon reasonable notice and at reasonable times, to examine the books and records of the other to the extent reasonably necessary to verify the accuracy of any statement, payment, demand, charge, or computation made under any Agreement. If either Party has documentation from its Transporter(s) which is needed by the other Party in this regard it shall provide such information upon request. Any such audit and any claim based upon errors in any statement must be made within two (2) Years of the date of such statement or last revision thereof. Neither Party shall have the right to perform more than (2) such audits per calendar year. Such right to audit shall be available for the term of this Agreement and for two (2) Years after its termination.

12.5 If an error is discovered in the amount billed in any invoice rendered hereunder such error shall be rectified by payment within ten (10) days after notice of the discovery of the error. If a dispute arises as to the amount payable in any invoice rendered hereunder, Buyer shall nevertheless pay when due the amount not in dispute under such invoice, and shall provide written notice to Seller indicating the disputed amount and the reason for such dispute. If a difference in volumes cannot be reconciled, payment shall be based upon the receipt volumes allocated to the shipper's transportation contract(s) with the Transporter. During this time of reconciliation, there shall be no late charges or interest imposed on the Buyer related to payment for such difference, unless interest charges are being applied by the affected Transporter. Such payment shall not be deemed to be a waiver of the right by Buyer to recoup any overpayment, nor shall acceptance of any payment be deemed to be a waiver by Seller of any underpayment.

ARTICLE XIII - NOTICES

13.1 All notices, consents, elections, exercise of options, invoices, payments, statements and other forms of communications made pursuant to this Agreement shall be in writing and made as follows:

Advisements to DEM should be made as directed below or as otherwise indicated on superseding invoices, statements, notices and other correspondence on company letterhead or company logo:

Confirmation Notices/
Correspondence

Duke Energy Marketing Limited Partnership
2700, 700 9 th Avenue S.W.
Calgary, Alberta, Canada
T2P 3V4

Attention: Contract Administration
Phone: (403) 297-9800 FAX: (403) 705-2001

Invoices:

Duke Energy Marketing Limited Partnership

2700, 700 9 th Avenue S.W.
Calgary, Alberta, Canada
T2P 3V4

Attention: Contract Administration

Phone: (403) 297-9800

FAX: (403) 705-2001

Payment:

Duke Energy Marketing Limited Partnership

By Wire Transfer:

Chase Manhattan Bank New York
For the Acct. of: Duke Energy Trading and Marketing, L.L.C.
Account No. 910-2-771301
ABA No. 021000021:

By Check:

P.O. Box 201204
Houston, TX 77216-1204

Gas Control

Duke Energy Marketing Limited Partnership
2700, 700 - 9th Avenue SW
Calgary, Alberta T2P 3V4
Attention: Gas Control
Phone: (403) 297-9800 FAX: (403) 237-6021

Advisements to the other Party should be made as directed on Exhibit "B" attached hereto or as otherwise indicated on superseding invoices, statements, notices and other correspondence on company letterhead.

13.2 All notices required pursuant to this Agreement may be sent by facsimile or mutually acceptable electronic means, a nationally recognized overnight courier service, first class mail, certified mail return receipt requested, or hand delivered.

13.3 Notice shall be given when received on a Business Day by the addressee. In the absence of proof of the actual receipt date, the following presumptions will apply. Notices sent by facsimile shall be deemed to have been received upon the sending party's receipt of its facsimile machine's confirmation of successful transmission. If the day on which such facsimile is received is not a Business Day or is after five p.m. (at the receiving party's place of business) on a Business Day, then such facsimile shall be deemed to have been received on the next following Business Day. Notice by overnight mail or courier shall be deemed to have been received on the next Business Day after it was sent or such earlier time as is confirmed by the receiving party. First class mail is deemed delivered three (3) days after mailing.

ARTICLE XIV - MEASUREMENT, QUALITY AND PRESSURE

14.1 Unless otherwise specified in the Confirmation Notice, the unit for measurement of Gas for deliveries shall be MMBtu.

14.2 All Gas delivered by Seller or transported under this Agreement shall meet the quality and heat content requirements of the receiving Transporter(s)' tariff, as amended from time to time. Measurement of Quantities hereunder shall be in accordance with the established procedures of the receiving Transporter(s) at the Delivery Points.

14.3 Buyer shall have the right to reject Gas that does not meet the receiving Transporter(s) quality and pressure specifications applicable at the Delivery Points.

ARTICLE XV - PROCESSING

15.1 Seller shall have the sole and exclusive right, but not the obligation, to Process the Gas to remove any liquid or liquefiable hydrocarbons prior to delivery at the Delivery Points. Any hydrocarbons removed by Seller shall belong to Seller and shall be Seller's sole responsibility. Any costs associated therewith (including transportation costs and plant thermal reduction) shall be borne by Seller and Seller shall indemnify, defend and hold Buyer harmless therefrom. Seller's right to Process the Gas to be delivered under this Agreement shall not excuse Seller from its obligation to deliver the MDQ at the Delivery Point in accordance with the terms of this Agreement.

15.2 Buyer shall have the sole and exclusive right, but not the obligation, to Process the Gas to remove any liquid or liquefiable hydrocarbons at or after delivery of the Gas at the Delivery Points. Any such hydrocarbons removed by Buyer shall belong to Buyer and shall be Buyer's sole responsibility. Any costs associated therewith (including transportation costs and plant thermal reduction) shall be borne by Buyer and Buyer shall indemnify, defend and hold Seller harmless therefrom.

ARTICLE XVI - TITLE, WARRANTY AND INDEMNITY

16.1 Unless otherwise specifically agreed, title to the Gas shall pass from Seller to Buyer at the Delivery Point(s). Seller shall have responsibility for and assume any liability with respect to the Gas prior to its delivery to Buyer at the specified Delivery Points. Buyer shall have responsibility for and assume any liability with respect to said Gas after its delivery to Buyer at the Delivery Points.

16.2 Seller warrants that it will have the right to convey and will transfer good and merchantable title to all Gas sold hereunder and delivered by it to Buyer, free and clear of all liens, encumbrances, and claims.

16.3 Seller agrees to indemnify Buyer and save it harmless from all losses, liabilities or claims including reasonable legal fees and costs of court ("Claims"), from any and all persons, arising from or out of claims of title, for payment, personal injury or property damage from said Gas or other charges thereon which attach before title passes to Buyer. Buyer agrees to indemnify Seller and save it harmless from all Claims, from any and all persons, arising from or out of claims regarding payment, personal injury or property damage from said Gas or other charges thereon which attached after title passes to Buyer. Neither Party shall be responsible for indemnifying the other Party in accordance with this Section 16.3 if the claims for which the other Party seeks indemnification were caused by the gross negligence or willful misconduct of the other Party.

16.4 Notwithstanding the other provisions of this Article XVI, as between Seller and Buyer, Seller will be liable for all Claims to the extent that such arise solely from the failure of Gas delivered by Seller to meet the quality requirements of Article XIV.

ARTICLE XVII - ARBITRATION AND LEGAL RECOURSE

17.1 In the event the Parties are unable to resolve any dispute regarding the application or interpretation of any provision related to this Agreement, both Parties agree to resolve such dispute through the arbitration provisions of this Article.

17.2 Within twenty (20) Business Days of either Party's written election to the other to arbitrate any disputes which arise under this Agreement each Party shall choose one arbitrator to arbitrate, and within ten (10) Business Days after both such arbitrators are chosen, such arbitrators shall choose a third arbitrator thus completing the arbitration panel. If the two chosen arbitrators fail to select a third arbitrator within the required time period, the Parties shall meet and shall agree upon a third arbitrator within five (5) Business Days. If the Parties fail to agree upon a third arbitrator within five (5) Business Days, the two chosen arbitrators shall be removed and the Parties shall select two new arbitrators in accordance with the procedures set forth in this Section. Any arbitrator chosen shall be a disinterested party with knowledge in the area of gas production, transportation, marketing and distribution and in the area of development, construction and operation of gas-fired electric power generation facilities.

17.3 The arbitrator(s), once chosen, shall consider any Transaction Tapes or any other evidence which the arbitrator(s) deem necessary and shall then accept sealed written resolutions of the subject dispute from each Party on a confidential basis to be submitted within twenty (20) Business Days of establishment of the arbitration panel. The written submissions shall be in a form and subject to any limitations as may be prescribed by the arbitrator(s). The arbitrator(s) shall then choose only one of the proposed solutions, (without modification) as the fairest solution to the dispute within ten (10) Business Days of receipt of the written submissions of both Parties. A majority vote of the arbitrators shall govern. The decision of the arbitrators shall be final and nonappealable. Unless otherwise agreed by the Parties, the arbitration shall be held in the Province of Ontario.

17.4 Any expenses incurred in connection with hiring the arbitrator(s) and performing the arbitration shall be shared and paid equally between the Parties. Each Party shall bear and pay its own expenses incurred in connection with the arbitration, unless otherwise included in a solution chosen by the arbitration panel. In the event either Party must file a court action to enforce an arbitration award under this Article, the prevailing Party shall be entitled to recover its court costs and reasonable legal fees. Whenever there is an arbitration proceeding under this Article, operations under this Agreement shall continue in the same manner as they were conducted before the Arbitration proceeding is commenced, without prejudice to either Party, pending a decision in the arbitration proceeding.

ARTICLE XVIII - TERM

This Agreement and the Natural Gas Transaction Confirmation Notice attached at Exhibit A shall remain effective for a period of five (5) Years from the first Day of the Delivery Period. Either Party may provide the other Party with a (1) one year prior notice of its desire to negotiate the extension of this Agreement. Upon such notice, the Parties shall negotiate in good faith to extend the Agreement on terms and conditions acceptable to both Parties. If a notice is not received pursuant to this Section, the Agreement shall terminate upon expiration of the initial term. If the Parties extend the term of this Agreement pursuant to this Article XVIII, and effectuate such extension by execution of a new Confirmation Notice that replaces or supplements the Confirmation Notice attached hereto as Exhibit A, then termination of the Agreement shall not be effective until the expiration of the term set forth in the new Confirmation Notice.

ARTICLE XIX – TERMINATION FOR DEFAULT

19.1 **Termination for Default.** If (i) either Party shall fail in any material respect to comply with, observe, perform or shall default in any material respect upon any obligation under this Agreement (an "Event of Default"), except due to causes excused by Force Majeure or attributable to the other's gross negligence or willful misconduct, for a period of thirty (30) days and (ii) after written notice thereof from the Party claiming a right to terminate this Agreement, such failure shall continue for an additional period of fifteen (15) Days, then the Party claiming the right to terminate may, by notice in writing, terminate this Agreement as of the date of the notice of termination; provided, however, that if such failure cannot be reasonably cured within such fifteen (15) Days, the Party claimed to be in default shall be entitled to one hundred and eighty (180) Days from the date of the notice to effect such cure, provided that such Party commences within such fifteen (15) Days substantial efforts to effect such cure and at all times thereafter proceeds diligently to complete such cure. If the default has not been cured at the expiration of the one hundred and eighty (180) Day period, this Agreement shall terminate unless the Party having the right to terminate provides notice to the other Party of its intent not to terminate. Notwithstanding the foregoing, Seller shall give written notice to the Financing Parties or any agent for the Financing Parties of an Event of Default of Buyer and the Financing Parties or the agent for the Financing Parties shall have the option, but not the obligation, to cure such Event of Default for a period of 60 days after the applicable cure period under this Section 19.1 or assume or cause its designee or cause a lessee or purchaser of Buyer's Facility to assume, all of the rights and obligations of Buyer under this Agreement arising before and after the date of such assumption.

19.2 **Financing Parties.** In the event that any of the Financing Parties or its designees assumes the Agreement in accordance with Section 19.1 hereof:

(a) Buyer shall remain liable for any and all obligations to Seller arising or accruing hereunder prior to such assumption. Buyer shall be released and discharged from any obligations to seller arising or accruing hereunder from and after the date of such assumption;

(b) Seller shall continue this Agreement with any of the Financing Parties or its designee, as the case may be, substituted in the place of Buyer hereunder; and

(c) If the assuming party is any of the Financing Parties, such party shall be liable to the seller for the performance of any and all obligations to seller under this Agreement, whether arising prior to or after the date of such assumption.

19.3 **Other Rights Preserved.** The availability or exercise of the right to terminate this Agreement pursuant to Section 19.1 shall not serve to diminish or effect the right of the Parties to seek damages (subject to the limitation on liability in Section 5.3) or specific performance, for breach of this Agreement, as provided herein.

ARTICLE XX - ASSIGNMENT AND CONFIDENTIALITY

20.1 Except as specified in Sub-section 20.1, 20.2, 20.3 or 20.4 hereof, the rights and obligations of the Parties to this Agreement may not be assigned by either party except upon the express written consent of the other Party, which consent shall not be unreasonably withheld. In the event such an assignment is made and consented to, the assigning Party shall be released and discharged from all obligations to the other Party hereunder thereafter arising, and such assignee shall

be substituted in place of the assigning Party herein. Any assignment of this Agreement not made in accordance with this Section 20.1 shall be void.

20.2 Either Party shall have the right, without the consent of the other Party, but upon notice to the other Party, to assign this Agreement to any entity owned by, under common ownership with, or owning the assigning Party, or, in the case of Buyer, to a partnership or other entity organized for the purpose of developing, constructing, owning and operating Buyer's Facility, and in which Buyer or an affiliate of Buyer holds an equity interest. Upon such assignment, the Party assigning will not be released from any obligation or liability arising or accruing under this Agreement without the written consent of the other Party. Such consent shall not be unreasonably withheld.

20.3 Buyer shall also have the right, without Seller's consent, to assign all of its rights and interest (but not its obligations) under this Agreement to the Financing Parties as security for Buyer's obligations under the Financing Documents. Seller acknowledges that upon an Event of Default by Buyer under the Financing documents, any of the Financing Parties may (but shall not be obligated to) assume, or cause its designee or a new lessee or purchaser of Buyer's Facility to assume, all of the interests, rights and obligations of Buyer thereafter arising under this Agreement. If the rights and interests of Buyer in this Agreement shall be assumed, sold or transferred as herein before provided, Buyer shall be released and discharged from, and the assuming Party shall agree in writing to be bound by and to assume, the terms and conditions of this Agreement and any and all obligations to Seller arising or accruing hereunder (whether before or after the date of such assumption) and Seller shall continue this Agreement with the assuming Party as if such person had thereafter been named as Buyer under this Agreement. Notwithstanding any such assumption by any of the Financing Parties or a designee thereof, or under a general assignment, Buyer shall not be released and discharged from and shall remain liable for any and all obligations to Seller arising or accruing hereunder prior to such assumption. Seller shall provide the Financing Parties with any consent or opinion of counsel required with respect to any Financing Document.

20.4 The provisions of Section 20.3 hereof and this Section 20.4 are for the benefit of the Financing Parties as well as the Parties hereto, and shall be enforceable by each. Seller hereby agrees that none of the Financing Parties, or any bondholder or participant for whom they may act, shall be obligated to perform any obligation or be deemed to incur any liability or obligation provided herein on the part of the Buyer or shall have any obligation or liability to Seller with respect to this Agreement, except as provided in Section 20.3 hereof and this Section 20.4.

20.5 The terms of this Agreement and of any Confirmation Notice entered into pursuant hereto, including but not limited to the Price, the MDQ, the Delivery Period, the identified Transporter(s) and all other material terms thereof shall be kept confidential by the Parties hereto, except to the extent that any information must be disclosed to a third party for the purpose of transporting Gas subject to the Agreement, to meet Commodity Exchange requirements or regulatory filing requirements where necessary, in connection with the requirements of any of the Financing Parties or Financing Documents or to meet any of the requirements of the financing or refinancing process; or to respond to an audit request. As a condition of conducting an audit pursuant to Section 12.4, the auditing Party acknowledges that the documents and records provided may contain proprietary or competitively sensitive information, which the auditing Party shall treat as confidential and not use to compete with the audited Party.

ARTICLE XXI – NON-RECOURSE OBLIGATIONS

Seller understands that Buyer is a Delaware limited liability corporation and agrees that (a) Seller shall have no recourse against any participants in Buyer and its sole recourse shall be against Buyer

and Buyer's assets, irrespective of any failure to comply with applicable law or any provision of this Agreement; (b) no claim shall be made against any participants in Buyer in connection with this Agreement, except that the participants may be joined as nominal parties for the purpose of enforcing Seller's rights hereunder; (c) Seller shall have no right to any claim against Buyer for any capital contributions from any participants in Buyer not yet due and owing; and (d) this representation is made expressly for the benefit of the participants in Buyer.

ARTICLE XXII - MISCELLANEOUS

22.1 Compliance with the confirmation procedures of Article III satisfies any "writing" requirements imposed under the applicable law.

22.2 The Parties may supplement this Agreement with the EDI Trading Partner Agreement endorsed by the Gas Industry Standards Board.

22.3 If any provision of this Agreement is determined to be invalid, void or unenforceable by any court having jurisdiction, such determination shall not invalidate, void or make unenforceable any other provision, agreement or covenant of this Agreement.

22.4 No waiver of any breach of this Agreement shall be held to be a waiver of any other or subsequent breach.

22.5 All rights, duties and obligations arising under this Agreement shall be exercised and discharged in good faith and in a commercially reasonable manner.

22.6 This Agreement sets forth all understandings between the Parties respecting each transaction subject hereto, and any prior contracts, understandings and representations, whether oral or written, relating to such transactions are merged into and superseded by this Agreement and any effective Transaction Confirmation(s). This Agreement may be amended only in writing executed by both parties.

22.7 The construction, interpretation, performance and enforcement of this Agreement shall be governed by the laws of Ontario, excluding however, any conflict of laws rule, which would apply the laws of another jurisdiction.

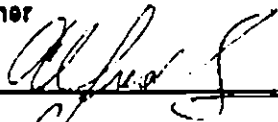
22.8 Each Party to this Agreement represents and warrants that it has full and complete authority to enter into and perform this Agreement, including having obtained any regulatory authority necessary to transact business under this agreement. Each person who executes this Agreement on behalf of either Party represents and warrants that it has full and complete authority to do so and that such Party will be bound thereby.

IN WITNESS HEREOF, this Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument, effective as of this 1st day of August, 1999.

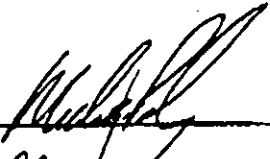
AGREED and ACCEPTED This 21st
Day of July, 1999.

AGREED and ACCEPTED This 30th
Day of July, 1999.

DUKE ENERGY MARKETING LIMITED PARTNERSHIP by
DUKE ENERGY MARKETING CANADA LTD., Its General
Partner

By: 
Title: PRESIDENT

ANDROSCOGGIN ENERGY LLC by:

By: 
Title: PRESIDENT

Deal Month:

SCHEDULE A

Print Date:
Title ID:
DEMLP Contract:

NATURAL GAS TRANSACTION CONFIRMATION NOTICE

SELLER

BUYER

<u>Contact</u> Denis Marcoux	<u>Phone</u> 450-677-0100	<u>Fax</u> 450-677-0004
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<u>Contact</u> Scott Ebner	<u>Phone</u> 847-559-9800(342)	<u>Fax</u> 847-559-1805
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The following confirms the verbal agreement reached between representatives of the Buyer and Seller identified herein. If these terms are contrary to your understanding of our agreement, please notify your DEMLP market representative via facsimile as soon as possible. Your lack of notification by the close of the second business day following your receipt of this Notice shall constitute your acceptance of the terms denoted herein.

- This transaction is subject to the terms and conditions of the DEMLP Gas Agreement made effective _____, 1999
- This transaction is subject to the terms and conditions of the existing Agreement supplied by the BUYER made effective _____
- This confirms a transaction pursuant to the general terms and conditions attached hereto

DEAL ID :

Obligation: firm service

Start Date	End Date	Point(s) of Delivery	Meter Station No.	Quantity	Price
As set forth in Article XVIII of the Agreement		As set forth in Section 2.13 and Section 8.2 of the Agreement		As set forth in Section 8.2 of the Agreement	As set forth in Sections 2.16, 2.18, 2.27 and Article VI of the Agreement

AGREED and ACCEPTED this 27th day of July, 1999

By: [Signature]

For: Duke Energy Marketing Canada Ltd., its General Partner

AGREED and ACCEPTED this 27th day of July, 1999

By: [Signature]
PRESIDENT
Title

For: ANDRISCOGGIN ENERGY LLC

SCHEDULE "B"

Confirmation Notices/
Correspondence:

_____ Androscoggin Energy LLC
650 Dundee Road, Suite 350
Northbrook, IL 60062
Attention: Fuel Supply Associate

Attention: Fuel Supply Associate

Invoices:

_____ Androscoggin Energy LLC
650 Dundee Road, Suite 350
Northbrook, IL 60062
Attention: Fuel Supply Associate

Attention: Fuel Supply Associate

Payments:
(By Mail)

To be provided by October 1, 1999

Attention: _____

Payments:
(By Wire)

To be provided by October 1, 1999

Attention: _____

Gas Control:

_____ Androscoggin Energy LLC
650 Dundee Road, Suite 350
Northbrook, IL 60062

Attention: Fuel Supply Associate

The information specified above may be modified by written notice to the other Party's Contract Administration Department.

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

DOE/FE
ESTABLISHED 1977 P 4: 20

_____)
ANDROSCOGGIN ENERGY LLC)
_____)

FE DOCKET NO. 97-94-NG

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

DOE/FE ORDER NO. 1352-A

On September 27, 1999, Androscoggin Energy LLC (Androscoggin) filed an application with the Office of Fossil Energy (FE) of the Department of Energy (DOE), under section 3 of the Natural Gas Act (NGA), 15 U.S.C. § 717b, and DOE Delegation Order Nos. 0204-111 and 0204-127, requesting two amendments to its long-term import authorization issued on January 14, 1998. DOE/FE Order No. 1352 (Order 1352), 1 FE ¶ 71,515, authorized Androscoggin to import up to 16.01 billion cubic feet of natural gas per year from Canada over a 10 year period commencing November 1, 1998, through October 31, 2008, or for 10 years after the commencement of deliveries if deliveries begin after November 1, 1998. Androscoggin is authorized to import the gas at the proposed interconnection of the TransQuebec and Maritimes Pipeline and the Portland Natural Gas Transmission System near Pittsburg, New Hampshire, pursuant to the terms and conditions of five gas purchase agreements with the following suppliers:

AltaGas Services Inc. (executed April 22, 1997); Beau Canada Exploration Ltd. (executed January 27, 1997, as amended June 30, 1997); Producers Marketing Ltd. (executed February 12, 1997); Renaissance Energy Ltd. (executed March 11, 1997); Rio Alto Exploration Ltd. (Rio Alto)(executed May 24, 1997).

Androscoggin requests authority to import the gas pursuant to the terms of a new gas purchase agreement with Duke Energy Marketing Limited Partnership dated August 31, 1999. The sale agreement replaces the canceled gas purchase agreement between Androscoggin and Rio Alto. Androscoggin also requests additional import point flexibility.

The application for amendment filed by Androscoggin has been evaluated to determine if the proposed import arrangement meets the public interest requirement of section 3 of the NGA, as amended by section 201 of the Energy Policy Act of 1992 (Pub L. 102-486). Under section 3(c), the import or export 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 Androscoggin to amend its current authority 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:

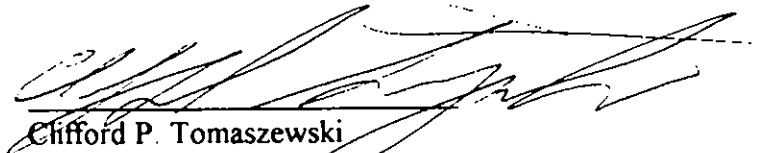
A. DOE/FE Order No. 1352 (Order 1352) issued on January 14, 1998, is amended to authorize Androscoggin to import natural gas from Canada pursuant the terms and conditions of

its new gas purchase agreement with Duke Energy Marketing Limited Partnership in lieu of its canceled gas purchase agreement with Rio Alto Exploration Ltd.

B. The gas authorized pursuant to Androscoggin's five gas purchase contracts may be imported at any United States/Canada border point.

C. All other terms and conditions contained in Order 1352 shall remain in full force and effect.

Issued in Washington, D.C., October 14, 1999.



Clifford P. Tomaszewski
Manager, Natural Gas Regulation
Office of Natural Gas & Petroleum
Import and Export Activities
Office of Fossil Energy

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skygen

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Androscoggin Energy LLC

650 Dundee Road tel 847 559 9800
Suite 350 fax 847 559 1805
Northbrook, Illinois
60062

www.skygen.com
REC'D DOE/FE

1999 NOV 15 P 4: 15

November 13, 1999

The Office of Natural Gas & Petroleum Import and Export Activities
Fossil Energy
Room 3F-056, FE-34, Forrestal Building
Forrestal Building
1000 Independence Avenue, S.W.
Washington, D.C. 20585

Subject: DOE/FE Order No. 1352

To Whom it May Concern:

Pursuant to Paragraph B of DOE/FE Order No. 1352, Androscoggin Energy LLC hereby provides notification that import activity began under DOE/FE Order No. 1352 on November 1, 1999. If you have any questions, please call me at (847) 559-9800 Ext. 342.

Sincerely,

Androscoggin Energy LLC
by **Polsky Energy Corporation of Maine, Inc.**
its Managing Member



Scott Ebner

SE

File: AND: GP