

Sierra Production Co.
P. O. Box 716
Shelby, MT 59474

01-38-AG

Phone 406-434-5186
FAX: 406-434-5951

406-261-4464

REC'D DOE/FE
2001 JUL 27 P 1:21

July 25, 2001

Office of Fossil Energy
U.S. Department of Energy
Forrestal Bldg., Room 3E-042, FE-34
1000 Independence Avenue S.W.
Washington, D.C. 20585

Mr. Clifford Tomaszewski
Manager Natural Resource Regulation
Office of Natural Gas and Petroleum Import and
Export Activities

re: Sierra Production Gas Pipeline and Importation
from Alberta, Canada into Toole Co., Montana


Dear Mr. Tomaszewski:

Enclosed for your review are an original and 15 copies, with application fee, for authorization to import natural gas to the State of Montana, County of Toole, United States. Concurrently the Federal Energy Regulatory Commission has been sent applicable authorization and Presidential Permit application documents for pipeline construction.

Attached to this application are letters of approval from: The National Energy Board, Alberta, Canada, The International Boundary Commission, The U.S. Treasury/U.S. Customs, The State of Montana Historical Society, and the Montana Fish, Wildlife and Parks.

Your Office's expeditious review and consideration will be appreciated. Please call with any questions or comments. If there are any deficiencies in the application please let us know at your earliest convenience.

Sincerely,

 original
Sam Baldrige, Petroleum Landman
Special Projects

cc/encl.
Gary McDermott

Sierra Production Company
P.O. Box 603
Shelby, MT 59474

May 2001

Natural Gas Division
Office of Fossil Energy
Forrestal Building
Room GA-033, RC-43, 1000
Independence Avenue S.W.
Washington, DC 20585

RE: Application of Sierra Production Company for authorization to import natural gas to the United States, State of Montana, County of Toole.

Gentlemen:

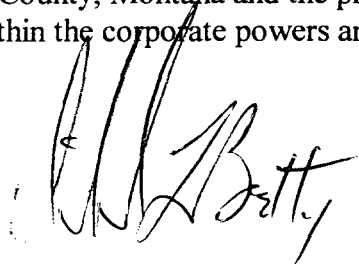
This certificate of opinion is being furnished in connection with the application of Sierra Production Company for the authorization to import natural gas to Toole County, Montana pursuant to section 3 of the Natural Gas Act. The undersigned representative for Sierra Production Company has reviewed the following documents in regard to this opinion:

- (1) All documents deemed relevant for this opinion based upon the foregoing, we are of the opinion that the application for Sierra Production Company for authorization to import natural gas to Toole County, Montana and the proposed exportation of natural gas from Canada is within the corporate powers and authority of Sierra Production Company.

Respectfully Submitted,



Gary McDermott, CPA



Richard Beatty, Attorney

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

SIERRA PRODUCTION COMPANY> DOE/OFE DOCKET NO.
APPLICATION OF SIERRA PRODUCTION COMPANY
FOR AUTHORIZATION TO IMPORT GAS

Pursuant to Section 3 of Natural Gas Act (NGA) 15 U.S.C. 717B, Sierra Production Company hereby submits this application for the authorization to import natural gas to the United States, Toole Co., Montana for a long-term period commencing on the date of first delivery. Sierra Production Company requests expedited consideration of its application so that it may commence operations hereunder as soon as possible.

In support hereof, Sierra Production Company states as follows.

I.

The exact legal name of Sierra Production Company is Sierra Production Company, a Nevada Corporation registered to do business in Montana and the province of Alberta Canada. MCW Transmission, LP. An established gathering and compression system for application to this project. Extending a pipeline into the herein described location for a natural gas hook up will serve to directly benefit natural gas users in Montana and the Western U.S.

II.

The names and addresses and telephone numbers of the persons to be contacted with respect to this application are:

Gary McDermott, CPA
P.O. Box 716
Shelby, MT 59474
(406) 434-5186

Richard Beatty, Attorney
P.O. Box 904
Shelby, MT 59474
(406) 434-5518

Sam Baldridge
707 Iowa
Whitefish, MT 59937
(406) 261-4464

III.

Sierra Production Company, requests authorization to import from Canada, up to five (5) million cubic feet per day. Sierra Production Company proposes to import said gas from a well it owns in Southern Alberta, just across the border from MCW Transmission's existing gathering system. Accordingly, Sierra Production Company requests authorization to import for its MCW Transmissions, LP contract customer. Sierra Production Company proposes to install a line from its nearest gathering line, approximately ½ mile south of the border into Canada to its gas well, approximately 1 mile north, northeast. Please see maps. Gas then would flow into the U.S. through the existing gathering system in Northern Toole Co., MT.

Sierra Production Company agrees to comply with the following requirements:

- 1) Sierra Production Company shall notify the office of Fossil Energy (OFE) in writing of the date of the first delivery within two weeks after the date imports commence.
- 2) Sierra Production Company shall file within 30 days following each calendar quarter, quarterly reports indicating whether sales of imported natural gas have been made, and if so, Sierra Production Company shall provide by the month the total volume of the imports in MCF and the average price for imports per MCF at the International Border. The reports shall also provide the details of each import transaction, including the names of the sellers, and the purchasers, and the point of exit.

IV.

Section 3 of the NGA provides that an import must be authorized unless there is a finding that it "will not be consistent with the public interest." The OFE regulations governing applications to export natural gas set forth several factors that an applicant must address or describe in support of its application. More specifically, 10 C.F.R. Section 590. 202 requires an applicant to address or discuss (1) the scope of the project; (2) the source and security of the natural gas supply; (3) identification of the participants in the transaction; (4) the terms of the transaction; (5) the provisions of the import or export arrangement, transportation and of the cost; (6) the potential environmental impact of the project.

Sierra Production Company submits that import authorization requested herein is consistent with the public interest and should be authorized pursuant to Section 3 of the NGA and the OFE regulations.

At the point of crossing the United States and the Canadian border the point we cross is on prairie land. The trench will be filled in the same soil as removed. Therefore, granting this application would not involve a federal action significantly affecting the quality of the human environment.

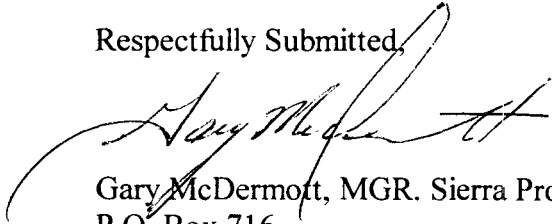
V.

Sierra Production Company requests that the OFE grant its application on an expedited basis. Expeditious action in granting this request will serve the public interest by allowing Sierra Production Company to import natural gas for the benefit of its customers.

VI.

Sierra Production Company submits that for the reasons stated herein its proposal to import natural gas to the United States, Toole Co., Montana, is consistent with the public interest, and respectfully requests that the OFE expeditiously issue an order authorizing Sierra Production Company to import natural gas on a long term basis.

Respectfully Submitted,

A handwritten signature in cursive script, appearing to read "Gary McDermott", written over a horizontal line.

Gary McDermott, MGR. Sierra Production Company
P.O. Box 716
Shelby, MT 59474

National Energy
Board



Office national
de l'énergie

ORDER GO-21-2000

IN THE MATTER OF the *National Energy Board Act* and
the regulations made thereunder; and

IN THE MATTER OF an application by Miners Coulee
Gas Gathering System LTD. (Miners Coulee) for an order
pursuant to paragraph 15(a)(i) of the *National Energy Board
Act Part VI (Oil and Gas) Regulations* filed with the Board
under File 7425-M055.

BEFORE the Board on 1 May 2000.

WHEREAS Miners Coulee filed an application dated 28 April 2000 for an order authorizing the
exportation of gas;

AND WHEREAS the Board considered the said application;

IT IS ORDERED THAT Miners Coulee be and is hereby authorized, under paragraph 15(a)(i) of the
National Energy Board Act Part VI (Oil and Gas) Regulations, to export gas for the term commencing
on 1 October 2000 and ending on 30 September 2002.

NATIONAL ENERGY BOARD

A handwritten signature in black ink, appearing to read 'Michel L. Mantha'.

Michel L. Mantha
Secretary

INTERNATIONAL
BOUNDARY
COMMISSION



COMMISSION
DE LA FRONTIÈRE
INTERNATIONALE

May 24, 2001

Sierra Production Company
P.O. Box 716
Shelby, Montana 59474

Attention: *Mr. Sam Baldrige*
Petroleum Landman

Subject: ' Sierra Production Company Application for natural gas pipeline crossing the
International Boundary

Dear Mr. Baldrige:

In reference to your letter and attachments received May 21, 2001, requesting permission to lay a natural gas pipeline across the international boundary 2,763.74 feet east of monument 350 and 5,711.26 feet west of monument 351, on the Montana\Alberta border.

In accordance with Section 5 of the International Boundary Commission Act, R.S.C. 1985, c. 1-16, we hereby permit the construction of that part of the natural gas pipeline crossing the international boundary line subject to the following conditions:

1. The work shall be carried out in compliance with your letter of application and the accompanying drawings;
2. No international boundary monuments shall be damaged, disturbed, or endangered by the work;
3. No additional objects or structures shall be placed within three meters (10 feet) of the international boundary line;

Canada
615 rue Booth Street
Room / bureau 555
Ottawa, Canada
K1A 0E9

Tel / Tél: (613) 995-4341
Fax / Télécopieur: (613) 947-1337

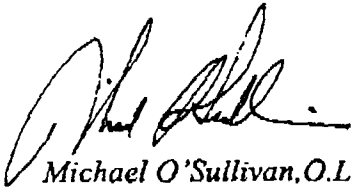
United States / États Unis
1250 23rd Street, N.W.
Suite 100,
Washington, D.C. 20037
U.S.A.

Tel: (202) 736-9100
Fax: (202) 736-9015

6-19-01

4. No debris shall be left on the border strip;
5. All necessary approvals relating to the proposed work shall be obtained from the appropriate federal, state and provincial authorities;
6. The International Boundary Commission and its members do not in any way assume any responsibility or liability with respect to any damage or loss incurred or sustained as a result of this letter of authorization.

Yours truly,



Michael O'Sullivan, O.L.S., CLS
Canadian Commissioner



Thomas L. Baldini
United States Commissioner



DEPARTMENT OF THE TREASURY
U.S. CUSTOMS SERVICE
GREAT FALLS, MONTANA

July 18, 2001

Sam Baldridge
Sierra Production Company
P O Box 716
Shelby MT 59474

Dear Mr. Baldridge:

Your application to construct a natural gas pipeline has been reviewed by the Director at the U.S. Customs San Francisco Laboratory and meets all technical Customs requirements for natural gas measurement systems. Your application is approved.

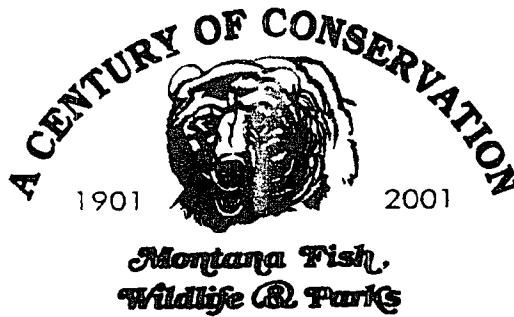
Please notify us when you begin entering natural gas. We will need monthly entries filed in our Great Falls office. For questions regarding filing of entries, please contact Supervisory Entry Specialist, Wendy Salley at 406 453-7631 ext. 212.

Sincerely,

A handwritten signature in black ink, appearing to read "Ross Lyle".

Ross Lyle
Acting Service Port Director

fax to Gary Sam



4600 Giant Springs Road
Great Falls MT 59405
(406)454-5840

May 22, 2001

Sierra Production Co.
PO Box 176
Shelby MT 59474

ATTN: Sam Bladridge

RE: Endangered and Threatened Species Review for a proposed six inch natural gas pipeline in the vicinity of the West Butte area of the Sweetgrass Hills.

Dear Mr. Bladridge:

Montana Fish, Wildlife and Parks has reviewed your proposal submitted May 15, 2001 and finds that it will have No Impact on those plant and animal species currently listed as Threatened or Endangered in Montana or Alberta, Canada.

We see no need for special conditions.

We appreciate the opportunity to comment.

Sincerely,

Mike Aderhold
Region 4 Supervisor

Rec 5/24/01

A CULTURAL RESOURCES INVENTORY
OF A PROPOSED PIPELINE NEAR
THE CANADIAN BORDER
IN TOOLE COUNTY, MONTANA
- FINAL REPORT -

Prepared for

SIERRA PRODUCTION COMPANY

By

John Brumley

Ethos Consultants, Inc.
Havre, Montana

July 2001

Attach to inventory report and send to: Montana Historical Society, Historic Preservation Office
1410 8th Avenue, P. O. Box 201202, Helena, Montana 59620-1202

4.0 SURFACE AND SUBSURFACE RECONNAISSANCE PROCEDURES

Locational information for the proposed wellsite examined was derived from a sketch map provided by Sierra Production Company, and from standard USGS 7.5' quad sheets (Figures 2 and 3). On the ground, the southern end of the proposed R/W was marked by the existing wellsite. The northern end was determined by measurement from nearby international boundary markers. The entire proposed R/W area was examined by walking a single zig-zag transect along and to either side of the R/W centerline. A 30 meter/100 foot wide corridor was examined. Areas examined total approximately 4.1 acres. Heavy grass cover characterized most of the R/W, with occasional animal burrows and their spoil piles providing limited subsurface exposure.

5.0 RESULTS OF FIELDWORK

No cultural resources of any kind were found within the area of the proposed R/W.

6.0 SUMMARY AND RECOMMENDATIONS

On June 20, 2001, Ethos Consultants, Inc. conducted a cultural resource inventory survey of a proposed section of pipeline right-of-way (R/W) near the Canadian border in Toole County Montana. Areas examined are on privately owned lands. The proposed R/W is to extend from an existing gas wellsite for a distance of 1,786 feet. There it will cross the border into Alberta, Canada and extend another approximately 6,379 feet, where it will connect to existing pipeline facilities. Only the 1,786 foot portion of the proposed R/W located within the United States was examined and is addressed here. Areas examined total approximately 4.1 acres. Examination of that section of proposed pipeline R/W failed to identify any cultural resources.

No further action in terms of the proposed development and cultural resources is recommended here.

EXECUTIVE SUMMARY

On June 20, 2001, Ethos Consultants, Inc. conducted a cultural resource inventory survey of a proposed section of pipeline right-of-way (R/W) near the Canadian border in Toole County Montana. The proposed R/W is to extend from an existing gas wellsite for a distance of 1,786 feet. There it will cross the border into Alberta, Canada and extend another approximately 6,379 feet, where it will connect to existing pipeline facilities. Only the 1,786 foot portion of the proposed R/W located within the United States was examined and is addressed here. Areas examined are on privately owned lands. Examination of that section of proposed pipeline R/W failed to identify any cultural resources.

No further action in terms of the proposed development and cultural resources is recommended here.

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

RECEIVED
AUG 10 2001
DOE/OFE/NGR

SIERRA PRODUCTION COMPANY

FE DOCKET NO. 01-38-NG

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

DOE/FE ORDER NO. 1703

AUGUST 10, 2001

I. DESCRIPTION OF REQUEST

On July 27, 2001, Sierra Production Company (Sierra) filed an application with the Office of Fossil Energy of the Department of Energy (DOE), under section 3 of the Natural Gas Act (NGA),^{1/} and DOE Delegation Order Nos. 0204-111 and 0204-127, for authorization to import up to 5,000 Mcf per day of Canadian natural gas from the Province of Alberta.^{2/} Sierra requests import authority for 15 years beginning on the date of the first delivery. Sierra is a Nevada corporation with its principal place of business in Shelby, Montana. The gas will be imported from a well Sierra owns near the Alberta/Montana border and sold to MCW Transmission, LP. (MCW). MCW owns a gathering and compression system in northern Toole County, Montana. MCW will resell this gas to The Montana Power Company (Montana Power), who in turn will transport and distribute it to its residential and commercial customers in Montana.

The arrangement between Sierra and MCW initially is for five years and will continue from year to year unless either party terminates it. Under their *Wellhead Gas Purchase Contract*, effective May 1, 2001, Sierra's sales price will be adjusted based on the price MCW charges for gas deliveries to Montana Power or others. To carry the gas, Sierra proposes to lay a 1.5- mile pipeline from its well site across the International Boundary where it will connect to MCW's pipeline facilities. The new pipeline will require about one month to build. Sierra will initiate construction when it receives all necessary permits from U.S. Government authorities.

^{1/} 15 U.S.C. § 717b.

^{2/} On August 7, 2001, Sierra filed a gas sales contract and supplementary information.

II. FINDING

The application filed by Sierra has been evaluated to determine if the proposed import arrangement meets the public interest requirement of section 3 of the NGA, as amended by section 201 of the Energy Policy Act of 1992 (Pub. L. 102-486). Under section 3(c), the import of natural gas from a nation with which there is in effect a free trade agreement requiring national treatment for trade in natural gas is deemed to be consistent with the public interest and must be granted without modification or delay. The authorization sought by Sierra 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. Sierra Production Company (Sierra) is granted authority to import up to 5,000 Mcf per day of natural gas from Alberta, Canada, across the International Border by pipeline into Toole County, Montana. This gas, which subsequently will be sold to MCW Transmission, LP. (MCW), under a *Wellhead Gas Purchase Contract* effective May 1, 2001, is authorized to be imported for up to 15 years beginning on the date of first delivery.

B. Within two weeks after deliveries begin, Sierra will provide written notification of the date that the first import of natural gas authorized in Ordering Paragraph A occurred. In addition, Sierra will provide timely notice if its sales arrangement with MCW terminates before this authorization expires.

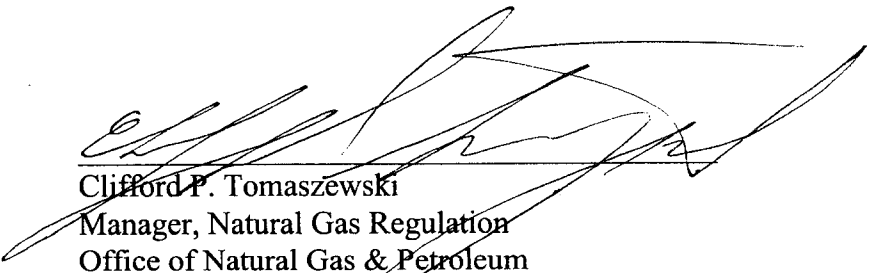
C. With respect to the natural gas imports authorized by this Order, Sierra will file with the Office of Natural Gas & Petroleum Import & Export Activities, within 30 days following

each calendar quarter, reports indicating whether imports of natural gas have been made. Quarterly reports must be filed whether or not initial deliveries have begun. If no imports of natural gas have been made, a report of "no activity" for that calendar quarter must be filed. If imports have occurred, WGC must report total monthly volumes in Mcf and the average purchase price of gas per MMBtu at the international border. The reports will also provide the following details of each import transaction: (1) the name of the seller; (2) the name of the purchaser; (3) the estimated or actual duration of the agreement; (4) the name of the United States transporter; (5) the point of entry; and (6) the geographic market served (State). [OMB NO.: 1901-0294]

D. The notices and reports required by Ordering Paragraphs B and C of this Order will be filed with the Office of Natural Gas & Petroleum Import & Export Activities, Fossil Energy, Room 3E-042, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585.

F. The first quarterly report required by Ordering Paragraph C of this Order is due not later than October 30, 2001, and should cover the period from the date of this Order until the end of the third calendar quarter, September 30, 2001.

Issued in Washington, D.C., on August 10, 2001.



Clifford P. Tomaszewski
Manager, Natural Gas Regulation
Office of Natural Gas & Petroleum
Import & Export Activities
Office of Fossil Energy

SIERRA PRODUCTION COMPANY
P.O. BOX 716
SHELBY, MONTANA 59474

REC'D DOE/FE
2001 AUG -7 P 1:58

August 7, 2001

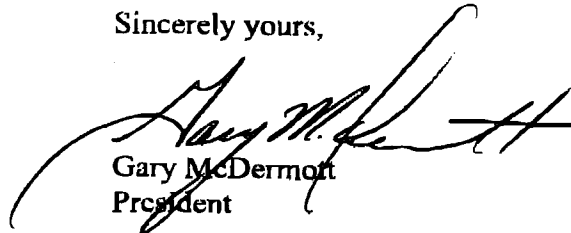
Office of Fossil Energy
U.S. Department of Energy
Forrested Bldg., Room 3E-042, FE-34
1000 Independence Avenue S.W.
Washington, D.C. 20585

Re; Docket #01-38-NG – Supplement to Application – Pursuant to Telephone
Conference with Patrick Flemming – August 7, 2001

Dear Patrick:

Sierra Production Company hereby requests authorization to import Alberta gas for a period of five years, with annual renewals for an additional 10 years. This will give Sierra Production Company authorization to import gas for a total of 15 years. Please call if you have any additional questions.

Sincerely yours,



Gary McDermott
President

SIERRA PRODUCTION COMPANY
P.O. BOX 716
SHELBY, MONTANA 59474

REC'D DOE/FE
2001 AUG -7 A 10: 09

August 2, 2001

Office of Fossil Energy
U.S. Department of Energy
Forrested Bldg., Room 3E-042, FE-34
1000 Independence Avenue S.W.
Washington, D.C. 20585

Re: Docket # 01-38-NG – Supplement to Application-Pursuant to Telephone
Conference with Patrick Flemming – August 2, 2001

Dear Patrick:

Enclosed are three copies of the wellhead gas purchase contract and three colored copies of maps depicting the prospective Sierra Production Company's border pipeline crossing.

Several requests for application clarification were made during our telephone conference. These are listed and further explained below:

1. Wellhead Gas Contract Term - Reference Page 33 of Gas Contract

"This contract shall become effective on the Effective Date hereof and shall continue in effect for a period of five (5) Contract Years and thereafter from year to year until cancelled by written notice from one party to the other, at least ninety (90) days prior to the next ensuing anniversary date, provided, however, that in the event Buyer's contract for resale of gas should terminate at any time during the term of this Contract, then buyer shall have the option to terminate this Contract simultaneously. In the event this Contract is terminated pursuant to this Article XII, then Buyer shall have the right to meet any bona fide offer made to Seller by a third party to purchase gas covered hereby.

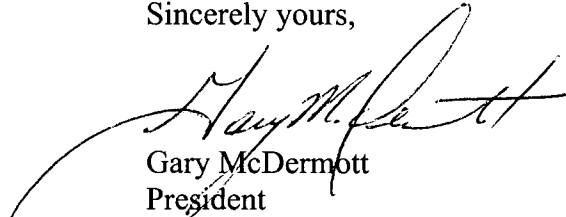
2. Disposition of Imported Gas

MCW Transmission, LP provides natural gas gathering and compressing services. It buys the natural gas from Sierra Production Company at the wellhead, gathers and compresses the natural gas, and then resells to the Montana Power Company, who in turn transports and distributes the natural gas to its residential and commercial customers in Montana.

3. Construction Schedule

Sierra Production Company will commence construction upon receipt of application approvals by the Office of Fossil Energy, U.S. Department of Energy and the Federal Energy Regulatory Commission. Estimated construction time is thirty (30) days.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Gary M. McDermott", with a long, sweeping horizontal line extending to the left.

Gary McDermott
President

Encl

WELLHEAD GAS PURCHASE CONTRACT

MCW TRANSMISSION, L.P.

BUYER

AND

Sierra Production Company

P.O. Box 716

Shelby, Montana 59474

SELLERS

GAS PURCHASE CONTRACT

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GAS PURCHASE CONTRACT

THIS CONTRACT, agreed to by the parties hereto to be effective the 1st day of

 May , 2001, is by and between:

Sierra Production Company

(hereinafter collectively called "Seller")

and

MCW Transmission, L.P.
P. O. Box 603
Shelby, Montana 59474

(hereinafter called "Buyer").

WITNESSETH:

WHEREAS, Seller owns or otherwise controls the right to produce natural gas from certain lands located in the State of Montana, on which Seller has developed gas production; and

WHEREAS, Buyer is willing to buy gas which may be produced by Seller; and

WHEREAS, Seller has available commercial quantities of gas which Seller is willing to sell to Buyer; and

WHEREAS, the parties hereto are desirous of entering into a contract providing for the sale by Seller and purchase by Buyer of volumes of gas developed by Seller;

NOW, THEREFORE, in consideration of the premises and the covenants herein contained, Seller agrees to sell and deliver to Buyer and Buyer agrees to purchase and receive from Seller, pursuant to the terms and conditions hereinafter set forth, all of the gas produced by Seller from Seller's lands.

ARTICLE I

Definitions

For the purpose of the Contract, the following words and terms are defined as follows:

1. **"Contract Year"** means a fiscal year beginning in September 1 and ending on August 31 of the next ensuing year. The first "Contract Year" is deemed to commence on the effective date hereof and extending through the following August 31.

2. The anniversary date of this Contract is deemed to be September 1 in each Contract Year.
3. "**Day**" means a period of twenty-four (24) consecutive hours beginning and ending at 8:00 a.m., Mountain Time. The reference date for any day shall be the calendar date upon which said 24-hour period shall commence.
4. "**Month**" means the period of time beginning at 8:00 a.m., Mountain Time on the first day of the next calendar month.
5. "**Seller's Lands**" means the lands described in Schedule "A" attached to this Contract, and includes all geologic zones and horizons underlying the lands unless otherwise limited on Schedule "A".
6. "**Lease**" means any right of Seller to drill for, produce, and dispose of gas in, under, and from Seller's lands, and includes any document evidencing such right now or hereafter acquired.
7. "**Gas**" means either natural gas obtained from the wells or the residue remaining after the natural gas has been treated by Seller for the removal of any of its constituent parts other than methane and the removal of methane to such extent as is necessary in removing other constituents, as the context may require, but not including casinghead gas.
8. "**Casinghead Gas**" means gas, which has its rate of production, controlled by the amount of oil simultaneously produced therewith.
9. "**Recoverable Gas Reserves**" means the quantity of gas which is determined to be economically recoverable and deliverable during the initial term of this Contract from each Gas Production Unit and available for delivery as of the

date of initial delivery hereunder after processing, if any, to satisfy the quality specifications hereof, less the quantities of gas reserved by the Seller hereunder. Such reserves shall be computed by accepted reservoir engineering and geological procedures, and shall consist of only those reserves owned or controlled by Seller and underlying or attributable to Seller's lands listed on Schedule "A".

10. "**Reservoir**" means stratigraphic trap, or pool, from which gas is produced, and one (1) or more "reservoirs" may be produced by means of a single well.
11. "**Gas Production Unit**" means one governmental section (640 acres, more or less), unless otherwise agreed between the parties or established by the Montana Board of Oil and Gas Conservation. As to the units on which there are wells completed in more than one producing formation, each such formation shall be considered as a separate Gas Production Unit.
12. "**Cubic Foot of Gas**" is the unit of volume for purposes of measurement hereunder, except for gross heating value, and means one cubic foot of gas at 60 degrees F. and at a pressure of 14.73 pounds per square inch absolute. For purposes of measurement, the atmospheric pressure shall be assumed to remain constant at 13.0 pounds per square inch absolute.
13. "**MCF**" means one thousand (1,000) cubic feet.
14. "**BTU**" means British Thermal Units and MMBTU means one million British Thermal Units.
15. "**Gross Heating Value**" means the total calorific value expressed in BTU's obtained by the complete combustion at constant pressure on the amount of

gas which would occupy a volume of one cubic foot at a temperature of 60 degrees F. and under standard gravitational force (980.655 cm. Per sec., per sec.) with air of the same temperature and pressure as the gas, when the products of combustion are cooled to the initial temperature of gas and air and when the water formed by combustion is condensed to the liquid state.

ARTICLE II

Commitment of Gas Reserves

Seller hereby commits to the performance of this Contract all of the gas and casinghead gas produced from Seller's lands described on Schedule "A".

ARTICLE III

Buyer's and Seller's Obligation

Section 1.

Gas to be Purchased and Sold. Subject to the provisions of this Agreement, during the term hereof, Seller shall sell and deliver to Buyer, and Buyer shall purchase and receive from Seller at the delivery points, natural gas produced from wells on Seller's lands which are connected to Buyer's gas gathering system.

Section 2.

(a) **Seller's Obligation to Deliver.** Subject to the provisions of subsection (b) of this Section 2, Seller shall deliver to Buyer gas from the well or wells now located, and the well or wells hereafter drilled on Seller's lands, and which are connected to Buyer's gas gathering system as provided in Article VI hereof.

(b) **Limitation on Seller's Obligations.**

(i) **Rate of Delivery.** Seller shall not be obligated to deliver gas hereunder from any well at a rate which in the opinion of the Seller, acting as a reasonably prudent operator, would be injurious to such well or to the reservoir or reservoirs from which such well is produced.

(ii) **Reservation of Gas by Seller.** Seller reserves the following rights:

(1) the right at Seller's option to use such quantities of gas produced from any one or more of the said wells as the Seller may need or require to fulfill the obligations of the Seller under the terms of

its lease or other document under which it derives title to its gas rights;

(2) the right at Seller's option to such quantities of gas produced from any one or more of said wells as Seller may need or require for development and operation of Seller's lands;

(3) the right at Seller's option to process gas produced from any one or more of said wells for the removal of any component other than methane prior to delivery of such gas to the Buyer, which components so removed shall belong to the Seller; provided, however, that the gas which is delivered to Buyer after such processing shall meet the quality requirements of Article VI hereof.

(c) **Seller's Obligation to Maintain Wells.** Except for equipment which Buyer is to maintain hereunder, Seller shall use diligence in maintaining said wells and the appliances and machinery appurtenant thereto in good and efficient working order at all times and in such manner that each of said wells will at all times be able to produce the maximum amount of gas for delivery to Buyer. The obligations of Seller hereunder are subject to the ability of Seller's wells to produce without waste and in accordance with prudent oil and gas field practices. Seller reserves the right, subject to this Agreement, to control the Seller's lands and leaseholds and the operations thereon in the production of gas to be sold to Buyer; such reserved rights include, but are not limited to, the right to determine when, where or whether to drill new

wells, to repair and rework old wells, and to abandon any well or surrender any lease when no longer deemed by Seller to be capable of producing gas in paying quantities under normal methods of operations. Seller shall be, at no expense to Buyer, responsible for the installation and operation of all wells, equipment and piping to the point of delivery.

- (d) **Buyer's Obligation to Maintain Surface Facilities.** Buyer shall use diligence in maintaining and operating all facilities installed by it from the point of delivery.

Section 3.

Buyer's Obligation to Purchase. Buyer is currently purchasing gas under this Contract for resale to MCW Transmission, L.P. Therefore, the total quantity of gas which Buyer will be able to purchase from Seller's wells will be dependent upon, subject to, and limited by the total amount of gas MCW Transmission, Ltd. Will accept from Buyer, both as to volumes and time of taking. Buyer agrees to consult with Seller at all times respecting the volume of gas to be taken from each of Seller's wells and the time of such taking, so that Seller may, consistent with pressure requirements, Recoverable Gas Reserves, and delivery capacities, assure a ratable take from each of Seller's wells. Seller agrees to cooperate with Buyer in the delivery of gas from Seller's wells to maximize Buyer's effective gas deliveries to MCW Transmission, L.P.

Section 4.

Buyer's Obligation to Purchase Ratably. It is the intent that Buyer shall purchase gas from Seller ratably with gas purchased by Buyer from all other sellers with whom Buyer has gas purchase contract arrangements. To determine the amount of gas to

be purchased by Buyer from Seller, the ability of Seller's wells to produce shall be determined in relation to the ability of all other sellers' wells to produce. Such determination shall be made at a time during which all wells connected to Buyer's gas gathering system are producing at full capacity. If Buyer does not purchase a ratable share of gas from Seller hereunder, as determined above, over a one year period, or if Buyer does not purchase two-thirds ($2/3$) of the total gas which Seller's wells are capable of producing as shown during said testing period, whichever is lesser, the Seller, at its sole option, upon ninety (90) days notice to Buyer, may terminate this Contract as to any or all of the wells connected hereunder. In such event, Buyer shall have no liability whatsoever to Seller for any alleged failure to ratably purchase gas, it being agreed that Seller's sole recourse shall be to terminate this Contract.

ARTICLE IV

Delivery Pressure, Delivery Point

And Connection Requirements

Section 1.

Well Information. Upon completion of a well not now located on Seller's lands, or presently connected to Buyer's gathering system (hereinafter referred to as "new well"), Seller shall, as soon as reasonably possible, furnish Buyer with all data in Seller's possession to assist Buyer to make a valid study to determine the connectibility of said well. If such new well completed on Seller's lands does not meet the connection requirements contained in this Article IV, Buyer shall, at the request of Seller, but not more often than at six (6) month intervals, make additional studies to determine whether the well has become connectible.

Section 2.

Delivery Pressure. Delivery of gas hereunder from each of the Seller's wells shall be made at a pressure that is sufficient to effect delivery of gas into Buyer's gathering lines against the operating pressure then prevailing therein. For the purpose of deliverability testing for establishing connectibility, Buyer shall not be obligated to reduce gathering system pressures below the then existing operating pressure. Maintenance by Seller of sufficient pressure to enter Buyer's gathering system against the operating pressure from time to time existing therein shall be a continuing condition of Buyer's purchasing and receiving gas from each of Seller's wells.

Buyer agrees that the operating pressure from time to time existing in its gathering system to which Seller's wells are or may be connected shall not exceed 75 Psig at the Wells.

Seller shall have the right, but not the obligation, to install and operate compression facilities either at the wellhead or at a mutually agreeable point or points on Buyer's gathering system. If Seller installs compression facilities, the pressure at which it delivers gas to Buyer's gathering system shall be limited to that which will not override the line pressure existing in Buyer's gathering system from time to time. If either party installs compression facilities, then such party agrees to provide sufficient pulsation dampening equipment so that the measurement at the point of delivery will not be affected by pulsation.

Section 3.

Delivery Points. Delivery of natural gas hereunder from each of Seller's wells shall be at the point of connection of Buyer's gathering line with either (1) Seller's sidegate valve installed on the wellhead of Seller's wells; or (2) Seller's separator outlet if a separator outlet is installed; or (3) Seller's compressor outlet valve if Seller elects to compress the gas at the wellhead prior to delivery to Buyer; or (4) at a mutually agreeable tap on Buyer's gathering system should Seller elect to process the gas at a location other than at a plant located on Buyer's gathering system before delivery to Buyer.

Section 4.

Connection Requirements.

- (a) **Wells in New Reservoirs.** Buyer will construct gathering lines and connect only those new wells which have Recoverable Gas Reserves committed to Buyer in the ratio of at least one hundred million (100,000,000) cubic feet or the aliquot portion thereof for each mile or fraction thereof of gathering line

necessary to connect Seller's new well to the closest point on Buyer's existing gas gathering system.

If a new well completed on Seller's land in a new reservoir, not Currently or previously produced, does not meet the connection requirement contained in this Article IV, Buyer may, at its sole election, either connect said well, or, Buyer shall, upon request by Seller, release the well and the gas reserves attributable thereto (but only as to the formation in which such well is then completed) from the terms and provisions of the Contract, or Seller may elect to deliver gas to Buyer under the provisions of Section 4 (d) on of this Article IV.

(b) **Wells in Reservoirs Where Gas is Being Produced Under a Contract**

Between Buyer and Another Seller. If Seller shall drill a new well into a reservoir from which gas is being produced under a contract between Buyer and another Seller, Buyer shall be obligated to connect such well to its gathering system only if such well has both (1) the capability to produce under stabilized pressure-volume conditions as demonstrated by pressure stabilization at the end of a test period of 48 hours duration at a daily average rate equal to sixty (60) MCF or aliquot portion thereof for each mile or aliquot portion thereof of gathering line necessary to connect such well to the closest point on Buyer's existing gathering system against the delivery pressures described in Section 2 above, and (2 Recoverable Gas Reserves committed to Buyer in the ratio of at least one hundred million (100,000,000)

cubic feet or the aliquot portion thereof for each mile or fraction thereof of gathering line necessary to connect such well to the closest point on Buyer's existing gas gathering system serving such reservoirs.

- (c) **Wells in Reservoirs Where Gas is Being Produced by Seller.** If Seller shall drill a new well into a reservoir from which gas is being produced under a contract between Buyer and Seller, Buyer shall connect such well to its gathering system only if (1) such well has the capability to produce under stabilized pressure-volume conditions as demonstrated by pressure stabilization at the end of a test period of 48 hours duration at a daily average rate equal to sixty (60) MCF or aliquot portion thereof for each mile or connect such well to the closest point on Buyer's existing gathering system against the delivery pressures described in Section 2 above, and (2) Recoverable Gas Reserves committed to Buyer are in the ratio of at least one hundred million (100,000,000) cubic feet or the aliquot portion thereof for each mile or fraction thereof of gathering line necessary to connect such well to the closest point on Buyer's existing gas gathering system serving such reservoirs.

- (d) **Wells Which do Not Meet the Connection Requirements.** If a new well Does not meet the connection requirements and Buyer elects to construct gathering lines and connect a well, Buyer nevertheless shall, upon Seller's request, accept gas from any such well if Seller shall acquire and assign without charge to Buyer, a measuring station site on Buyer's existing system at a mutually agreeable point, together with all necessary rights of ingress and

egress thereto, and shall bear the cost of installing and operation all facilities necessary to deliver the gas from such well into Buyer's system against the delivery pressures described in Section 2 above at said mutually agreeable point.

In the event any new well does not quality for connection, and Buyer elects not to construct gathering lines and connect such well and Seller shall decline to construct such facilities, the Buyer, upon written request of Seller, shall release from this Contract, Seller's lands attributable to such well, but only as to the formation in which such well is then completed.

In the event that Buyer and Seller are not in agreement on connection qualifications of a new well and Seller elects to install all of the facilities necessary to connect such non-qualifying well to Buyer's gathering system and, at a later date, additional information indicates that such well should have qualified for connection, Buyer will, at such time, purchase such facilities so installed by Seller at Seller's initial cost, plus a reasonable rate of return on funds invested by Seller, provided such facilities were installed in accordance with specifications furnished by Buyer.

- (e) **Testing Procedures.** In testing for pressure stabilization, it is agreed that The engineering and technical staffs of both parties shall consult to determine the proper testing procedure and methods.
- (f) **Additional Wells.** If at any time more than one well shall be allowed to Produce from the same horizon or formation on any existing spacing unit, then any and all wells producing from the same formation or horizon in a

spacing unit shall be considered together and the flow rates and reserves totaled in determining whether the connectivity requirements of this Section have been met. If the total flow rates and reserves of all such wells producing from the same horizons or formations within said spacing unit shall meet the connectivity requirement, then all such wells shall be deemed connectible and shall be connected at Buyer's expense, said connections to be accomplished within a reasonable time after connectivity has been

determined hereunder, subject, however, to the other provisions of this Contract.

Section 5.

~ **Drainage.** If, in Seller's judgement, over a reasonable period of time, a party other than Seller takes gas from the same reservoir as occurs under Seller's lands at a rate which makes imminent the drainage of gas from Seller's lands, Seller may notify Buyer in writing of the existence of such situation. Upon such notice, Buyer shall, to the extent reasonably possible, increase its take from Seller from such reservoir by a volume sufficient to protect Seller from such drainage. Buyer agrees to use its best efforts to take gas ratably from all wells within the same reservoir to prevent drainage, subject to the production capability of each well.

In the event Buyer is not, within six (6) months after receipt of said notice, purchasing sufficient volumes of gas, which volumes are available for delivery, to protect Seller from said drainage, Seller shall have the additional right, upon written request, to have released from this Contract a well or wells, and the acreage attributable thereto,

which well or wells are completed in the same reservoir subject to such drainage and capable of producing a volume of gas which, if disposed of by the Seller, in addition to the volume of gas to be purchased or paid for by Buyer from such acreage, would prevent drainage from Seller's acreage.

Section 6.

Connection of Subsequent Wells. Buyer agrees to connect any new well drilled by Seller subsequent to the date of this Contract within three (3) months after determination that said well meets the connectibility requirements of this Article IV, subject, however, to reasonable delays occasioned by inclement weather, rights-of-way acquisition problems or other conditions beyond Buyer's control.

ARTICLE V

Determination of Gas Reserves

From time to time as new discoveries of gas are made, Seller will provide Buyer with the basic geological, engineering, production and other data within Seller's possession to assist Buyer in making a determination of gas reserves and connectibility of each new well.

Section 1.

Recoverable Gas Reserve Determination. As soon as possible prior to the expected initial delivery of gas from any new well hereunder, Buyer shall furnish Seller an estimate of Recoverable Gas Reserves for that well.

Within fifteen (15) days after Buyer's furnishing its estimate of the Recoverable Gas-Reserves, Seller shall advise Buyer whether Buyer's estimate is acceptable. If Buyer's estimate of such Recoverable Gas Reserves is not acceptable to Seller, and Seller and Buyer are unable to negotiate an agreeable settlement, then the matter shall be determined by arbitration as provided in this Article V.

Section 2.

Arbitration of Reserves. If Seller and Buyer are unable to agree upon the Recoverable Gas Reserves and such disagreement cannot be resolved by negotiation within sixty (60) days after Buyer has submitted its determination of Recoverable Gas Reserves, then the determination of such reserves will, at the request of either party, be submitted to arbitration as herein-after set forth.

Upon written demand of either party, the parties shall meet and attempt to appoint a single arbitrator. If the parties fail to name an arbitrator within ten (10) days from such

demand, then the arbitrator shall be appointed by the American Arbitration Association.

The arbitrator selected to act hereunder shall be qualified by education, training, and experience to determine gas reserves. The decision of the arbitrator shall be made within thirty (30) days after his appointment, subject to any reasonable delay due to unforeseen circumstances. Notwithstanding the foregoing, in the event the arbitrator fails to make a decision within sixty (60) days after his appointment, then either party may elect to have a new arbitrator selected. If such election is made, the decision of the previous arbitrator shall be null and void.

The decision of the arbitrator shall be in writing and signed by the arbitrator and shall be final and binding upon the parties hereto as to Recoverable Gas Reserves hereunder.

The compensation and expenses of the arbitrator shall be paid in equal proportions by Buyer and Seller.

ARTICLE VI

Quality of Gas

Section 1.

Seller agrees that the gas delivered hereunder shall be merchantable natural gas, at all times complying with the following quality requirements:

- (a) The gas shall be in its natural state as produced, including all hydrocarbon constituents therein contained, except gas from which Seller has removed liquid hydrocarbons under the provisions of Article III, Section 3 (b) (ii) (3) hereof. Seller shall also have the right to remove non-hydrocarbon constituents and hydrocarbons as required to remove other constituents. Seller may enrich the gas to the extent required to meet the gross heating requirement set forth in Paragraph (b) below, and may subject the gas, or permit the gas to be subjected to compression, cooling, cleaning and other processes.
- (b) The weighted average gross heating value of gas delivered to Buyer hereunder shall not be less than nine hundred (900) British Thermal Units per cubic foot, and shall not be more than one thousand two hundred (1200) British Thermal Units per cubic foot. Buyer may reject delivery of gas having a weighted average gross heating value of less than nine hundred (900) British Thermal Units or more than one thousand two hundred (1200) British Thermal Units.
- (c) The gas shall be commercially free from sand, dust, gums, liquid water, crude oil, impurities and other objectionable substances and shall have been

dehydrated by Seller for removal of water present therein in a vapor state, and in no event contain more than seven (7) pounds of water vapor per one million (1,000,000) cubic feet of gas, and shall be free from hydrocarbons liquefiable at temperatures in excess of fifteen degrees Fahrenheit at pressures up to 800 psig.

- (d) The gas shall not contain more than one-quarter ($1/4$) grains of hydrogen sulfide per one hundred (100) cubic feet of gas.
- (e) The gas shall not contain in excess of two percent (2%) by volume of carbon dioxide.
- (f) The temperature of the gas at the delivery point or delivery points shall not be in excess of one hundred twenty degrees Fahrenheit.

Buyer retains the right to monitor gas delivered by Seller to determine that such gas complies with the foregoing quality requirements. If at any time said gas so delivered by Seller does not comply with said requirements, Buyer shall have the right to terminate all gas takes immediately upon discovery of such noncompliance.

ARTICLE VII

Measurement and Tests

Section 1.

Unit of Volume. The unit of volume of all gas hereunder shall be one (1) cubic foot of gas.

Section 2.

Sales Unit. The sales unit of the gas delivered hereunder shall be one million (1,000,000) British Thermal Units.

Section 3.

Ownership of Measuring Equipment. All measuring devices and materials required in this Article shall be installed, maintained, and operated, or furnished by Buyer at Buyer's expense. Seller may install and operate check-measuring equipment provided it does not interfere with the uses of Buyer's equipment in determining the volumes of gas delivered by Seller to buyer at the points of delivery.

Section 4.

Metering and Computation of Volume. The gas shall be metered by gas recording meters or other measurement facilities constructed, installed and maintained by Buyer at or near the point or points of delivery. Such measurement facilities of Buyer shall be constructed and installed in accordance with the applicable provisions of the American Gas Association's "Gas Measurement Committee Report No. 3, as revised March, 1978 and reprinted June, 1979". The volumes of gas delivered to Buyer shall be computed from the meter records and converted into the units of measurement specified herein in accordance with the methods prescribed in Gas Measurement Committee

Report No. 3 of the American Gas Association, including the appendix thereto, as revised March, 1978, and reprinted June, 1979, or any subsequent revision thereof acceptable to Buyer and Seller. Corrections shall be made for deviation from the Ideal Gas Laws at the pressure and temperature at which the gas is metered. To determine the factors for such correction a quantitative analysis of the gas shall be made at reasonable intervals with such apparatus as shall be agreed upon by Buyer and Seller, and such factors shall be obtained from data contained in Report NX-19, as published by the American Gas Association in December, 1972, or any subsequent revision thereof acceptable to Buyer and Seller.

For the purpose of measurement and meter calibration, the atmospheric pressure shall be assumed to be 13.0 pounds per square inch, irrespective of variations in natural atmospheric pressure from time to time.

Section 5.

Specific Gravity. The specific gravity of the gas flowing through the well meter, or meters, shall be determined by Buyer, or, at Seller's election, by joint tests, at intervals of approximately twelve (12) months as may be practicable under the circumstances. All such determinations of specific gravity shall be made by a standard gravity balance or by a gravitometer employing the "Momentum Method" of specific gravity determinations as described in Chapter VII, "Determinations of Specific Gravity", of the American Gas Association Gas Measurement Manual, 1963 edition. The specific gravity of the gas flowing through each meter determined by either of the above mentioned methods shall be used in computing the volume of gas delivered through such meter.

The specific gravity determined by any test shall apply from the date the test was taken until the date of the next test.

Section 6.

Equipment Testing. The accuracy of Buyer's measuring equipment shall be verified by test, using means and methods generally acceptable in the gas industry, at least annually or otherwise as agreed to by Buyer and Seller. Notice of the time and nature of each test shall be given by Buyer to Seller sufficiently in advance to permit convenient arrangement for Seller's representative to be present. Seller shall have the right to witness and verify all test of Buyer's measuring equipment. Measuring equipment found to be registering inaccurately shall be adjusted to read as accurately as possible. If, after notice, Seller fails to have a representative present, the results of the test shall nevertheless be considered accurate until the next test. All tests of such measuring equipment shall be made at Buyer's expense, except that Seller shall bear the expense of tests made at its request if the inaccuracy is found to produce an error of two percent (2%) in the measurement of gas, then the volume of gas delivered during the period such measuring equipment is inoperative or inaccurate, shall be determined by the parties hereto on the basis of the best data available using the first of the following methods which is feasible:

- (a) By using the registration of any check measuring equipment installed and accurately registering;
- (b) By correcting the error if the percentage of error is ascertainable by calibration, test or mathematical calculations; or

(c) By comparing deliveries made during preceding periods under similar delivery conditions when the meter was registering accurately.

An adjustment based on such determination shall be made for such period of inaccuracy as may be definitely known, or if not known, then for one-half the period since the date of the last meter test. In no event, however, shall any adjustment extend back beyond six (6) months from the date the error was first made known by one party hereunder to the other.

Section 9.

Inspection of Equipment. Buyer and Seller shall have the right to inspect equipment installed or furnished by the other party, and the charts and other measurement or test data of the other party, at all times during business hours; but the reading, calibration, and adjustment of such equipment and changing of charts shall be done only by the party installing and furnishing the same. Unless the parties otherwise agree, each party shall preserve all original test data, charts, and other similar records in such party's possession for a period of at least five (5) years.

Section 10.

Gross Heating Value. The heating value per cubic foot of gas shall be determined from time to time by the Buyer at the Buyer's expense, using an accurately calibrated Cutler-Hammer calorimeter, from samples of the gas taken at the delivery point or points. The Seller shall have the right to witness any and all tests of gross heating value made by Buyer. Seller shall have the right at any time to make or to require Buyer to make a special test of the gross heating value of gas delivered hereunder, but Seller shall bear the expense of any special tests made at its request. Tests of gross

heating value of gas delivered hereunder shall be made by Buyer after giving Seller ten (10) days written notice thereof.

Section 11.

Data to be Provided to the Seller. Buyer shall provide Seller with all information, data, test results, reservoir information, etc., immediately upon receipt of same by Buyer, to the end that at all times Seller shall have all information relative to its wells that is available to Buyer.

ARTICLE VIII

Price and Payment

Section 1.

Calculation of Price. Subject to all other provisions of this Article VIII, the price to be paid by Buyer to Seller for gas delivered to Buyer at the delivery point from each well for the entire term of this Contract shall be based upon the price that MCW Transmission, L.P. receives for its gas computed as follows:

Section 2.

Price Adjustments. The price provided in Section 1 above shall be subject to adjustment based upon changes in the MCW Transmission, L.P. delivered gas contract with Montana Power Company or other purchasers.

- (a) If the MCW Transmission, L.P. resale price is two and 10/100 Dollars U.S. (\$2.10) per MMBTU or less, then the wellhead price will be the MCW Transmission, L.P. resale price less eighty five cents U.S. (\$.85)
- (b) If the MCW Transmission, L.P. resale price is greater than two and 10/100 Dollars U.S. (\$2.10) per MMBTU, then the wellhead price will be one and 35/100 Dollars (\$2.10-\$0.85) plus seventy five percent (75%) of the MCW Transmission, L.P. resale price that exceeds two and 10/100 (\$2.10) Dollars U.S. (\$2.10) per MMBTU.

Section 3.

On or before the twenty-fifth (25th) day of each calendar month after deliveries of gas are commenced hereunder, Buyer shall render to Seller a statement showing the amount of gas delivered during the preceding calendar month, together with sufficient

information to explain and support any adjustment by Buyer with respect to the value of gas delivered in determining the amount stated to be due. Payment shall be made by Buyer to Seller within ten (10) days following receipt by Buyer from its resale purchaser of the proceeds attributable to that gas.

Section 4.

Seller shall have, upon request with three (3) months after receipt of the statement referred to in Section 3 of this Article VIII, the right to examine the meter charts and computations upon which such statements are based. If the Seller deems such charts or computations to be inaccurate, Seller may protest the statement within two (2) months of the examination of meter charts and computations thereof, and may request a check to be made of the meter installed pursuant to Article VII hereof. Any statement not protested within two (2) months of the examination of meter charts and computations thereof shall be deemed to be correct. Buyer shall make current meter charts available to Seller for examination upon request. Any protest by Seller shall not result in interruption of payments by Buyer to Seller for gas purchased during the protest period.

ARTICLE IX

Seller's Leases and Wells

Section 1.

Leases. Seller represents that it is the owner of valid oil and gas leases or other documents of title covering some of the land described in Schedule "A" and agrees to maintain all of such leases in full force and effect, at its own expense; provided that Seller shall not be required to retain by payment of delay rental any acreage which, in Seller's judgment, will not be productive of gas in commercial quantities.

Section 2.

Wells. The gas wells connected under this Contract shall be equipped and maintained in good operating condition, in accordance with approved practices, without cost to Buyer. In the event liquids exist, requiring separation from the gas, then Seller agrees to install, operate and maintain, without cost to Buyer, such liquid removal equipment operated at normal temperatures, as may be necessary to separate such liquids from the gas.

Section 3.

Notice to Buyer. Seller will advise Buyer, at the earliest date possible after the connectibility of any new well has been finally determined, its best estimate of the initial delivery date.

ARTICLE X

Title to Gas

To the extent of its interest, Seller warrants title to all gas delivered to Buyer produced from production units containing acreage committed by Seller hereunder, and that Seller has authority to sell the same, and Seller agrees to indemnify and save Buyer harmless from any and all suits, claims, and liens of whatsoever nature relating to such gas or the title thereto. If the title thereto shall at any time be involved in litigation, Buyer shall have the right to withhold, without interest, the proceeds payable for the gas produced from the particular property in litigation, to the extent of the interest involved, during the period of such litigation or until Seller shall furnish a bond, in form and with sureties acceptable to Buyer, conditioned to save Buyer harmless.

If there is a defect in Seller's title, Seller shall, with reasonable promptness, attempt to remedy such defect. Until the defect to such title shall have been remedied, Buyer shall have or withhold, without interest, the proceeds otherwise payable to Seller hereunder.

Seller agrees, upon the reasonable request of Buyer, to furnish for examination all abstracts of title which Seller has or may have covering acreage committed hereunder, authentic copies of Seller's leases, delay rental receipts covering such acreage, and any other title information pertaining to such acreage which Seller may have.

Title to the gas delivered hereunder shall pas to the Buyer at the Delivery Point.

ARTICLE XI

Force Majeure

If either party to this Contract shall fail to perform an obligation hereby imposed upon it and such failure shall be caused, or materially contributed to by acts of God, strikes, lockouts, or other industrial disturbances in the operation of Seller or Buyer or Buyer's customers, acts of enemies of the state, sabotage, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, floods, storms, fires, washouts, arrests and restraints of rulers and people, civil disturbances, explosions, breakage of or accident to machinery or lines of pipe, hydrate obstructions to lines of pipe, temporary failure of gas supply, freezing of wells or delivery facilities, well blowouts, cratering, inability to obtain pipe, materials or equipment, the order of any court or governmental authority, or by an act or omission which is occasioned by any event or occurrence of the character described in this Article XI as constituting Force Majeure, or by the necessity for making repairs to so recondition wells, a gas processing plant, machinery, equipment, or pipe lines, not resulting from the fault or negligence of such party, or by any other cause, whether of the kind herein enumerated or otherwise, all such causes being beyond the control of the party invoking this Article and being such that by the exercise of due diligence such party could not have prevented, such failure shall not give rise to any cause of action based on breach of the obligation to such party hereunder, but such party shall use reasonable diligence to put itself again in a position to carry out its obligations hereunder. Nothing contained herein shall be construed to require either party to settle a strike or lockout by acceding against its judgement to the demands of opposing parties.

No such cause affecting the performance of this Contract by either party shall continue to avoid a cause of action after expiration of a reasonable period of time within which, by the use of due diligence, such party could have remedied the situation preventing its performance, nor shall any such cause relive either party from its obligation to make payment of amounts then due hereunder for gas already delivered nor shall any such cause in writing to the other party with reasonable promptness; and like notice shall be given upon termination of such cause.

For purposes of determining the occurrence of performance of obligations under this Agreement, it is mutually agreed that, during a period of Force Majeure, the party affected shall be deemed to have performed all of its obligations as if it had delivered or purchased the gas required to be delivered or purchased during said period.

ARTICLE XII

Term

This Contract shall become effective on the Effective Date hereof and shall continue in effect for a period of five (5) Contract Years and thereafter from year to year until cancelled by written notice from one party to the other, at least ninety (90) days prior to the next ensuing anniversary date, provided, however, that in the event Buyer's contract for resale of gas should terminate at any time during the term of this Contract, then buyer shall have the option to terminate this Contract simultaneously. In the event this Contract is terminated pursuant to this Article XII, then Buyer shall have the right to meet any bona fide offer made to Seller by a third party to purchase gas covered hereby.

ARTICLE XIII

Miscellaneous

Section 1.

Notices: Notices to Buyer shall be addressed to:

MCW Transmission, L.P.

P.O. Box 603

Shelby, MT 59474

Notices to Seller shall be addressed to each individual party Seller, at the current addresses from time to time provided by each party Seller to Buyer.

Any party may change its address under this Section at any time upon written notice.

Section 2.

Regulatory Jurisdiction. This Contract is entered into by the parties hereto with the understanding that the terms and provisions hereof and the gas to be delivered by Seller and received by Buyer hereunder are subject to all valid legislation and to all valid present and future orders, rules and regulations of regulatory or legislative bodies now or hereafter having jurisdiction over the parties.

Section 3.

Assignment. This Contract shall bind and inure to the benefit of the parties hereto, their successors and assigns, and shall constitute a covenant running with the land and leasehold estates covered hereby. Buyer shall not be considered as notified of any transfer by Seller of any interest in the leases, wells, or property referred to on Schedule "A" hereof until Buyer shall have been furnished with the original or certified copy of

such conveyance or transfer evidencing such transfer or an abstract of title to said property showing such transfer of interest, and the effective date of such transfer shall be considered to be the first day of the month following the day Buyer receives such evidence of transfer.

Section 4.

Easements. Seller hereby grants and assigns to Buyer all requisite easements and rights-of-way over, across, and under any of the land covered hereby that Seller has the right so to do under the terms of its oil and gas leases covering such lands, and the the right to perform thereon any acts necessary or convenient in carrying out the terms of this Contract and Buyer's obligations hereunder. Buyer shall indemnify Seller against all expenses and liabilities incurred by Seller as a result of Buyer's use of the easements and rights-of-way granted hereunder.

Section 5.

Titles. The numbering and titling of particular provisions of this Contract is for the purpose of facilitating administration and shall not be construed as having any substantive effect on the terms of this Contract.

Section 6.

Interpretation. The terms of this Contract shall be construed according to the laws of the State of Montana.

Section 7.

Effective Date. The effective date of this Contract is the day and year first above written.

Severability. The various articles, sections, provisions and clauses of this Contract are severable. The invalidity of any portion hereof shall not affect the validity of any portion hereof shall not affect the validity of any other portion of nor the entire Contract.

Section 9.

Time. Time is of the essence in this Agreement.

Section 10.

Payment. All payments for gas taken shall be made directly to Seller. Seller shall thereafter make appropriate distribution of funds to all persons entitled thereto, including royalty owners.

Section 11.

Confidentiality. Each of the parties hereto agrees to respect the confidentiality of all information obtained from the other pursuant to this Contract.

Section 12.

Counterparts. This Contract may be executed in any number of counterparts, all of which shall be construed together as constituting one Contract.

IN WITNESS WHEREOF, the parties hereto have executed this Contract to be effective as of the day and year first above written.

ATTEST:

[Signature]

BUYER:

MCW TRANSMISSION, L.P.

By: *[Signature]*

SELLER:

Sierra Production Company

By: *[Signature]*

By: _____

SCHEDULE "A"

Attached to and made a part of Wellhead Gas Purchase Contract dated
effective MCW Transmission, L.P. – Buyer and _____

Sierra Production Company

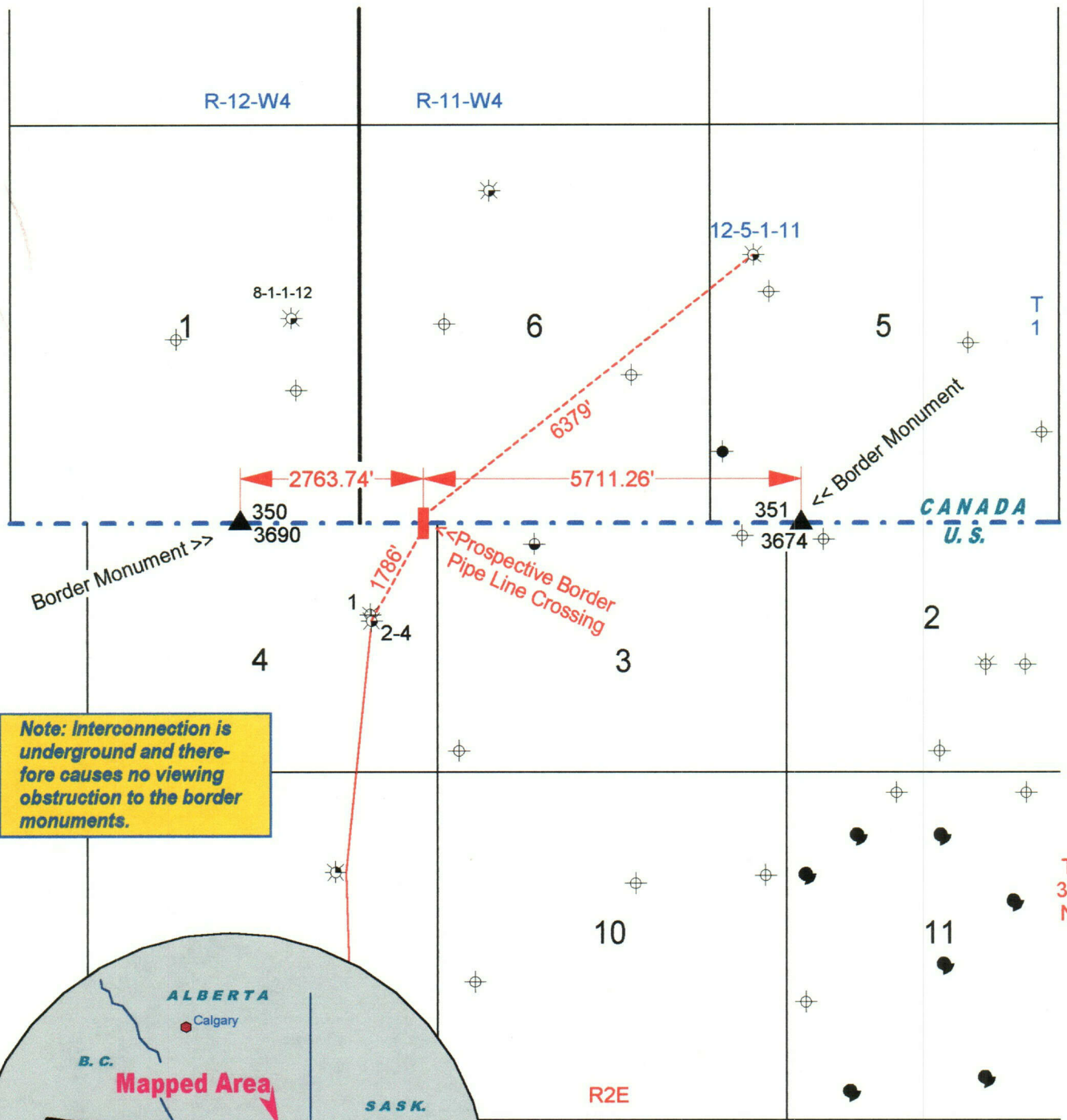
An undivided 8/8 of an 8/8 working interest in and to the following
described land in Toole County, Montana, (USA) to wit:

Township 37 North Range 2 East

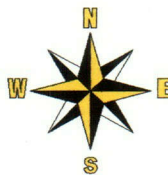
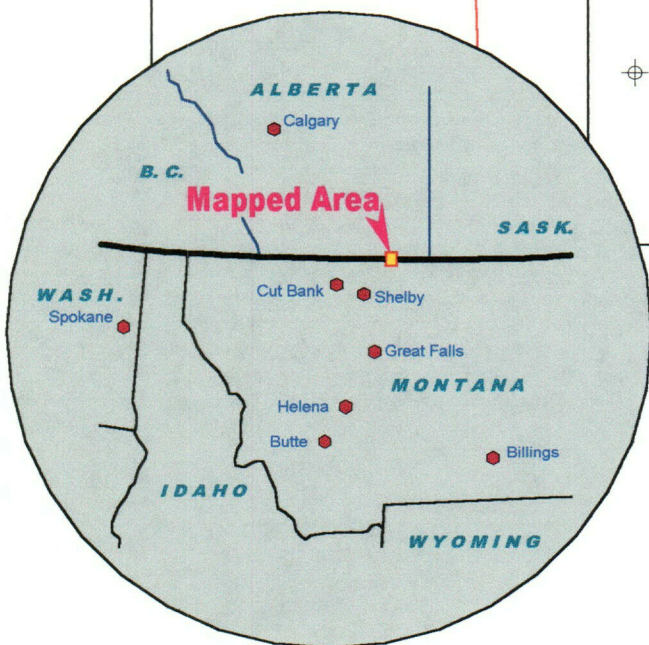
Warner County, Alberta, Canada

L.S. 12 Sec 5 Twp 1 Rge 11 W4M

Well names: Sierra Butterwick Knappen 12-5-1-11



Note: Interconnection is underground and therefore causes no viewing obstruction to the border monuments.



PROSPECTIVE SIERRA BORDER PIPELINE CROSSING

Toole County, Montana
Warner County, Alberta

WELLHEAD GAS PURCHASE CONTRACT

MCW TRANSMISSION, L.P.

BUYER

AND

Sierra Production Company

P.O. Box 716

Shelby, Montana 59474

SELLERS

GAS PURCHASE CONTRACT

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GAS PURCHASE CONTRACT

THIS CONTRACT, agreed to by the parties hereto to be effective the 1st day of

May, 2001, is by and between:

Sierra Production Company

(hereinafter collectively called "Seller")

and

MCW Transmission, L.P.
P. O. Box 603
Shelby, Montana 59474

(hereinafter called "Buyer").

WITNESSETH:

WHEREAS, Seller owns or otherwise controls the right to produce natural gas from certain lands located in the State of Montana, on which Seller has developed gas production; and

WHEREAS, Buyer is willing to buy gas which may be produced by Seller; and

WHEREAS, Seller has available commercial quantities of gas which Seller is willing to sell to Buyer; and

WHEREAS, the parties hereto are desirous of entering into a contract providing for the sale by Seller and purchase by Buyer of volumes of gas developed by Seller;

NOW, THEREFORE, in consideration of the premises and the covenants herein contained, Seller agrees to sell and deliver to Buyer and Buyer agrees to purchase and receive from Seller, pursuant to the terms and conditions hereinafter set forth, all of the gas produced by Seller from Seller's lands.

ARTICLE I

Definitions

For the purpose of the Contract, the following words and terms are defined as follows:

1. **"Contract Year"** means a fiscal year beginning in September 1 and ending on August 31 of the next ensuing year. The first "Contract Year" is deemed to commence on the effective date hereof and extending through the following August 31.

2. The anniversary date of this Contract is deemed to be September 1 in each Contract Year.
3. “**Day**” means a period of twenty-four (24) consecutive hours beginning and ending at 8:00 a.m., Mountain Time. The reference date for any day shall be the calendar date upon which said 24-hour period shall commence.
4. “**Month**” means the period of time beginning at 8:00 a.m., Mountain Time on the first day of the next calendar month.
5. “**Seller’s Lands**” means the lands described in Schedule “A” attached to this Contract, and includes all geologic zones and horizons underlying the lands unless otherwise limited on Schedule “A”.
6. “**Lease**” means any right of Seller to drill for, produce, and dispose of gas in, under, and from Seller’s lands, and includes any document evidencing such right now or hereafter acquired.
7. “**Gas**” means either natural gas obtained from the wells or the residue remaining after the natural gas has been treated by Seller for the removal of any of its constituent parts other than methane and the removal of methane to such extent as is necessary in removing other constituents, as the context may require, but not including casinghead gas.
8. “**Casinghead Gas**” means gas, which has its rate of production, controlled by the amount of oil simultaneously produced therewith.
9. “**Recoverable Gas Reserves**” means the quantity of gas which is determined to be economically recoverable and deliverable during the initial term of this Contract from each Gas Production Unit and available for delivery as of the

date of initial delivery hereunder after processing, if any, to satisfy the quality specifications hereof, less the quantities of gas reserved by the Seller hereunder. Such reserves shall be computed by accepted reservoir engineering and geological procedures, and shall consist of only those reserves owned or controlled by Seller and underlying or attributable to Seller's lands listed on Schedule "A".

10. "**Reservoir**" means stratigraphic trap, or pool, from which gas is produced, and one (1) or more "reservoirs" may be produced by means of a single well.
11. "**Gas Production Unit**" means one governmental section (640 acres, more or less), unless otherwise agreed between the parties or established by the Montana Board of Oil and Gas Conservation. As to the units on which there are wells completed in more than one producing formation, each such formation shall be considered as a separate Gas Production Unit.
12. "**Cubic Foot of Gas**" is the unit of volume for purposes of measurement hereunder, except for gross heating value, and means one cubic foot of gas at 60 degrees F. and at a pressure of 14.73 pounds per square inch absolute. For purposes of measurement, the atmospheric pressure shall be assumed to remain constant at 13.0 pounds per square inch absolute.
13. "**MCF**" means one thousand (1,000) cubic feet.
14. "**BTU**" means British Thermal Units and MMBTU means one million British Thermal Units.
15. "**Gross Heating Value**" means the total calorific value expressed in BTU's obtained by the complete combustion at constant pressure on the amount of

gas which would occupy a volume of one cubic foot at a temperature of 60 degrees F. and under standard gravitational force (980.655 cm. Per sec., per sec.) with air of the same temperature and pressure as the gas, when the products of combustion are cooled to the initial temperature of gas and air and when the water formed by combustion is condensed to the liquid state.

ARTICLE II

Commitment of Gas Reserves

Seller hereby commits to the performance of this Contract all of the gas and casinghead gas produced from Seller's lands described on Schedule "A".

ARTICLE III

Buyer's and Seller's Obligation

Section 1.

Gas to be Purchased and Sold. Subject to the provisions of this Agreement, during the term hereof, Seller shall sell and deliver to Buyer, and Buyer shall purchase and receive from Seller at the delivery points, natural gas produced from wells on Seller's lands which are connected to Buyer's gas gathering system.

Section 2.

(a) **Seller's Obligation to Deliver.** Subject to the provisions of subsection (b) of this Section 2, Seller shall deliver to Buyer gas from the well or wells now located, and the well or wells hereafter drilled on Seller's lands, and which are connected to Buyer's gas gathering system as provided in Article VI hereof.

(b) **Limitation on Seller's Obligations.**

(i) **Rate of Delivery.** Seller shall not be obligated to deliver gas hereunder from any well at a rate which in the opinion of the Seller, acting as a reasonably prudent operator, would be injurious to such well or to the reservoir or reservoirs from which such well is produced.

(ii) **Reservation of Gas by Seller.** Seller reserves the following rights:

(1) the right at Seller's option to use such quantities of gas produced from any one or more of the said wells as the Seller may need or require to fulfill the obligations of the Seller under the terms of

its lease or other document under which it derives title to its gas rights;

- (2) the right at Seller's option to such quantities of gas produced from any one or more of said wells as Seller may need or require for development and operation of Seller's lands;
- (3) the right at Seller's option to process gas produced from any one or more of said wells for the removal of any component other than methane prior to delivery of such gas to the Buyer, which components so removed shall belong to the Seller; provided, however, that the gas which is delivered to Buyer after such processing shall meet the quality requirements of Article VI hereof.

- (c) **Seller's Obligation to Maintain Wells.** Except for equipment which Buyer is to maintain hereunder, Seller shall use diligence in maintaining said wells and the appliances and machinery appurtenant thereto in good and efficient working order at all times and in such manner that each of said wells will at all times be able to produce the maximum amount of gas for delivery to Buyer. The obligations of Seller hereunder are subject to the ability of Seller's wells to produce without waste and in accordance with prudent oil and gas field practices. Seller reserves the right, subject to this Agreement, to control the Seller's lands and leaseholds and the operations thereon in the production of gas to be sold to Buyer; such reserved rights include, but are not limited to, the right to determine when, where or whether to drill new

wells, to repair and rework old wells, and to abandon any well or surrender any lease when no longer deemed by Seller to be capable of producing gas in paying quantities under normal methods of operations. Seller shall be, at no expense to Buyer, responsible for the installation and operation of all wells, equipment and piping to the point of delivery.

- (d) **Buyer's Obligation to Maintain Surface Facilities.** Buyer shall use diligence in maintaining and operating all facilities installed by it from the point of delivery.

Section 3.

Buyer's Obligation to Purchase. Buyer is currently purchasing gas under this Contract for resale to MCW Transmission, L.P. Therefore, the total quantity of gas which Buyer will be able to purchase from Seller's wells will be dependent upon, subject to, and limited by the total amount of gas MCW Transmission, Ltd. Will accept from Buyer, both as to volumes and time of taking. Buyer agrees to consult with Seller at all times respecting the volume of gas to be taken from each of Seller's wells and the time of such taking, so that Seller may, consistent with pressure requirements, Recoverable Gas Reserves, and delivery capacities, assure a ratable take from each of Seller's wells. Seller agrees to cooperate with Buyer in the delivery of gas from Seller's wells to maximize Buyer's effective gas deliveries to MCW Transmission, L.P.

Section 4.

Buyer's Obligation to Purchase Ratably. It is the intent that Buyer shall purchase gas from Seller ratably with gas purchased by Buyer from all other sellers with whom Buyer has gas purchase contract arrangements. To determine the amount of gas to

be purchased by Buyer from Seller, the ability of Seller's wells to produce shall be determined in relation to the ability of all other sellers' wells to produce. Such determination shall be made at a time during which all wells connected to Buyer's gas gathering system are producing at full capacity. If Buyer does not purchase a ratable share of gas from Seller hereunder, as determined above, over a one year period, or if Buyer does not purchase two-thirds ($2/3$) of the total gas which Seller's wells are capable of producing as shown during said testing period, whichever is lesser, the Seller, at its sole option, upon ninety (90) days notice to Buyer, may terminate this Contract as to any or all of the wells connected hereunder. In such event, Buyer shall have no liability whatsoever to Seller for any alleged failure to ratably purchase gas, it being agreed that Seller's sole recourse shall be to terminate this Contract.

ARTICLE IV

Delivery Pressure, Delivery Point

And Connection Requirements

Section 1.

Well Information. Upon completion of a well not now located on Seller's lands, or presently connected to Buyer's gathering system (hereinafter referred to as "new well"), Seller shall, as soon as reasonably possible, furnish Buyer with all data in Seller's possession to assist Buyer to make a valid study to determine the connectibility of said well. If such new well completed on Seller's lands does not meet the connection requirements contained in this Article IV, Buyer shall, at the request of Seller, but not more often than at six (6) month intervals, make additional studies to determine whether the well has become connectible.

Section 2.

Delivery Pressure. Delivery of gas hereunder from each of the Seller's wells shall be made at a pressure that is sufficient to effect delivery of gas into Buyer's gathering lines against the operating pressure then prevailing therein. For the purpose of deliverability testing for establishing connectibility, Buyer shall not be obligated to reduce gathering system pressures below the then existing operating pressure. Maintenance by Seller of sufficient pressure to enter Buyer's gathering system against the operating pressure from time to time existing therein shall be a continuing condition of Buyer's purchasing and receiving gas from each of Seller's wells.

Buyer agrees that the operating pressure from time to time existing in its gathering system to which Seller's wells are or may be connected shall not exceed 75 Psig at the Wells.

Seller shall have the right, but not the obligation, to install and operate compression facilities either at the wellhead or at a mutually agreeable point or points on Buyer's gathering system. If Seller installs compression facilities, the pressure at which it delivers gas to Buyer's gathering system shall be limited to that which will not override the line pressure existing in Buyer's gathering system from time to time. If either party installs compression facilities, then such party agrees to provide sufficient pulsation dampening equipment so that the measurement at the point of delivery will not be affected by pulsation.

Section 3.

Delivery Points. Delivery of natural gas hereunder from each of Seller's wells shall be at the point of connection of Buyer's gathering line with either (1) Seller's sidegate valve installed on the wellhead of Seller's wells; or (2) Seller's separator outlet if a separator outlet is installed; or (3) Seller's compressor outlet valve if Seller elects to compress the gas at the wellhead prior to delivery to Buyer; or (4) at a mutually agreeable tap on Buyer's gathering system should Seller elect to process the gas at a location other than at a plant located on Buyer's gathering system before delivery to Buyer.

Section 4.

Connection Requirements.

- (a) **Wells in New Reservoirs.** Buyer will construct gathering lines and connect only those new wells which have Recoverable Gas Reserves committed to Buyer in the ratio of at least one hundred million (100,000,000) cubic feet or the aliquot portion thereof for each mile or fraction thereof of gathering line

necessary to connect Seller's new well to the closest point on Buyer's existing gas gathering system.

If a new well completed on Seller's land in a new reservoir, not Currently or previously produced, does not meet the connection requirement contained in this Article IV, Buyer may, at its sole election, either connect said well, or, Buyer shall, upon request by Seller, release the well and the gas reserves attributable thereto (but only as to the formation in which such well is then completed) from the terms and provisions of the Contract, or Seller may elect to deliver gas to Buyer under the provisions of Section 4 (d) on of this Article IV.

(b) **Wells in Reservoirs Where Gas is Being Produced Under a Contract**

Between Buyer and Another Seller. If Seller shall drill a new well into a reservoir from which gas is being produced under a contract between Buyer and another Seller, Buyer shall be obligated to connect such well to its gathering system only if such well has both (1) the capability to produce under stabilized pressure-volume conditions as demonstrated by pressure stabilization at the end of a test period of 48 hours duration at a daily average rate equal to sixty (60) MCF or aliquot portion thereof for each mile or aliquot portion thereof of gathering line necessary to connect such well to the closest point on Buyer's existing gathering system against the delivery pressures described in Section 2 above, and (2 Recoverable Gas Reserves committed to Buyer in the ratio of at least one hundred million (100,000,000)

cubic feet or the aliquot portion thereof for each mile or fraction thereof of gathering line necessary to connect such well to the closest point on Buyer's existing gas gathering system serving such reservoirs.

- (c) **Wells in Reservoirs Where Gas is Being Produced by Seller.** If Seller shall drill a new well into a reservoir from which gas is being produced under a contract between Buyer and Seller, Buyer shall connect such well to its gathering system only if (1) such well has the capability to produce under stabilized pressure-volume conditions as demonstrated by pressure stabilization at the end of a test period of 48 hours duration at a daily average rate equal to sixty (60) MCF or aliquot portion thereof for each mile or connect such well to the closest point on Buyer's existing gathering system against the delivery pressures described in Section 2 above, and (2) Recoverable Gas Reserves committed to Buyer are in the ratio of at least one hundred million (100,000,000) cubic feet or the aliquot portion thereof for each mile or fraction thereof of gathering line necessary to connect such well to the closest point on Buyer's existing gas gathering system serving such reservoirs.

- (d) **Wells Which do Not Meet the Connection Requirements.** If a new well Does not meet the connection requirements and Buyer elects to construct gathering lines and connect a well, Buyer nevertheless shall, upon Seller's request, accept gas from any such well if Seller shall acquire and assign without charge to Buyer, a measuring station site on Buyer's existing system at a mutually agreeable point, together with all necessary rights of ingress and

egress thereto, and shall bear the cost of installing and operation all facilities necessary to deliver the gas from such well into Buyer's system against the delivery pressures described in Section 2 above at said mutually agreeable point.

In the event any new well does not quality for connection, and Buyer elects not to construct gathering lines and connect such well and Seller shall decline to construct such facilities, the Buyer, upon written request of Seller, shall release from this Contract, Seller's lands attributable to such well, but only as to the formation in which such well is then completed.

In the event that Buyer and Seller are not in agreement on connection qualifications of a new well and Seller elects to install all of the facilities necessary to connect such non-qualifying well to Buyer's gathering system and, at a later date, additional information indicates that such well should have qualified for connection, Buyer will, at such time, purchase such facilities so installed by Seller at Seller's initial cost, plus a reasonable rate of return on funds invested by Seller, provided such facilities were installed in accordance with specifications furnished by Buyer.

- (e) **Testing Procedures.** In testing for pressure stabilization, it is agreed that The engineering and technical staffs of both parties shall consult to determine the proper testing procedure and methods.
- (f) **Additional Wells.** If at any time more than one well shall be allowed to Produce from the same horizon or formation on any existing spacing unit, then any and all wells producing from the same formation or horizon in a

spacing unit shall be considered together and the flow rates and reserves totaled in determining whether the connectivity requirements of this Section have been met. If the total flow rates and reserves of all such wells producing from the same horizons or formations within said spacing unit shall meet the connectivity requirement, then all such wells shall be deemed connectible and shall be connected at Buyer's expense, said connections to be accomplished within a reasonable time after connectivity has been

determined hereunder, subject, however, to the other provisions of this Contract.

Section 5.

Drainage. If, in Seller's judgement, over a reasonable period of time, a party other than Seller takes gas from the same reservoir as occurs under Seller's lands at a rate which makes imminent the drainage of gas from Seller's lands, Seller may notify Buyer in writing of the existence of such situation. Upon such notice, Buyer shall, to the extent reasonably possible, increase its take from Seller from such reservoir by a volume sufficient to protect Seller from such drainage. Buyer agrees to use its best efforts to take gas ratably from all wells within the same reservoir to prevent drainage, subject to the production capability of each well.

In the event Buyer is not, within six (6) months after receipt of said notice, purchasing sufficient volumes of gas, which volumes are available for delivery, to protect Seller from said drainage, Seller shall have the additional right, upon written request, to have released from this Contract a well or wells, and the acreage attributable thereto,

which well or wells are completed in the same reservoir subject to such drainage and capable of producing a volume of gas which, if disposed of by the Seller, in addition to the volume of gas to be purchased or paid for by Buyer from such acreage, would prevent drainage from Seller's acreage.

Section 6.

Connection of Subsequent Wells. Buyer agrees to connect any new well drilled by Seller subsequent to the date of this Contract within three (3) months after determination that said well meets the connectibility requirements of this Article IV, subject, however, to reasonable delays occasioned by inclement weather, rights-of-way acquisition problems or other conditions beyond Buyer's control.

ARTICLE V

Determination of Gas Reserves

From time to time as new discoveries of gas are made, Seller will provide Buyer with the basic geological, engineering, production and other data within Seller's possession to assist Buyer in making a determination of gas reserves and connectibility of each new well.

Section 1.

Recoverable Gas Reserve Determination. As soon as possible prior to the expected initial delivery of gas from any new well hereunder, Buyer shall furnish Seller an estimate of Recoverable Gas Reserves for that well.

Within fifteen (15) days after Buyer's furnishing its estimate of the Recoverable Gas Reserves, Seller shall advise Buyer whether Buyer's estimate is acceptable. If Buyer's estimate of such Recoverable Gas Reserves is not acceptable to Seller, and Seller and Buyer are unable to negotiate an agreeable settlement, then the matter shall be determined by arbitration as provided in this Article V.

Section 2.

Arbitration of Reserves. If Seller and Buyer are unable to agree upon the Recoverable Gas Reserves and such disagreement cannot be resolved by negotiation within sixty (60) days after Buyer has submitted its determination of Recoverable Gas Reserves, then the determination of such reserves will, at the request of either party, be submitted to arbitration as herein-after set forth.

Upon written demand of either party, the parties shall meet and attempt to appoint a single arbitrator. If the parties fail to name an arbitrator within ten (10) days from such

demand, then the arbitrator shall be appointed by the American Arbitration Association.

The arbitrator selected to act hereunder shall be qualified by education, training, and experience to determine gas reserves. The decision of the arbitrator shall be made within thirty (30) days after his appointment, subject to any reasonable delay due to unforeseen circumstances. Notwithstanding the foregoing, in the event the arbitrator fails to make a decision within sixty (60) days after his appointment, then either party may elect to have a new arbitrator selected. If such election is made, the decision of the previous arbitrator shall be null and void.

The decision of the arbitrator shall be in writing and signed by the arbitrator and shall be final and binding upon the parties hereto as to Recoverable Gas Reserves hereunder.

The compensation and expenses of the arbitrator shall be paid in equal proportions by Buyer and Seller.

ARTICLE VI

Quality of Gas

Section 1.

Seller agrees that the gas delivered hereunder shall be merchantable natural gas, at all times complying with the following quality requirements:

- (a) The gas shall be in its natural state as produced, including all hydrocarbon constituents therein contained, except gas from which Seller has removed liquid hydrocarbons under the provisions of Article III, Section 3 (b) (ii) (3) hereof. Seller shall also have the right to remove non-hydrocarbon constituents and hydrocarbons as required to remove other constituents.

Seller may enrich the gas to the extent required to meet the gross heating requirement set forth in Paragraph (b) below, and may subject the gas, or permit the gas to be subjected to compression, cooling, cleaning and other processes.

- (b) The weighted average gross heating value of gas delivered to Buyer hereunder shall not be less than nine hundred (900) British Thermal Units per cubic foot, and shall not be more than one thousand two hundred (1200) British Thermal Units per cubic foot. Buyer may reject delivery of gas having a weighted average gross heating value of less than nine hundred (900) British Thermal Units or more than one thousand two hundred (1200) British Thermal Units.
- (c) The gas shall be commercially free from sand, dust, gums, liquid water, crude oil, impurities and other objectionable substances and shall have been

dehydrated by Seller for removal of water present therein in a vapor state, and in no event contain more than seven (7) pounds of water vapor per one million (1,000,000) cubic feet of gas, and shall be free from hydrocarbons liquefiable at temperatures in excess of fifteen degrees Fahrenheit at pressures up to 800 psig.

- (d) The gas shall not contain more than one-quarter (1/4) grains of hydrogen sulfide per one hundred (100) cubic feet of gas.
- (e) The gas shall not contain in excess of two percent (2%) by volume of carbon dioxide.
- (f) The temperature of the gas at the delivery point or delivery points shall not be in excess of one hundred twenty degrees Fahrenheit.

Buyer retains the right to monitor gas delivered by Seller to determine that such gas complies with the foregoing quality requirements. If at any time said gas so delivered by Seller does not comply with said requirements, Buyer shall have the right to terminate all gas takes immediately upon discovery of such noncompliance.

ARTICLE VII

Measurement and Tests

Section 1.

Unit of Volume. The unit of volume of all gas hereunder shall be one (1) cubic foot of gas.

Section 2.

Sales Unit. The sales unit of the gas delivered hereunder shall be one million (1,000,000) British Thermal Units.

Section 3.

Ownership of Measuring Equipment. All measuring devices and materials required in this Article shall be installed, maintained, and operated, or furnished by Buyer at Buyer's expense. Seller may install and operate check-measuring equipment provided it does not interfere with the uses of Buyer's equipment in determining the volumes of gas delivered by Seller to buyer at the points of delivery.

Section 4.

Metering and Computation of Volume. The gas shall be metered by gas recording meters or other measurement facilities constructed, installed and maintained by Buyer at or near the point or points of delivery. Such measurement facilities of Buyer shall be constructed and installed in accordance with the applicable provisions of the American Gas Association's "Gas Measurement Committee Report No. 3, as revised March, 1978 and reprinted June, 1979". The volumes of gas delivered to Buyer shall be computed from the meter records and converted into the units of measurement specified herein in accordance with the methods prescribed in Gas Measurement Committee

Report No. 3 of the American Gas Association, including the appendix thereto, as revised March, 1978, and reprinted June, 1979, or any subsequent revision thereof acceptable to Buyer and Seller. Corrections shall be made for deviation from the Ideal Gas Laws at the pressure and temperature at which the gas is metered. To determine the factors for such correction a quantitative analysis of the gas shall be made at reasonable intervals with such apparatus as shall be agreed upon by Buyer and Seller, and such factors shall be obtained from data contained in Report NX-19, as published by the American Gas Association in December, 1972, or any subsequent revision thereof acceptable to Buyer and Seller.

For the purpose of measurement and meter calibration, the atmospheric pressure shall be assumed to be 13.0 pounds per square inch, irrespective of variations in natural atmospheric pressure from time to time.

Section 5.

Specific Gravity. The specific gravity of the gas flowing through the well meter, or meters, shall be determined by Buyer, or, at Seller's election, by joint tests, at intervals of approximately twelve (12) months as may be practicable under the circumstances. All such determinations of specific gravity shall be made by a standard gravity balance or by a gravimeter employing the "Momentum Method" of specific gravity determinations as described in Chapter VII, "Determinations of Specific Gravity", of the American Gas Association Gas Measurement Manual, 1963 edition. The specific gravity of the gas flowing through each meter determined by either of the above mentioned methods shall be used in computing the volume of gas delivered through such meter.

The specific gravity determined by any test shall apply from the date the test was taken until the date of the next test.

Section 6.

Equipment Testing. The accuracy of Buyer's measuring equipment shall be verified by test, using means and methods generally acceptable in the gas industry, at least annually or otherwise as agreed to by Buyer and Seller. Notice of the time and nature of each test shall be given by Buyer to Seller sufficiently in advance to permit convenient arrangement for Seller's representative to be present. Seller shall have the right to witness and verify all test of Buyer's measuring equipment. Measuring equipment found to be registering inaccurately shall be adjusted to read as accurately as possible. If, after notice, Seller fails to have a representative present, the results of the test shall nevertheless be considered accurate until the next test. All tests of such measuring equipment shall be made at Buyer's expense, except that Seller shall bear the expense of tests made at its request if the inaccuracy is found to produce an error of two percent (2%) in the measurement of gas, then the volume of gas delivered during the period such measuring equipment is inoperative or inaccurate, shall be determined by the parties hereto on the basis of the best data available using the first of the following methods which is feasible:

- (a) By using the registration of any check measuring equipment installed and accurately registering;
- (b) By correcting the error if the percentage of error is ascertainable by calibration, test or mathematical calculations; or

(c) By comparing deliveries made during preceding periods under similar delivery conditions when the meter was registering accurately.

An adjustment based on such determination shall be made for such period of inaccuracy as may be definitely known, or if not known, then for one-half the period since the date of the last meter test. In no event, however, shall any adjustment extend back beyond six (6) months from the date the error was first made known by one party hereunder to the other.

Section 9.

Inspection of Equipment. Buyer and Seller shall have the right to inspect equipment installed or furnished by the other party, and the charts and other measurement or test data of the other party, at all times during business hours; but the reading, calibration, and adjustment of such equipment and changing of charts shall be done only by the party installing and furnishing the same. Unless the parties otherwise agree, each party shall preserve all original test data, charts, and other similar records in such party's possession for a period of at least five (5) years.

Section 10.

Gross Heating Value. The heating value per cubic foot of gas shall be determined from time to time by the Buyer at the Buyer's expense, using an accurately calibrated Cutler-Hammer calorimeter, from samples of the gas taken at the delivery point or points. The Seller shall have the right to witness any and all tests of gross heating value made by Buyer. Seller shall have the right at any time to make or to require Buyer to make a special test of the gross heating value of gas delivered hereunder, but Seller shall bear the expense of any special tests made at its request. Tests of gross

heating value of gas delivered hereunder shall be made by Buyer after giving Seller ten (10) days written notice thereof.

Section 11.

Data to be Provided to the Seller. Buyer shall provide Seller with all information, data, test results, reservoir information, etc., immediately upon receipt of same by Buyer, to the end that at all times Seller shall have all information relative to its wells that is available to Buyer.

ARTICLE VIII

Price and Payment

Section 1.

Calculation of Price. Subject to all other provisions of this Article VIII, the price to be paid by Buyer to Seller for gas delivered to Buyer at the delivery point from each well for the entire term of this Contract shall be based upon the price that MCW Transmission, L.P. receives for its gas computed as follows:

Section 2.

Price Adjustments. The price provided in Section 1 above shall be subject to adjustment based upon changes in the MCW Transmission, L.P. delivered gas contract with Montana Power Company or other purchasers.

- (a) If the MCW Transmission, L.P. resale price is two and 10/100 Dollars U.S. (\$2.10) per MMBTU or less, then the wellhead price will be the MCW Transmission, L.P. resale price less eighty five cents U.S. (\$.85)
- (b) If the MCW Transmission, L.P. resale price is greater than two and 10/100 Dollars U.S. (\$2.10) per MMBTU, then the wellhead price will be one and 35/100 Dollars (\$2.10-\$0.85) plus seventy five percent (75%) of the MCW Transmission, L.P. resale price that exceeds two and 10/100 (\$2.10) Dollars U.S. (\$2.10) per MMBTU.

Section 3.

On or before the twenty-fifth (25th) day of each calendar month after deliveries of gas are commenced hereunder, Buyer shall render to Seller a statement showing the amount of gas delivered during the preceding calendar month, together with sufficient

information to explain and support any adjustment by Buyer with respect to the value of gas delivered in determining the amount stated to be due. Payment shall be made by Buyer to Seller within ten (10) days following receipt by Buyer from its resale purchaser of the proceeds attributable to that gas.

Section 4.

Seller shall have, upon request with three (3) months after receipt of the statement referred to in Section 3 of this Article VIII, the right to examine the meter charts and computations upon which such statements are based. If the Seller deems such charts or computations to be inaccurate, Seller may protest the statement within two (2) months of the examination of meter charts and computations thereof, and may request a check to be made of the meter installed pursuant to Article VII hereof. Any statement not protested within two (2) months of the examination of meter charts and computations thereof shall be deemed to be correct. Buyer shall make current meter charts available to Seller for examination upon request. Any protest by Seller shall not result in interruption of payments by Buyer to Seller for gas purchased during the protest period.

ARTICLE IX

Seller's Leases and Wells

Section 1.

Leases. Seller represents that it is the owner of valid oil and gas leases or other documents of title covering some of the land described in Schedule "A" and agrees to maintain all of such leases in full force and effect, at its own expense; provided that Seller shall not be required to retain by payment of delay rental any acreage which, in Seller's judgment, will not be productive of gas in commercial quantities.

Section 2.

Wells. The gas wells connected under this Contract shall be equipped and maintained in good operating condition, in accordance with approved practices, without cost to Buyer. In the event liquids exist, requiring separation from the gas, then Seller agrees to install, operate and maintain, without cost to Buyer, such liquid removal equipment operated at normal temperatures, as may be necessary to separate such liquids from the gas.

Section 3.

Notice to Buyer. Seller will advise Buyer, at the earliest date possible after the connectibility of any new well has been finally determined, its best estimate of the initial delivery date.

ARTICLE X

Title to Gas

To the extent of its interest, Seller warrants title to all gas delivered to Buyer produced from production units containing acreage committed by Seller hereunder, and that Seller has authority to sell the same, and Seller agrees to indemnify and save Buyer harmless from any and all suits, claims, and liens of whatsoever nature relating to such gas or the title thereto. If the title thereto shall at any time be involved in litigation, Buyer shall have the right to withhold, without interest, the proceeds payable for the gas produced from the particular property in litigation, to the extent of the interest involved, during the period of such litigation or until Seller shall furnish a bond, in form and with sureties acceptable to Buyer, conditioned to save Buyer harmless.

If there is a defect in Seller's title, Seller shall, with reasonable promptness, attempt to remedy such defect. Until the defect to such title shall have been remedied, Buyer shall have or withhold, without interest, the proceeds otherwise payable to Seller hereunder.

Seller agrees, upon the reasonable request of Buyer, to furnish for examination all abstracts of title which Seller has or may have covering acreage committed hereunder, authentic copies of Seller's leases, delay rental receipts covering such acreage, and any other title information pertaining to such acreage which Seller may have.

Title to the gas delivered hereunder shall pas to the Buyer at the Delivery Point.

ARTICLE XI

Force Majeure

If either party to this Contract shall fail to perform an obligation hereby imposed upon it and such failure shall be caused, or materially contributed to by acts of God, strikes, lockouts, or other industrial disturbances in the operation of Seller or Buyer or Buyer's customers, acts of enemies of the state, sabotage, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, floods, storms, fires, washouts, arrests and restraints of rulers and people, civil disturbances, explosions, breakage of or accident to machinery or lines of pipe, hydrate obstructions to lines of pipe, temporary failure of gas supply, freezing of wells or delivery facilities, well blowouts, cratering, inability to obtain pipe, materials or equipment, the order of any court or governmental authority, or by an act or omission which is occasioned by any event or occurrence of the character described in this Article XI as constituting Force Majeure, or by the necessity for making repairs to so recondition wells, a gas processing plant, machinery, equipment, or pipe lines, not resulting from the fault or negligence of such party, or by any other cause, whether of the kind herein enumerated or otherwise, all such causes being beyond the control of the party invoking this Article and being such that by the exercise of due diligence such party could not have prevented, such failure shall not give rise to any cause of action based on breach of the obligation to such party hereunder, but such party shall use reasonable diligence to put itself again in a position to carry out its obligations hereunder. Nothing contained herein shall be construed to require either party to settle a strike or lockout by acceding against its judgement to the demands of opposing parties.

No such cause affecting the performance of this Contract by either party shall continue to avoid a cause of action after expiration of a reasonable period of time within which, by the use of due diligence, such party could have remedied the situation preventing its performance, nor shall any such cause relive either party from its obligation to make payment of amounts then due hereunder for gas already delivered nor shall any such cause in writing to the other party with reasonable promptness; and like notice shall be given upon termination of such cause.

For purposes of determining the occurrence of performance of obligations under this Agreement, it is mutually agreed that, during a period of Force Majeure, the party affected shall be deemed to have performed all of its obligations as if it had delivered or purchased the gas required to be delivered or purchased during said period.

ARTICLE XII

Term

This Contract shall become effective on the Effective Date hereof and shall continue in effect for a period of five (5) Contract Years and thereafter from year to year until cancelled by written notice from one party to the other, at least ninety (90) days prior to the next ensuing anniversary date, provided, however, that in the event Buyer's contract for resale of gas should terminate at any time during the term of this Contract, then buyer shall have the option to terminate this Contract simultaneously. In the event this Contract is terminated pursuant to this Article XII, then Buyer shall have the right to meet any bona fide offer made to Seller by a third party to purchase gas covered hereby.

ARTICLE XIII

Miscellaneous

Section 1.

Notices: Notices to Buyer shall be addressed to:

MCW Transmission, L.P.

P.O. Box 603

Shelby, MT 59474

Notices to Seller shall be addressed to each individual party Seller, at the current addresses from time to time provided by each party Seller to Buyer.

Any party may change its address under this Section at any time upon written notice.

Section 2.

Regulatory Jurisdiction. This Contract is entered into by the parties hereto with the understanding that the terms and provisions hereof and the gas to be delivered by Seller and received by Buyer hereunder are subject to all valid legislation and to all valid present and future orders, rules and regulations of regulatory of legislative bodies now or hereafter having jurisdiction over the parties.

Section 3.

Assignment. This Contract shall bind and inure to the benefit of the parties hereto, their successors and assigns, and shall constitute a covenant running with the land and leasehold estates covered hereby. Buyer shall not be considered as notified of any transfer by Seller of any interest in the leases, wells, or property referred to on Schedule "A" hereof until Buyer shall have been furnished with the original or certified copy of

such conveyance or transfer evidencing such transfer or an abstract of title to said property showing such transfer of interest, and the effective date of such transfer shall be considered to be the first day of the month following the day Buyer receives such evidence of transfer.

Section 4.

Easements. Seller hereby grants and assigns to Buyer all requisite easements and rights-of-way over, across, and under any of the land covered hereby that Seller has the right so to do under the terms of its oil and gas leases covering such lands, and the right to perform thereon any acts necessary or convenient in carrying out the terms of this Contract and Buyer's obligations hereunder. Buyer shall indemnify Seller against all expenses and liabilities incurred by Seller as a result of Buyer's use of the easements and rights-of-way granted hereunder.

Section 5.

Titles. The numbering and titling of particular provisions of this Contract is for the purpose of facilitating administration and shall not be construed as having any substantive effect on the terms of this Contract.

Section 6.

Interpretation. The terms of this Contract shall be construed according to the laws of the State of Montana.

Section 7.

Effective Date. The effective date of this Contract is the day and year first above written.

Severability. The various articles, sections, provisions and clauses of this Contract are severable. The invalidity of any portion hereof shall not affect the validity of any portion hereof shall not affect the validity of any other portion of nor the entire Contract.

Section 9.

Time. Time is of the essence in this Agreement.

Section 10.

Payment. All payments for gas taken shall be made directly to Seller. Seller shall thereafter make appropriate distribution of funds to all persons entitled thereto, including royalty owners.

Section 11.

Confidentiality. Each of the parties hereto agrees to respect the confidentiality of all information obtained from the other pursuant to this Contract.

Section 12.

Counterparts. This Contract may be executed in any number of counterparts, all of which shall be construed together as constituting one Contract.

IN WITNESS WHEREOF, the parties hereto have executed this Contract to be
effective as of the day and year first above written.

ATTEST:

[Signature]

BUYER:

MCW TRANSMISSION, L.P.

By: *[Signature]*

SELLER:

Sierra Production Company

By: *[Signature]*

By: _____

SCHEDULE "A"

Attached to and made a part of Wellhead Gas Purchase Contract dated

effective MCW Transmission, L.P. – Buyer and _____

Sierra Production Company _____

An undivided 8/8 of an 8/8 working interest in and to the following

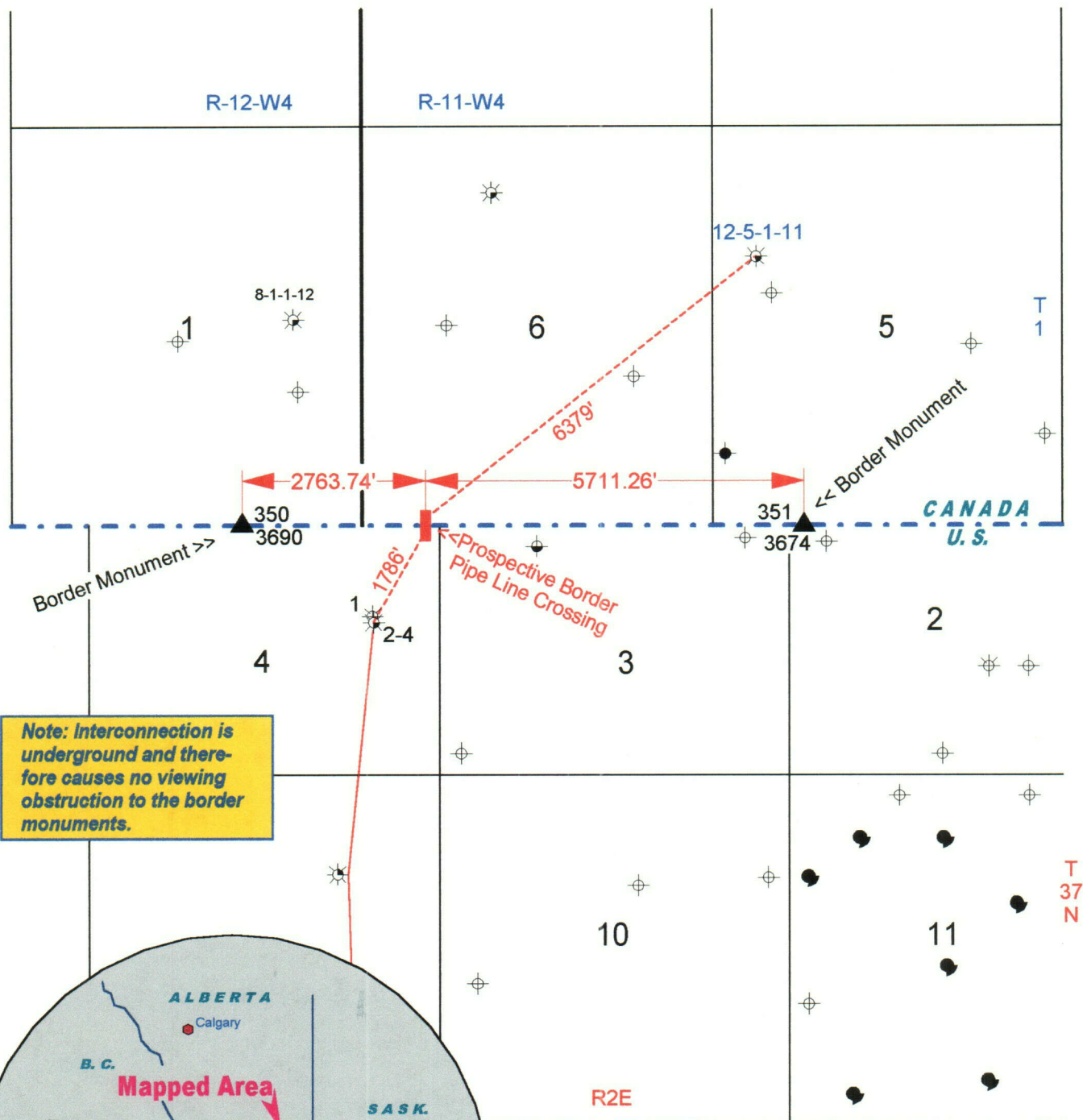
described land in Toole County, Montana, (USA) to wit:

Township 37 North Range 2 East

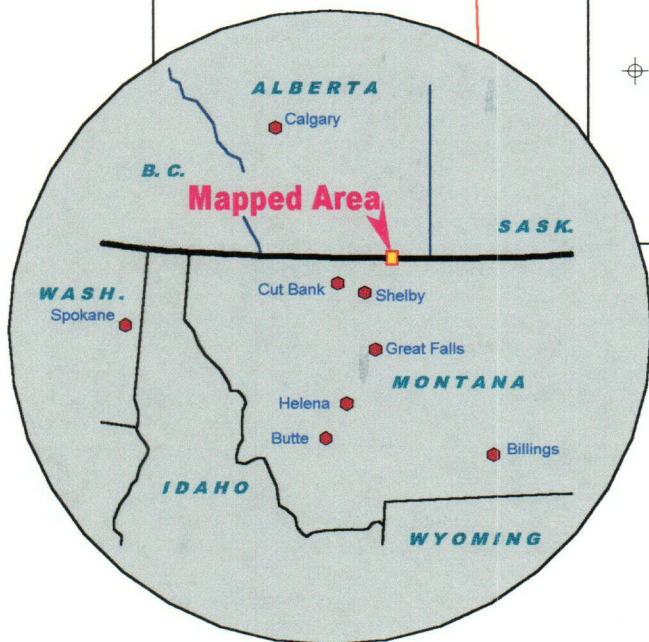
Warner County, Alberta, Canada

L.S. 12 Sec 5 Twp 1 Rge 11 W4M

Well names: Sierra Butterwick Knappen 12-5-1-11

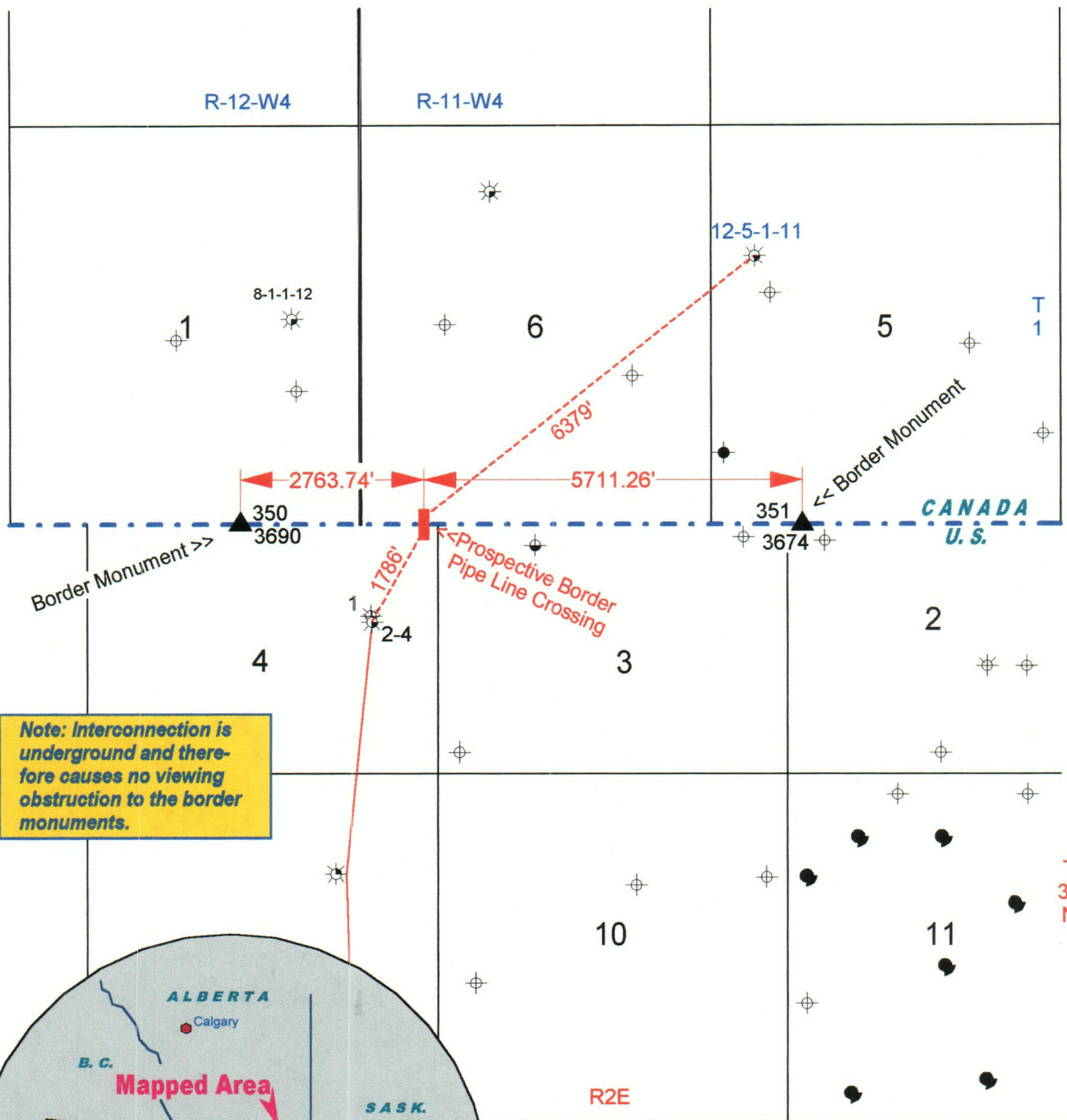


Note: Interconnection is underground and therefore causes no viewing obstruction to the border monuments.

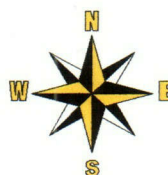
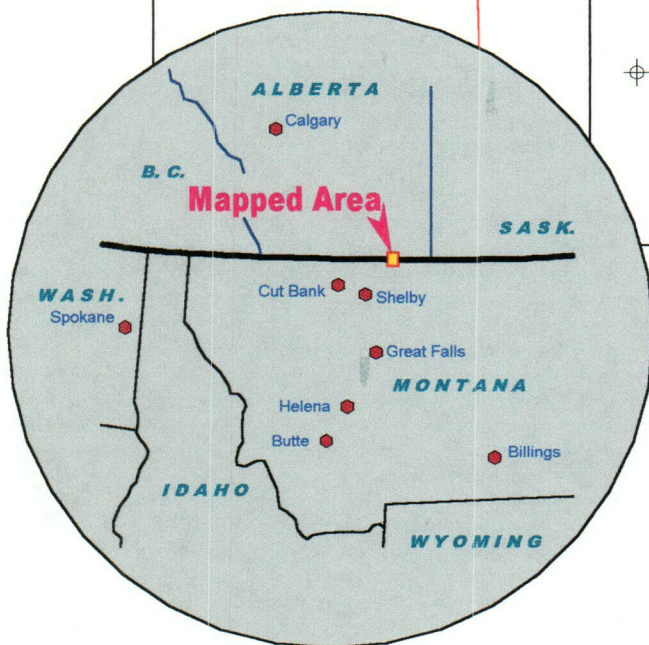


PROSPECTIVE SIERRA BORDER PIPELINE CROSSING

**Toole County, Montana
Warner County, Alberta**



Note: Interconnection is underground and therefore causes no viewing obstruction to the border monuments.



PROSPECTIVE SIERRA BORDER PIPELINE CROSSING

Toole County, Montana
Warner County, Alberta

WELLHEAD GAS PURCHASE CONTRACT

MCW TRANSMISSION, L.P.

BUYER

AND

Sierra Production Company

P.O. Box 716

Shelby, Montana 59474

SELLERS

GAS PURCHASE CONTRACT

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GAS PURCHASE CONTRACT

THIS CONTRACT, agreed to by the parties hereto to be effective the 1st day of

 May , 2001, is by and between:

Sierra Production Company

(hereinafter collectively called "Seller")

and

MCW Transmission, L.P.
P. O. Box 603
Shelby, Montana 59474

(hereinafter called "Buyer").

WITNESSETH:

WHEREAS, Seller owns or otherwise controls the right to produce natural gas from certain lands located in the State of Montana, on which Seller has developed gas production; and

WHEREAS, Buyer is willing to buy gas which may be produced by Seller; and

WHEREAS, Seller has available commercial quantities of gas which Seller is willing to sell to Buyer; and

WHEREAS, the parties hereto are desirous of entering into a contract providing for the sale by Seller and purchase by Buyer of volumes of gas developed by Seller;

NOW, THEREFORE, in consideration of the premises and the covenants herein contained, Seller agrees to sell and deliver to Buyer and Buyer agrees to purchase and receive from Seller, pursuant to the terms and conditions hereinafter set forth, all of the gas produced by Seller from Seller's lands.

ARTICLE I

Definitions

For the purpose of the Contract, the following words and terms are defined as follows:

1. **"Contract Year"** means a fiscal year beginning in September 1 and ending on August 31 of the next ensuing year. The first "Contract Year" is deemed to commence on the effective date hereof and extending through the following August 31.

2. The anniversary date of this Contract is deemed to be September 1 in each Contract Year.
3. "**Day**" means a period of twenty-four (24) consecutive hours beginning and ending at 8:00 a.m., Mountain Time. The reference date for any day shall be the calendar date upon which said 24-hour period shall commence.
4. "**Month**" means the period of time beginning at 8:00 a.m., Mountain Time on the first day of the next calendar month.
5. "**Seller's Lands**" means the lands described in Schedule "A" attached to this Contract, and includes all geologic zones and horizons underlying the lands unless otherwise limited on Schedule "A".
6. "**Lease**" means any right of Seller to drill for, produce, and dispose of gas in, under, and from Seller's lands, and includes any document evidencing such right now or hereafter acquired.
7. "**Gas**" means either natural gas obtained from the wells or the residue remaining after the natural gas has been treated by Seller for the removal of any of its constituent parts other than methane and the removal of methane to such extent as is necessary in removing other constituents, as the context may require, but not including casinghead gas.
8. "**Casinghead Gas**" means gas, which has its rate of production, controlled by the amount of oil simultaneously produced therewith.
9. "**Recoverable Gas Reserves**" means the quantity of gas which is determined to be economically recoverable and deliverable during the initial term of this Contract from each Gas Production Unit and available for delivery as of the

date of initial delivery hereunder after processing, if any, to satisfy the quality specifications hereof, less the quantities of gas reserved by the Seller hereunder. Such reserves shall be computed by accepted reservoir engineering and geological procedures, and shall consist of only those reserves owned or controlled by Seller and underlying or attributable to Seller's lands listed on Schedule "A".

10. "**Reservoir**" means stratigraphic trap, or pool, from which gas is produced, and one (1) or more "reservoirs" may be produced by means of a single well.
11. "**Gas Production Unit**" means one governmental section (640 acres, more or less), unless otherwise agreed between the parties or established by the Montana Board of Oil and Gas Conservation. As to the units on which there are wells completed in more than one producing formation, each such formation shall be considered as a separate Gas Production Unit.
12. "**Cubic Foot of Gas**" is the unit of volume for purposes of measurement hereunder, except for gross heating value, and means one cubic foot of gas at 60 degrees F. and at a pressure of 14.73 pounds per square inch absolute. For purposes of measurement, the atmospheric pressure shall be assumed to remain constant at 13.0 pounds per square inch absolute.
13. "**MCF**" means one thousand (1,000) cubic feet.
14. "**BTU**" means British Thermal Units and MMBTU means one million British Thermal Units.
15. "**Gross Heating Value**" means the total calorific value expressed in BTU's obtained by the complete combustion at constant pressure on the amount of

gas which would occupy a volume of one cubic foot at a temperature of 60 degrees F. and under standard gravitational force (980.655 cm. Per sec., per sec.) with air of the same temperature and pressure as the gas, when the products of combustion are cooled to the initial temperature of gas and air and when the water formed by combustion is condensed to the liquid state.

ARTICLE II

Commitment of Gas Reserves

Seller hereby commits to the performance of this Contract all of the gas and casinghead gas produced from Seller's lands described on Schedule "A".

ARTICLE III

Buyer's and Seller's Obligation

Section 1.

Gas to be Purchased and Sold. Subject to the provisions of this Agreement, during the term hereof, Seller shall sell and deliver to Buyer, and Buyer shall purchase and receive from Seller at the delivery points, natural gas produced from wells on Seller's lands which are connected to Buyer's gas gathering system.

Section 2.

(a) Seller's Obligation to Deliver. Subject to the provisions of subsection (b) of this Section 2, Seller shall deliver to Buyer gas from the well or wells now located, and the well or wells hereafter drilled on Seller's lands, and which are connected to Buyer's gas gathering system as provided in Article VI hereof.

(b) Limitation on Seller's Obligations.

(i) Rate of Delivery. Seller shall not be obligated to deliver gas hereunder from any well at a rate which in the opinion of the Seller, acting as a reasonably prudent operator, would be injurious to such well or to the reservoir or reservoirs from which such well is produced.

(ii) Reservation of Gas by Seller. Seller reserves the following rights:

(1) the right at Seller's option to use such quantities of gas produced from any one or more of the said wells as the Seller may need or require to fulfill the obligations of the Seller under the terms of

its lease or other document under which it derives title to its gas rights;

- (2) the right at Seller's option to such quantities of gas produced from any one or more of said wells as Seller may need or require for development and operation of Seller's lands;
- (3) the right at Seller's option to process gas produced from any one or more of said wells for the removal of any component other than methane prior to delivery of such gas to the Buyer, which components so removed shall belong to the Seller; provided, however, that the gas which is delivered to Buyer after such processing shall meet the quality requirements of Article VI hereof.

- (c) **Seller's Obligation to Maintain Wells.** Except for equipment which Buyer is to maintain hereunder, Seller shall use diligence in maintaining said wells and the appliances and machinery appurtenant thereto in good and efficient working order at all times and in such manner that each of said wells will at all times be able to produce the maximum amount of gas for delivery to Buyer. The obligations of Seller hereunder are subject to the ability of Seller's wells to produce without waste and in accordance with prudent oil and gas field practices. Seller reserves the right, subject to this Agreement, to control the Seller's lands and leaseholds and the operations thereon in the production of gas to be sold to Buyer; such reserved rights include, but are not limited to, the right to determine when, where or whether to drill new

wells, to repair and rework old wells, and to abandon any well or surrender any lease when no longer deemed by Seller to be capable of producing gas in paying quantities under normal methods of operations. Seller shall be, at no expense to Buyer, responsible for the installation and operation of all wells, equipment and piping to the point of delivery.

- (d) **Buyer's Obligation to Maintain Surface Facilities.** Buyer shall use diligence in maintaining and operating all facilities installed by it from the point of delivery.

Section 3.

Buyer's Obligation to Purchase. Buyer is currently purchasing gas under this Contract for resale to MCW Transmission, L.P. Therefore, the total quantity of gas which Buyer will be able to purchase from Seller's wells will be dependent upon, subject to, and limited by the total amount of gas MCW Transmission, Ltd. Will accept from Buyer, both as to volumes and time of taking. Buyer agrees to consult with Seller at all times respecting the volume of gas to be taken from each of Seller's wells and the time of such taking, so that Seller may, consistent with pressure requirements, Recoverable Gas Reserves, and delivery capacities, assure a ratable take from each of Seller's wells. Seller agrees to cooperate with Buyer in the delivery of gas from Seller's wells to maximize Buyer's effective gas deliveries to MCW Transmission, L.P.

Section 4.

Buyer's Obligation to Purchase Ratably. It is the intent that Buyer shall purchase gas from Seller ratably with gas purchased by Buyer from all other sellers with whom Buyer has gas purchase contract arrangements. To determine the amount of gas to

be purchased by Buyer from Seller, the ability of Seller's wells to produce shall be determined in relation to the ability of all other sellers' wells to produce. Such determination shall be made at a time during which all wells connected to Buyer's gas gathering system are producing at full capacity. If Buyer does not purchase a ratable share of gas from Seller hereunder, as determined above, over a one year period, or if Buyer does not purchase two-thirds (2/3) of the total gas which Seller's wells are capable of producing as shown during said testing period, whichever is lesser, the Seller, at its sole option, upon ninety (90) days notice to Buyer, may terminate this Contract as to any or all of the wells connected hereunder. In such event, Buyer shall have no liability whatsoever to Seller for any alleged failure to ratably purchase gas, it being agreed that Seller's sole recourse shall be to terminate this Contract.

ARTICLE IV

Delivery Pressure, Delivery Point

And Connection Requirements

Section 1.

Well Information. Upon completion of a well not now located on Seller's lands, or presently connected to Buyer's gathering system (hereinafter referred to as "new well"), Seller shall, as soon as reasonably possible, furnish Buyer with all data in Seller's possession to assist Buyer to make a valid study to determine the connectibility of said well. If such new well completed on Seller's lands does not meet the connection requirements contained in this Article IV, Buyer shall, at the request of Seller, but not more often than at six (6) month intervals, make additional studies to determine whether the well has become connectible.

Section 2.

Delivery Pressure. Delivery of gas hereunder from each of the Seller's wells shall be made at a pressure that is sufficient to effect delivery of gas into Buyer's gathering lines against the operating pressure then prevailing therein. For the purpose of deliverability testing for establishing connectibility, Buyer shall not be obligated to reduce gathering system pressures below the then existing operating pressure. Maintenance by Seller of sufficient pressure to enter Buyer's gathering system against the operating pressure from time to time existing therein shall be a continuing condition of Buyer's purchasing and receiving gas from each of Seller's wells.

Buyer agrees that the operating pressure from time to time existing in its gathering system to which Seller's wells are or may be connected shall not exceed 75 Psig at the Wells.

Seller shall have the right, but not the obligation, to install and operate compression facilities either at the wellhead or at a mutually agreeable point or points on Buyer's gathering system. If Seller installs compression facilities, the pressure at which it delivers gas to Buyer's gathering system shall be limited to that which will not override the line pressure existing in Buyer's gathering system from time to time. If either party installs compression facilities, then such party agrees to provide sufficient pulsation dampening equipment so that the measurement at the point of delivery will not be affected by pulsation.

Section 3.

Delivery Points. Delivery of natural gas hereunder from each of Seller's wells shall be at the point of connection of Buyer's gathering line with either (1) Seller's sidegate valve installed on the wellhead of Seller's wells; or (2) Seller's separator outlet if a separator outlet is installed; or (3) Seller's compressor outlet valve if Seller elects to compress the gas at the wellhead prior to delivery to Buyer; or (4) at a mutually agreeable tap on Buyer's gathering system should Seller elect to process the gas at a location other than at a plant located on Buyer's gathering system before delivery to Buyer.

Section 4.

Connection Requirements.

- (a) **Wells in New Reservoirs.** Buyer will construct gathering lines and connect only those new wells which have Recoverable Gas Reserves committed to Buyer in the ratio of at least one hundred million (100,000,000) cubic feet or the aliquot portion thereof for each mile or fraction thereof of gathering line

necessary to connect Seller's new well to the closest point on Buyer's existing gas gathering system.

If a new well completed on Seller's land in a new reservoir, not Currently or previously produced, does not meet the connection requirement contained in this Article IV, Buyer may, at its sole election, either connect said well, or, Buyer shall, upon request by Seller, release the well and the gas reserves attributable thereto (but only as to the formation in which such well is then completed) from the terms and provisions of the Contract, or Seller may elect to deliver gas to Buyer under the provisions of Section 4 (d) on of this Article IV.

(b) **Wells in Reservoirs Where Gas is Being Produced Under a Contract**

Between Buyer and Another Seller. If Seller shall drill a new well into a reservoir from which gas is being produced under a contract between Buyer and another Seller, Buyer shall be obligated to connect such well to its gathering system only if such well has both (1) the capability to produce under stabilized pressure-volume conditions as demonstrated by pressure stabilization at the end of a test period of 48 hours duration at a daily average rate equal to sixty (60) MCF or aliquot portion thereof for each mile or aliquot portion thereof of gathering line necessary to connect such well to the closest point on Buyer's existing gathering system against the delivery pressures described in Section 2 above, and (2) Recoverable Gas Reserves committed to Buyer in the ratio of at least one hundred million (100,000,000)

cubic feet or the aliquot portion thereof for each mile or fraction thereof of gathering line necessary to connect such well to the closest point on Buyer's existing gas gathering system serving such reservoirs.

- (c) **Wells in Reservoirs Where Gas is Being Produced by Seller.** If Seller shall drill a new well into a reservoir from which gas is being produced under a contract between Buyer and Seller, Buyer shall connect such well to its gathering system only if (1) such well has the capability to produce under stabilized pressure-volume conditions as demonstrated by pressure stabilization at the end of a test period of 48 hours duration at a daily average rate equal to sixty (60) MCF or aliquot portion thereof for each mile or connect such well to the closest point on Buyer's existing gathering system against the delivery pressures described in Section 2 above, and (2) Recoverable Gas Reserves committed to Buyer are in the ratio of at least one hundred million (100,000,000) cubic feet or the aliquot portion thereof for each mile or fraction thereof of gathering line necessary to connect such well to the closest point on Buyer's existing gas gathering system serving such reservoirs.

- (d) **Wells Which do Not Meet the Connection Requirements.** If a new well Does not meet the connection requirements and Buyer elects to construct gathering lines and connect a well, Buyer nevertheless shall, upon Seller's request, accept gas from any such well if Seller shall acquire and assign without charge to Buyer, a measuring station site on Buyer's existing system at a mutually agreeable point, together with all necessary rights of ingress and

egress thereto, and shall bear the cost of installing and operation all facilities necessary to deliver the gas from such well into Buyer's system against the delivery pressures described in Section 2 above at said mutually agreeable point.

In the event any new well does not quality for connection, and Buyer elects not to construct gathering lines and connect such well and Seller shall decline to construct such facilities, the Buyer, upon written request of Seller, shall release from this Contract, Seller's lands attributable to such well, but only as to the formation in which such well is then completed.

In the event that Buyer and Seller are not in agreement on connection qualifications of a new well and Seller elects to install all of the facilities necessary to connect such non-qualifying well to Buyer's gathering system and, at a later date, additional information indicates that such well should have qualified for connection, Buyer will, at such time, purchase such facilities so installed by Seller at Seller's initial cost, plus a reasonable rate of return on funds invested by Seller, provided such facilities were installed in accordance with specifications furnished by Buyer.

- (e) **Testing Procedures.** In testing for pressure stabilization, it is agreed that The engineering and technical staffs of both parties shall consult to determine the proper testing procedure and methods.
- (f) **Additional Wells.** If at any time more than one well shall be allowed to Produce from the same horizon or formation on any existing spacing unit, then any and all wells producing from the same formation or horizon in a

spacing unit shall be considered together and the flow rates and reserves totaled in determining whether the connectivity requirements of this Section have been met. If the total flow rates and reserves of all such wells producing from the same horizons or formations within said spacing unit shall meet the connectivity requirement, then all such wells shall be deemed connectible and shall be connected at Buyer's expense, said connections to be accomplished within a reasonable time after connectivity has been

determined hereunder, subject, however, to the other provisions of this Contract.

Section 5.

- **Drainage.** If, in Seller's judgement, over a reasonable period of time, a party other than Seller takes gas from the same reservoir as occurs under Seller's lands at a rate which makes imminent the drainage of gas from Seller's lands, Seller may notify Buyer in writing of the existence of such situation. Upon such notice, Buyer shall, to the extent reasonably possible, increase its take from Seller from such reservoir by a volume sufficient to protect Seller from such drainage. Buyer agrees to use its best efforts to take gas ratably from all wells within the same reservoir to prevent drainage, subject to the production capability of each well.

In the event Buyer is not, within six (6) months after receipt of said notice, purchasing sufficient volumes of gas, which volumes are available for delivery, to protect Seller from said drainage, Seller shall have the additional right, upon written request, to have released from this Contract a well or wells, and the acreage attributable thereto,

which well or wells are completed in the same reservoir subject to such drainage and capable of producing a volume of gas which, if disposed of by the Seller, in addition to the volume of gas to be purchased or paid for by Buyer from such acreage, would prevent drainage from Seller's acreage.

Section 6.

Connection of Subsequent Wells. Buyer agrees to connect any new well drilled by Seller subsequent to the date of this Contract within three (3) months after determination that said well meets the connectibility requirements of this Article IV, subject, however, to reasonable delays occasioned by inclement weather, rights-of-way acquisition problems or other conditions beyond Buyer's control.

ARTICLE V

Determination of Gas Reserves

From time to time as new discoveries of gas are made, Seller will provide Buyer with the basic geological, engineering, production and other data within Seller's possession to assist Buyer in making a determination of gas reserves and connectibility of each new well.

Section 1.

Recoverable Gas Reserve Determination. As soon as possible prior to the expected initial delivery of gas from any new well hereunder, Buyer shall furnish Seller an estimate of Recoverable Gas Reserves for that well.

Within fifteen (15) days after Buyer's furnishing its estimate of the Recoverable Gas-Reserves, Seller shall advise Buyer whether Buyer's estimate is acceptable. If Buyer's estimate of such Recoverable Gas Reserves is not acceptable to Seller, and Seller and Buyer are unable to negotiate an agreeable settlement, then the matter shall be determined by arbitration as provided in this Article V.

Section 2.

Arbitration of Reserves. If Seller and Buyer are unable to agree upon the Recoverable Gas Reserves and such disagreement cannot be resolved by negotiation within sixty (60) days after Buyer has submitted its determination of Recoverable Gas Reserves, then the determination of such reserves will, at the request of either party, be submitted to arbitration as herein-after set forth.

Upon written demand of either party, the parties shall meet and attempt to appoint a single arbitrator. If the parties fail to name an arbitrator within ten (10) days from such

demand, then the arbitrator shall be appointed by the American Arbitration Association.

The arbitrator selected to act hereunder shall be qualified by education, training, and experience to determine gas reserves. The decision of the arbitrator shall be made within thirty (30) days after his appointment, subject to any reasonable delay due to unforeseen circumstances. Notwithstanding the foregoing, in the event the arbitrator fails to make a decision within sixty (60) days after his appointment, then either party may elect to have a new arbitrator selected. If such election is made, the decision of the previous arbitrator shall be null and void.

The decision of the arbitrator shall be in writing and signed by the arbitrator and shall be final and binding upon the parties hereto as to Recoverable Gas Reserves hereunder.

The compensation and expenses of the arbitrator shall be paid in equal proportions by Buyer and Seller.

ARTICLE VI

Quality of Gas

Section 1.

Seller agrees that the gas delivered hereunder shall be merchantable natural gas, at all times complying with the following quality requirements:

- (a) The gas shall be in its natural state as produced, including all hydrocarbon constituents therein contained, except gas from which Seller has removed liquid hydrocarbons under the provisions of Article III, Section 3 (b) (ii) (3) hereof. Seller shall also have the right to remove non-hydrocarbon constituents and hydrocarbons as required to remove other constituents. Seller may enrich the gas to the extent required to meet the gross heating requirement set forth in Paragraph (b) below, and may subject the gas, or permit the gas to be subjected to compression, cooling, cleaning and other processes.
- (b) The weighted average gross heating value of gas delivered to Buyer hereunder shall not be less than nine hundred (900) British Thermal Units per cubic foot, and shall not be more than one thousand two hundred (1200) British Thermal Units per cubic foot. Buyer may reject delivery of gas having a weighted average gross heating value of less than nine hundred (900) British Thermal Units or more than one thousand two hundred (1200) British Thermal Units.
- (c) The gas shall be commercially free from sand, dust, gums, liquid water, crude oil, impurities and other objectionable substances and shall have been

dehydrated by Seller for removal of water present therein in a vapor state, and in no event contain more than seven (7) pounds of water vapor per one million (1,000,000) cubic feet of gas, and shall be free from hydrocarbons liquefiable at temperatures in excess of fifteen degrees Fahrenheit at pressures up to 800 psig.

- (d) The gas shall not contain more than one-quarter ($1/4$) grains of hydrogen sulfide per one hundred (100) cubic feet of gas.
- (e) The gas shall not contain in excess of two percent (2%) by volume of carbon dioxide.
- (f) The temperature of the gas at the delivery point or delivery points shall not be in excess of one hundred twenty degrees Fahrenheit.

Buyer retains the right to monitor gas delivered by Seller to determine that such gas complies with the foregoing quality requirements. If at any time said gas so delivered by Seller does not comply with said requirements, Buyer shall have the right to terminate all gas takes immediately upon discovery of such noncompliance.

ARTICLE VII

Measurement and Tests

Section 1.

Unit of Volume. The unit of volume of all gas hereunder shall be one (1) cubic foot of gas.

Section 2.

Sales Unit. The sales unit of the gas delivered hereunder shall be one million (1,000,000) British Thermal Units.

Section 3.

Ownership of Measuring Equipment. All measuring devices and materials required in this Article shall be installed, maintained, and operated, or furnished by Buyer at Buyer's expense. Seller may install and operate check-measuring equipment provided it does not interfere with the uses of Buyer's equipment in determining the volumes of gas delivered by Seller to buyer at the points of delivery.

Section 4.

Metering and Computation of Volume. The gas shall be metered by gas recording meters or other measurement facilities constructed, installed and maintained by Buyer at or near the point or points of delivery. Such measurement facilities of Buyer shall be constructed and installed in accordance with the applicable provisions of the American Gas Association's "Gas Measurement Committee Report No. 3, as revised March, 1978 and reprinted June, 1979". The volumes of gas delivered to Buyer shall be computed from the meter records and converted into the units of measurement specified herein in accordance with the methods prescribed in Gas Measurement Committee

Report No. 3 of the American Gas Association, including the appendix thereto, as revised March, 1978, and reprinted June, 1979, or any subsequent revision thereof acceptable to Buyer and Seller. Corrections shall be made for deviation from the Ideal Gas Laws at the pressure and temperature at which the gas is metered. To determine the factors for such correction a quantitative analysis of the gas shall be made at reasonable intervals with such apparatus as shall be agreed upon by Buyer and Seller, and such factors shall be obtained from data contained in Report NX-19, as published by the American Gas Association in December, 1972, or any subsequent revision thereof acceptable to Buyer and Seller.

For the purpose of measurement and meter calibration, the atmospheric pressure shall be assumed to be 13.0 pounds per square inch, irrespective of variations in natural atmospheric pressure from time to time.

Section 5.

Specific Gravity. The specific gravity of the gas flowing through the well meter, or meters, shall be determined by Buyer, or, at Seller's election, by joint tests, at intervals of approximately twelve (12) months as may be practicable under the circumstances. All such determinations of specific gravity shall be made by a standard gravity balance or by a gravimeter employing the "Momentum Method" of specific gravity determinations as described in Chapter VII, "Determinations of Specific Gravity", of the American Gas Association Gas Measurement Manual, 1963 edition. The specific gravity of the gas flowing through each meter determined by either of the above mentioned methods shall be used in computing the volume of gas delivered through such meter.

The specific gravity determined by any test shall apply from the date the test was taken until the date of the next test.

Section 6.

Equipment Testing. The accuracy of Buyer's measuring equipment shall be verified by test, using means and methods generally acceptable in the gas industry, at least annually or otherwise as agreed to by Buyer and Seller. Notice of the time and nature of each test shall be given by Buyer to Seller sufficiently in advance to permit convenient arrangement for Seller's representative to be present. Seller shall have the right to witness and verify all test of Buyer's measuring equipment. Measuring equipment found to be registering inaccurately shall be adjusted to read as accurately as possible. If, after notice, Seller fails to have a representative present, the results of the test shall nevertheless be considered accurate until the next test. All tests of such measuring equipment shall be made at Buyer's expense, except that Seller shall bear the expense of tests made at its request if the inaccuracy is found to produce an error of two percent (2%) in the measurement of gas, then the volume of gas delivered during the period such measuring equipment is inoperative or inaccurate, shall be determined by the parties hereto on the basis of the best data available using the first of the following methods which is feasible:

- (a) By using the registration of any check measuring equipment installed and accurately registering;
- (b) By correcting the error if the percentage of error is ascertainable by calibration, test or mathematical calculations; or

(c) By comparing deliveries made during preceding periods under similar delivery conditions when the meter was registering accurately.

An adjustment based on such determination shall be made for such period of inaccuracy as may be definitely known, or if not known, then for one-half the period since the date of the last meter test. In no event, however, shall any adjustment extend back beyond six (6) months from the date the error was first made known by one party hereunder to the other.

Section 9.

Inspection of Equipment. Buyer and Seller shall have the right to inspect equipment installed or furnished by the other party, and the charts and other measurement or test data of the other party, at all times during business hours; but the reading, calibration, and adjustment of such equipment and changing of charts shall be done only by the party installing and furnishing the same. Unless the parties otherwise agree, each party shall preserve all original test data, charts, and other similar records in such party's possession for a period of at least five (5) years.

Section 10.

Gross Heating Value. The heating value per cubic foot of gas shall be determined from time to time by the Buyer at the Buyer's expense, using an accurately calibrated Cutler-Hammer calorimeter, from samples of the gas taken at the delivery point or points. The Seller shall have the right to witness any and all tests of gross heating value made by Buyer. Seller shall have the right at any time to make or to require Buyer to make a special test of the gross heating value of gas delivered hereunder, but Seller shall bear the expense of any special tests made at its request. Tests of gross

heating value of gas delivered hereunder shall be made by Buyer after giving Seller ten (10) days written notice thereof.

Section 11.

Data to be Provided to the Seller. Buyer shall provide Seller with all information, data, test results, reservoir information, etc., immediately upon receipt of same by Buyer, to the end that at all times Seller shall have all information relative to its wells that is available to Buyer.

ARTICLE VIII

Price and Payment

Section 1.

Calculation of Price. Subject to all other provisions of this Article VIII, the price to be paid by Buyer to Seller for gas delivered to Buyer at the delivery point from each well for the entire term of this Contract shall be based upon the price that MCW Transmission, L.P. receives for its gas computed as follows:

Section 2.

Price Adjustments. The price provided in Section 1 above shall be subject to adjustment based upon changes in the MCW Transmission, L.P. delivered gas contract with Montana Power Company or other purchasers.

- ~ (a) If the MCW Transmission, L.P. resale price is two and 10/100 Dollars U.S. (\$2.10) per MMBTU or less, then the wellhead price will be the MCW Transmission, L.P. resale price less eighty five cents U.S. (\$.85)
- (b) If the MCW Transmission, L.P. resale price is greater than two and 10/100 Dollars U.S. (\$2.10) per MMBTU, then the wellhead price will be one and 35/100 Dollars (\$2.10-\$0.85) plus seventy five percent (75%) of the MCW Transmission, L.P. resale price that exceeds two and 10/100 (\$2.10) Dollars U.S. (\$2.10) per MMBTU.

Section 3.

On or before the twenty-fifth (25th) day of each calendar month after deliveries of gas are commenced hereunder, Buyer shall render to Seller a statement showing the amount of gas delivered during the preceding calendar month, together with sufficient

information to explain and support any adjustment by Buyer with respect to the value of gas delivered in determining the amount stated to be due. Payment shall be made by Buyer to Seller within ten (10) days following receipt by Buyer from its resale purchaser of the proceeds attributable to that gas.

Section 4.

Seller shall have, upon request with three (3) months after receipt of the statement referred to in Section 3 of this Article VIII, the right to examine the meter charts and computations upon which such statements are based. If the Seller deems such charts or computations to be inaccurate, Seller may protest the statement within two (2) months of the examination of meter charts and computations thereof, and may request a check to be made of the meter installed pursuant to Article VII hereof. Any statement not protested within two (2) months of the examination of meter charts and computations thereof shall be deemed to be correct. Buyer shall make current meter charts available to Seller for examination upon request. Any protest by Seller shall not result in interruption of payments by Buyer to Seller for gas purchased during the protest period.

ARTICLE IX

Seller's Leases and Wells

Section 1.

Leases. Seller represents that it is the owner of valid oil and gas leases or other documents of title covering some of the land described in Schedule "A" and agrees to maintain all of such leases in full force and effect, at its own expense; provided that Seller shall not be required to retain by payment of delay rental any acreage which, in Seller's judgment, will not be productive of gas in commercial quantities.

Section 2.

Wells. The gas wells connected under this Contract shall be equipped and maintained in good operating condition, in accordance with approved practices, without cost to Buyer. In the event liquids exist, requiring separation from the gas, then Seller agrees to install, operate and maintain, without cost to Buyer, such liquid removal equipment operated at normal temperatures, as may be necessary to separate such liquids from the gas.

Section 3.

Notice to Buyer. Seller will advise Buyer, at the earliest date possible after the connectibility of any new well has been finally determined, its best estimate of the initial delivery date.

ARTICLE X

Title to Gas

To the extent of its interest, Seller warrants title to all gas delivered to Buyer produced from production units containing acreage committed by Seller hereunder, and that Seller has authority to sell the same, and Seller agrees to indemnify and save Buyer harmless from any and all suits, claims, and liens of whatsoever nature relating to such gas or the title thereto. If the title thereto shall at any time be involved in litigation, Buyer shall have the right to withhold, without interest, the proceeds payable for the gas produced from the particular property in litigation, to the extent of the interest involved, during the period of such litigation or until Seller shall furnish a bond, in form and with sureties acceptable to Buyer, conditioned to save Buyer harmless.

If there is a defect in Seller's title, Seller shall, with reasonable promptness, attempt to remedy such defect. Until the defect to such title shall have been remedied, Buyer shall have or withhold, without interest, the proceeds otherwise payable to Seller hereunder.

Seller agrees, upon the reasonable request of Buyer, to furnish for examination all abstracts of title which Seller has or may have covering acreage committed hereunder, authentic copies of Seller's leases, delay rental receipts covering such acreage, and any other title information pertaining to such acreage which Seller may have.

Title to the gas delivered hereunder shall pass to the Buyer at the Delivery Point.

ARTICLE XI

Force Majeure

If either party to this Contract shall fail to perform an obligation hereby imposed upon it and such failure shall be caused, or materially contributed to by acts of God, strikes, lockouts, or other industrial disturbances in the operation of Seller or Buyer or Buyer's customers, acts of enemies of the state, sabotage, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, floods, storms, fires, washouts, arrests and restraints of rulers and people, civil disturbances, explosions, breakage of or accident to machinery or lines of pipe, hydrate obstructions to lines of pipe, temporary failure of gas supply, freezing of wells or delivery facilities, well blowouts, cratering, inability to obtain pipe, materials or equipment, the order of any court or governmental authority, or by an act or omission which is occasioned by any event or occurrence of the character described in this Article XI as constituting Force Majeure, or by the necessity for making repairs to so recondition wells, a gas processing plant, machinery, equipment, or pipe lines, not resulting from the fault or negligence of such party, or by any other cause, whether of the kind herein enumerated or otherwise, all such causes being beyond the control of the party invoking this Article and being such that by the exercise of due diligence such party could not have prevented, such failure shall not give rise to any cause of action based on breach of the obligation to such party hereunder, but such party shall use reasonable diligence to put itself again in a position to carry out its obligations hereunder. Nothing contained herein shall be construed to require either party to settle a strike or lockout by acceding against its judgement to the demands of opposing parties.

No such cause affecting the performance of this Contract by either party shall continue to avoid a cause of action after expiration of a reasonable period of time within which, by the use of due diligence, such party could have remedied the situation preventing its performance, nor shall any such cause relive either party from its obligation to make payment of amounts then due hereunder for gas already delivered nor shall any such cause in writing to the other party with reasonable promptness; and like notice shall be given upon termination of such cause.

For purposes of determining the occurrence of performance of obligations under this Agreement, it is mutually agreed that, during a period of Force Majeure, the party affected shall be deemed to have performed all of its obligations as if it had delivered or purchased the gas required to be delivered or purchased during said period.

ARTICLE XII

Term

This Contract shall become effective on the Effective Date hereof and shall continue in effect for a period of five (5) Contract Years and thereafter from year to year until cancelled by written notice from one party to the other, at least ninety (90) days prior to the next ensuing anniversary date, provided, however, that in the event Buyer's contract for resale of gas should terminate at any time during the term of this Contract, then buyer shall have the option to terminate this Contract simultaneously. In the event this Contract is terminated pursuant to this Article XII, then Buyer shall have the right to meet any bona fide offer made to Seller by a third party to purchase gas covered hereby.

ARTICLE XIII

Miscellaneous

Section 1.

Notices: Notices to Buyer shall be addressed to:

MCW Transmission, L.P.

P.O. Box 603

Shelby, MT 59474

Notices to Seller shall be addressed to each individual party Seller, at the current addresses from time to time provided by each party Seller to Buyer.

Any party may change its address under this Section at any time upon written notice.

Section 2.

Regulatory Jurisdiction. This Contract is entered into by the parties hereto with the understanding that the terms and provisions hereof and the gas to be delivered by Seller and received by Buyer hereunder are subject to all valid legislation and to all valid present and future orders, rules and regulations of regulatory or legislative bodies now or hereafter having jurisdiction over the parties.

Section 3.

Assignment. This Contract shall bind and inure to the benefit of the parties hereto, their successors and assigns, and shall constitute a covenant running with the land and leasehold estates covered hereby. Buyer shall not be considered as notified of any transfer by Seller of any interest in the leases, wells, or property referred to on Schedule "A" hereof until Buyer shall have been furnished with the original or certified copy of

such conveyance or transfer evidencing such transfer or an abstract of title to said property showing such transfer of interest, and the effective date of such transfer shall be considered to be the first day of the month following the day Buyer receives such evidence of transfer.

Section 4.

Easements. Seller hereby grants and assigns to Buyer all requisite easements and rights-of-way over, across, and under any of the land covered hereby that Seller has the right so to do under the terms of its oil and gas leases covering such lands, and the right to perform thereon any acts necessary or convenient in carrying out the terms of this Contract and Buyer's obligations hereunder. Buyer shall indemnify Seller against all expenses and liabilities incurred by Seller as a result of Buyer's use of the easements and rights-of-way granted hereunder.

Section 5.

Titles. The numbering and titling of particular provisions of this Contract is for the purpose of facilitating administration and shall not be construed as having any substantive effect on the terms of this Contract.

Section 6.

Interpretation. The terms of this Contract shall be construed according to the laws of the State of Montana.

Section 7.

Effective Date. The effective date of this Contract is the day and year first above written.

Severability. The various articles, sections, provisions and clauses of this Contract are severable. The invalidity of any portion hereof shall not affect the validity of any portion hereof shall not affect the validity of any other portion of nor the entire Contract.

Section 9.

Time. Time is of the essence in this Agreement.

Section 10.

Payment. All payments for gas taken shall be made directly to Seller. Seller shall thereafter make appropriate distribution of funds to all persons entitled thereto, including royalty owners.

Section 11.

Confidentiality. Each of the parties hereto agrees to respect the confidentiality of all information obtained from the other pursuant to this Contract.

Section 12.

Counterparts. This Contract may be executed in any number of counterparts, all of which shall be construed together as constituting one Contract.

IN WITNESS WHEREOF, the parties hereto have executed this Contract to be effective as of the day and year first above written.

ATTEST:

[Signature]

BUYER:

MCW TRANSMISSION, L.P.

By: *[Signature]*

SELLER:

Sierra Production Company

By: *[Signature]*

By: _____

SCHEDULE "A"

Attached to and made a part of Wellhead Gas Purchase Contract dated
effective MCW Transmission, L.P. – Buyer and _____
Sierra Production Company

An undivided 8/8 of an 8/8 working interest in and to the following
described land in Toole County, Montana, (USA) to wit:

Township 37 North Range 2 East
Warner County, Alberta, Canada
L.S. 12 Sec 5 Twp 1 Rge 11 W4M

Well names: Sierra Butterwick Knappen 12-5-1-11