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March 14, 2008

BY HAND DELIVERY

Ms. Larine Moore
Docket Room Manager
U.S. Department of Energy
Office of Natural Gas Regulatory Activities
Office of Natural Gas Global Security & Supply
Room 3EO42 (FE-34)
1000 Independence Avenue, SW
Washington, DC 20585

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MAR 14 2008

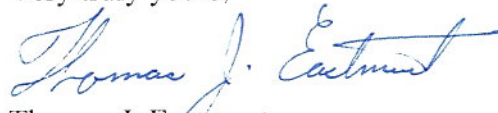
DOE/OFE/NGR

Dear Ms. Moore:

Enclosed for filing on behalf of Repsol Energy North America Corporation, please find an original and five (5) copies of the "Application for Long-Term Authorization to Import Natural Gas from Canada" pursuant to Section 3 of the Natural Gas Act, 15 U.S.C. §717b, and Part 590 of the U.S. Department of Energy's regulations, 10 C.F.R. Part 590 (2007). There is a Public Version as well as a Confidential Version, each having its own set of original and five (5) copies. A check in the amount of \$50.00 is enclosed as the filing fee stipulated by 10 C.F.R. § 590.207 (2007).

I have also enclosed three (3) additional copies of each set of this filing to be date-stamped and returned to our messenger. If you have any questions concerning this filing, please do not hesitate to contact the undersigned at (202) 639-7717.

Very truly yours,



Thomas J. Eastment
Counsel for Repsol Energy North
America Corporation

Enclosures

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

RECEIVED
MAR 14 2008
DOE/OFE/NGR

In the matter of:)
)

Repsol Energy North America Corporation)
_____)

FE Docket No. 08-26-NG

APPLICATION FOR LONG-TERM AUTHORIZATION
TO IMPORT NATURAL GAS FROM CANADA

PUBLIC VERSION

Thomas J. Eastment
Baker Botts L.L.P.
1299 Pennsylvania Avenue, N.W.
Washington, D.C. 20004-2400
(202) 639-7717

March 14, 2008

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

In the matter of:

Repsol Energy North America Corporation

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FE Docket No. 08-____-NG

**APPLICATION FOR LONG-TERM AUTHORIZATION
TO IMPORT NATURAL GAS FROM CANADA
PUBLIC VERSION**

Repsol Energy North America Corporation (“RENA” or “Applicant”), pursuant to Section 3 of the Natural Gas Act, 15 U.S.C. § 717b, and Part 590 of the Regulations of the Department of Energy (“DOE”), Office of Fossil Energy (“FE”),¹ hereby submits this Application requesting Long-Term Authorization to import natural gas from Canada that will be purchased from Repsol Energy Canada Ltd. (“REC”) and transported from the international border with Canada on Maritimes & Northeast Pipeline, L.L.C. (“M&NP”). This matter is not currently under consideration at any other part of the Department of Energy or at any other Federal agency or department.

Applicant requests that the Department of Energy, Office of the Assistant Secretary for Fossil Energy, order the effective date of importation authorization to be November 1, 2008. The requested term of such authorization ends November 1, 2033. In support of its Application, Applicant states the following:

¹ 10 C.F.R. Part 590 (2007). This authorization is delegated to the Assistant Secretary for Fossil Energy pursuant to Redelegation Order No. 00-002.04C (January 30, 2007).

I.
APPLICANT

The exact legal name of the Applicant is Repsol Energy North America Corporation. Applicant is a Delaware corporation and is an indirect wholly owned subsidiary of Repsol YPF, S.A., a company organized under the laws of the Kingdom of Spain whose offices are in The Woodlands, Texas. Applicant and its affiliates are engaged in a variety of natural gas activities in the United States and Canada, including a project to build a liquefied natural gas (“LNG”) receiving, storage and regasification terminal in New Brunswick, Canada, from which regasified LNG will be transported and sold to markets in Canada and the northeastern United States (the “Canaport Project”). As stated in the attached opinion of counsel (Exhibit A), the proposed natural gas importation is within the corporate powers of Applicant.

II.
CORRESPONDENCE

All correspondence and communications regarding this application should be addressed to the following:

*Xochitl M. Perales
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*Thomas J. Eastment

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* Designated to receive service in accordance with Rule 202(a), 10 C.F.R. § 590.202(a), of the Department of Energy rules of practice and procedure applicable to the importation of natural gas.

III.
AUTHORIZATION REQUESTED

Applicant requests that a long-term authorization to import natural gas from Canada be issued for a term of twenty-five (25) years beginning on November 1, 2008. Upon commencement of operation of the Canaport Project, Applicant will actively market and trade the natural gas that originates from this facility in the northeastern United States. As such, Applicant has entered into a Gas Purchase and Sale Agreement (the “GPSA”) with REC, attached hereto as Exhibit B, that sets forth the terms and conditions under which Applicant will purchase natural gas from REC. Pursuant to the GPSA, Applicant has the ability to purchase up to 1,000,000 MMBtu/d of natural gas from REC at the interconnection between Brunswick Pipeline and M&NP located at the international border between the United States and Canada near Calais, Maine. Accordingly, Applicant is requesting authorization to import up to 1 billion standard cubic feet (“Bcf”) of natural gas per day and a total of up to 9,125 Bcf of natural gas during the term of the license. Pursuant to 10 C.F.R. §590.202(e), Applicant requests that certain portions of the GPSA, which portions are redacted from the GPSA in this Public Version of the Application, be afforded confidential treatment in accordance with the standards set forth in 10 C.F.R. §1004.11.² The redacted GPSA has been submitted in Exhibit B.

IV.
BACKGROUND

Applicant and its affiliates are engaged in building the Canaport Project, an LNG

² Applicant’s gas purchase contracts customarily are held in confidence by the parties to the contract, except when disclosure to regulatory authorities is required. *See* 10 C.F.R. § 1004.11(f)(2). Disclosure of the terms and conditions of the GPSA may cause competitive harm to Applicant. *See* 10 C.F.R. § 1004.11(f)(6). The information in the GPSA is not otherwise available from public sources. *See* 10 C.F.R. § 1004.11(f)(4). Thus, Applicant submits that the GPSA attached hereto as Exhibit B qualifies for confidential treatment.

receiving, storage and regasification terminal in New Brunswick, Canada, from which regasified LNG will be transported and sold to markets in Canada and the northeastern United States. The gas that Applicant markets in the United States will be imported through M&NP beginning on or about November 1, 2008. Applicant has a contract in place with M&NP for the firm transportation of 730,000 Dekatherms per day (MMBtu/d) over a term of twenty-five (25) years. Applicant has already received authorization from the Canadian National Energy Board (“NEB”) to import LNG into Canada and to export to the United States up to 1 Bcf per day regasified natural gas and other available natural gas supplies for a two-year period. Applicant has also filed for long-term authorization from the NEB to import LNG into Canada and to export to the United States up to 1 Bcf per day of natural gas for a twenty-five year term. These long-term applications remain pending.

V.

MAJOR PROVISIONS OF THE GPSA

1. Price

As more fully described in Article IV, the price that RENA will pay for gas purchased from REC will be competitive with gas purchased from other sources in the region. The price will be a confidential market index-based price minus the M&NP costs (i.e. the unit charge incurred by RENA to transport natural gas). M&NP costs include all reservation charges, usage fees, surcharges and fuel.

2. Quantity

As described in Article III, REC has an obligation to make available for purchase on a Firm basis at the Delivery Point on each Gas Day, an aggregate volume of gas equal to the Daily Contract Quantity (“DCQ”). The DCQ will be an amount, as designated by REC, up to a maximum of 750,000 MMBtu per Gas Day and an amount, as designated by RENA (and confirmed by REC

within 6 hours of receiving RENA's nomination) up to an additional 250,000 MMBtu per Gas Day. REC must notify RENA 24 hours in advance of the amount it designates and RENA must nominate additional volumes at least 24 hours in advance.

3. Delivery Point

As provided for in Article V, the point of delivery will be a point on the border between the United States and Canada at the interconnection between the Brunswick Pipeline and the M&NP Pipeline.

4. Service

Pursuant to Article III, this sales transaction is firm.

5. Term

According to Article II, the initial term of the GPSA is twenty-five (25) years. There is an extension term of one year immediately following the expiration of the initial term and for additional one-year periods (immediately following the expiration of any prior extension terms). These extension terms can be terminated by either party provided 90 days written notice is given.

6. Take or Pay Obligations

As enumerated in Article III, REC has the obligation to tender an amount of gas, as designated by RENA, up to the DCQ 1,000,000 MMBtu/d. There are no make-up rights.

7. Transportation

As stated in Article VI, REC has the sole responsibility for transporting the gas to the Delivery Point while RENA has the sole responsibility thereafter. RENA has a 25-year term contract to move 750,000 MMBtu/d on the Brunswick Pipeline on a firm basis to the international border between the United States and Canada. In addition, RENA has a 25-year term contract to move 730,000 MMBtu/d (net of fuel) on the M&NP on a firm basis from the international border.

8. Termination

As described in Article VIII, either party may terminate the GPSA without incurring liability by giving 30 days written notice to the other in the event that: i) the Start Date (defined in Article II) has not occurred by January 1, 2010; ii) extended Force Majeure occurs; or iii) RENA and REC cease being Affiliates.

9. Assignment

Article XV, Section C provides that either party may assign the GPSA to a third party if prior written consent of the non-assigning party is obtained. Either party may, without obtaining prior written approval, transfer its interest to any parent company or Affiliate by assignment, merger or otherwise.

10. Modification

As stated in Article XV, parties may only modify the GPSA in writing and it must be executed by both.

VI.
PUBLIC INTEREST

Section 3 of the Natural Gas Act provides that an import of natural gas must be authorized unless there is a finding that it “will not be consistent with the public interest.”³ As amended by Section 201 of the Energy Policy Act of 1992,⁴ the importation and exportation of natural gas from or to “a nation with which there is in effect a free trade agreement requiring national treatment for trade in natural gas [is] deemed to be consistent with the public interest” and authorization for such must be granted without modification or delay.⁵ Because Applicant’s application is for the importation of natural gas from Canada, a nation with which the United States has a free trade agreement, Applicant submits that its application is within the public interest. More specifically,

³ 15 U.S.C. §717b(a)(2007).

⁴ P.L. 102-486, 106 Stat. 2866 (1992); 15 U.S.C. §717b(c)(2007).

⁵ 15 U.S.C. §717b(c)(2007).

the importation of natural gas from the Canaport Project will provide the northeastern United States with a much-needed reliable incremental source of natural gas that will: (1) supplement the depleting natural gas supplies from other sources; (2) mitigate the risk of gas supply curtailments related to storm related events along the Gulf Coast; and (3) optimize the utilization of existing natural gas infrastructure in the northeastern United States.

VII. **REPORTING REQUIREMENTS**

With respect to all imports made pursuant to the authorization requested herein, Applicant will file with the DOE/FE within 30 days following the end of each calendar month, a report indicating whether imports have been made, and if so, including the following information: (1) country of origin; (2) the point(s) of entry; (3) the volume in thousand cubic feet (Mcf); (4) the average purchase price per million British thermal units (MMBtu) at the international border; (5) the name of the supplier(s); (6) the name of the U.S. transporter(s); (7) the estimated or actual duration of the supply agreement(s); (8) the geographic market(s) served (State(s), U.S. Census Region(s), or general U.S. geographic area(s)).⁶

VIII. **ENVIRONMENTAL IMPACT**

No new facilities will be constructed in the United States for this proposed importation of natural gas. To accommodate RENA's long-term firm contract arrangement on M&NP, M&NP obtained a certificate from the Federal Energy Regulatory Commission ("FERC") under the NGA to expand its facilities.⁷ The record on which FERC approved the certificate included a final Environmental Assessment.⁸ Consequently, granting this application will not be a federal action

⁶ See 73 FR 6943, February 6, 2008.

⁷ *Maritimes & Northeast Pipeline, L.L.C.*, 118 FERC ¶ 61,137 (2007).

⁸ *Id.* at P 40.

significantly affecting the quality of the human environment within the meaning of the National Environmental Policy Act, 42 U.S.C. § 4321, et seq. Therefore, an environmental impact statement or environmental assessment is not required.

IX.
CONCLUSION

WHEREFORE, Applicant respectfully requests that the DOE/FE expeditiously consider this application and, pursuant to Section 3 of the NGA and Section 201 of the Energy Policy Act, grant its request for long-term import authorization, effective November 1, 2008. Applicant submits that such authorization is consistent with the public interest and should be granted.

Respectfully submitted,

Repsol Energy North America
Corporation

By:



Thomas J. Eastment
Baker Botts L.L.P.
1299 Pennsylvania Avenue, N.W.
Washington, D.C. 20004-2400
(202) 639-7717

Attorney for
Repsol Energy North America
Corporation

Dated: March 14, 2008

VERIFICATION

City of Washington §
District of Columbia §

Thomas J. Eastment, being duly sworn, deposes and says: that he is an attorney for Repsol Energy North America Corporation, that he is an authorized representative of Repsol Energy North America Corporation, and that he has authority to file the foregoing document pursuant to 10 C.F.R. § 590.103; and that he has examined the statements contained therein and that all such statements are true and correct to the best of his knowledge, information and belief.


Thomas J. Eastment

Subscribed and sworn to before me this 14th day of March, 2008.


Notary Public

Anoucheka Cherisca
Notary Public, District of Columbia

My Commission Expires: My Commission Expires 02/28/2010

LIST OF EXHIBITS

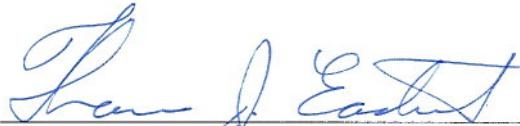
Opinion of Counsel.....A

Gas Purchase and Sale Agreement Between
Repsol Energy North America Corporation
and Repsol Energy Canada Ltd.....B

EXHIBIT A

OPINION OF COUNSEL

I have reviewed the Articles of Incorporation of Repsol Energy North America Corporation, and I hereby provide this legal opinion of counsel that the import of natural gas is within the corporate powers of the applicant company.

A handwritten signature in blue ink, appearing to read "Thomas J. Eastment", is written over a horizontal line.

Thomas J. Eastment
Baker Botts L.L.P.
1299 Pennsylvania Avenue, N.W.
Washington, D.C. 20004-2400

Dated: March 14, 2008

EXHIBIT B
GAS PURCHASE AND SALE AGREEMENT

PUBLIC VERSION

GAS PURCHASE AND SALE AGREEMENT

between

**Repsol Energy Canada Ltd.,
as Seller,**

and

**Repsol Energy North America Corporation,
as Buyer**

Dated: December 21, 2007

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Gas Purchase and Sale Agreement

This Gas Purchase and Sale Agreement ("Agreement"), dated as of this ___ day of December, 2007 ("Effective Date") is made by and between Repsol Energy Canada Ltd., a corporation formed under the Canadian Business Corporations Act ("Seller") and Repsol Energy North America Corporation, a company incorporated under the laws of the state of Delaware ("Buyer"). Buyer or Seller may be referred to herein as "Party" and collectively Buyer and Seller may be referred to as "Parties."

RECITALS

WHEREAS, as one facet of its Gas marketing portfolio, Seller intends to purchase LNG for import into Canada, regasify such LNG and sell such Gas to Buyer at the Delivery Point on Maritimes & Northeast Pipeline, L.L.C. ("M&NE") near Baileyville, Maine, at the border between Canada and the United States;

WHEREAS, affiliates of Seller are developing a LNG receiving, unloading, storage, and regasification terminal near Saint John, New Brunswick, Canada, (the "Canaport™ LNG Terminal") and Seller is a shipper on the Brunswick Pipeline to transport the regasified LNG from the Canaport™ LNG Terminal to the Delivery Point;

WHEREAS, Seller has acquired contractual transportation rights on the Brunswick Pipeline to transport regasified LNG to the Delivery Point;

WHEREAS, Buyer has acquired transportation rights on the "M&NE" pipeline system to receive Gas at the Delivery Point and transport it to markets in the northeastern United States; and

WHEREAS, subject to the fulfillment of certain conditions, Seller desires to sell and deliver Gas to Buyer at the Delivery Point and Buyer desires to purchase and receive such Gas from Seller at the Delivery Point.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the Parties hereto and for the mutual covenants contained herein, Buyer and Seller hereby agree as follows.

ARTICLE I DEFINITIONS AND INTERPRETATION

A. Capitalized terms defined in this Article I shall have the meanings set forth below.

"Affiliate" means a Person (other than a Party) that directly or indirectly controls, is controlled by, or is under common control with a Party to this Agreement, and for such purposes the terms "control", "controlled by" and other derivatives shall mean the direct or indirect ownership of more than fifty percent (50%) of the voting rights in a Person.

"Agreement" has the meaning ascribed to the term in the preamble to this Agreement and includes all Exhibits attached hereto and made a part hereof.

"Bid Week" means the week during which the New York Mercantile Exchange's Henry Hub natural gas futures contract for the immediately following month terminates.

"British thermal unit" or "Btu" means the International BTU, which is also called the Btu (IT).

"Brunswick Pipeline" means the natural gas pipeline being developed in Canada by Emera Brunswick Pipeline Company Ltd. to transport Gas from the Canaport™ LNG Terminal to various points in Canada and to the Delivery Point.

"Business Day" means any day except Saturday, Sunday or U.S. Federal Reserve Bank holidays or days that are statutory holidays under the laws of Canada.

"Buyer" has the meaning ascribed to the term in the preamble to this Agreement.

"Canaport™ LNG Terminal" means the LNG receiving, unloading, storage, and regasification terminal being developed and constructed by Canaport™ LNG Limited Partnership near Saint John, New Brunswick.

"Claims" has the meaning ascribed to the term in Section X.C.

"Contract Price" means the price per MMBtu payable by Buyer hereunder, expressed in US Dollars to the nearest one-hundredth of a cent (that is USD \$XX.XXXX), as determined in accordance with Section IV.A.

"Cover Standard" means that if there is an unexcused failure to take or deliver any quantity of Gas pursuant to this Agreement, then the performing Party shall use commercially reasonable efforts to (i) if Buyer is the performing Party, obtain Gas, or (ii) if Seller is the performing Party, sell Gas, in either case, at a price reasonable for the delivery or receipt area, as applicable, consistent with: the amount of notice provided by the nonperforming Party; the quantities involved; and the anticipated length of failure by the nonperforming Party.

"Credit Rating" means, with respect to an entity, the rating then assigned to such entity's unsecured, senior long-term debt obligations (not supported by third-party credit enhancements) by S&P and Moody's.

"Daily Contract Quantity" or "DCQ" has the meaning ascribed to the term in Section III.B.

"Defaulting Party" has the meaning ascribed to the term in Section XII.A.

"Delivery Point" has the meaning ascribed to the term in Section V.A.

"Early Termination Date" has the meaning ascribed to the term in Section XII.B.

"Effective Date" has the meaning ascribed to the term in the preamble to this Agreement.

"Event of Default" has the meaning ascribed to the term in Section XII.A.

"Excused Party" has the meaning ascribed to the term in Section XI.A.

“Extension Term” has the meaning ascribed to the term in Section II.C.

“FERC” means the Federal Energy Regulatory Commission, or any successor federal regulatory agency.

“FERC Gas Tariff” means the rate schedules, terms and conditions of service and other components comprising a natural gas company’s tariff as required to be on file with FERC and in effect, as it may be modified from time to time.

“Firm” means that neither Party may interrupt its performance without liability, unless such performance is prevented for reasons of Force Majeure; provided, however, that during Force Majeure interruptions, the party invoking Force Majeure may be responsible for any Imbalance Charges as set forth in Section VI.C related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by the Transporter

“Force Majeure” has the meaning ascribed to the term in Article XI.

“Gas” means any mixture of hydrocarbons and noncombustible gases in a gaseous state consisting primarily of methane.

“Gas Day” means a period beginning at 09:00 Central Clock Time and ending at 09:00 Central Clock Time on the following day.

“Gas Quality Standard” has the meaning ascribed to the term in Section VII.A.

“Government Approvals” means all consents, authorizations, licenses, waivers, permits, approvals and other similar documents from or by any federal, regional, state, provincial, or local government, any subdivision, agency, commission or authority thereof (including maritime authorities, port authority or any quasi-governmental agency) having jurisdiction over this Agreement, the transactions contemplated by this Agreement, a Party with respect to this Agreement, or any facilities contemplated under this Agreement and acting within its legal authority.

“Imbalance Charges” mean any fees, penalties, costs or charges (in cash or in kind) assessed by a Transporter for failure to satisfy the Transporter’s balance and/or nomination requirements.

“Initial Term” has the meaning ascribed to the term in Section II.B.

“LNG” means Gas in a liquid state at or below its boiling point at a pressure of approximately one (1) atmosphere.

“LNG SPA” means that certain Ex-Ship LNG Sale and Purchase Agreement by and between Seller and Repsol Comercializadora de Gas, S.A. dated [date] or any other long term LNG sale and purchase agreement entered into by Seller for the supply of LNG into the Canaport™ LNG Terminal.

“M&NE” means Maritimes & Northeast Pipeline, L.L.C.

"MMBtu" means one million (1,000,000) British thermal units, which is equivalent to one dekatherm.

"Net Settlement Amount" has the meaning ascribed to the term in Section XII.C.

"Moody's" means Moody's Investor Services, Inc., or its successor.

"Non-Defaulting Party" has the meaning ascribed to the term in Section XII.A.

"Party" and "Parties" have the meanings ascribed to the terms in the preamble to this Agreement.

"Payment Date" means the later of (a) the 25th day of the month following the month of delivery of Gas; provided Buyer has received the invoice for such month from Seller, and (b) the 10th day following Buyer's receipt of an invoice from Seller.

"Person" means any individual, company, firm, partnership, association or body corporate.

"Price Notification" has the meaning ascribed to that term in Section IX.A.

"S&P" means Standard & Poor's Rating Group (a division of McGraw-Hill, Inc.), or its successor.

"Seller" has the meaning ascribed to the term in the preamble to this Agreement.

"Spot Price" means

"Start Date" has the meaning ascribed to the term in Section II.D.

"Taxes" has the meaning ascribed to the term in Section IV.B.2.

"Term" has the meaning ascribed to the term in Section II.A.

"Transporter" means all Gas pipeline companies acting in the capacity of a transporter, transporting Gas for Seller or Buyer upstream or downstream, respectively, of the Delivery Point.

B. Interpretation

1. Headings. The topical headings used in this Agreement are for convenience only and shall not be construed as having any substantive significance or as indicating

that all of the provisions of this Agreement relating to any topic are to be found in any particular Article or that an Article relates only to the topical heading.

2. Singular and Plural. Reference to the singular includes a reference to the plural and vice versa.
3. Gender. Reference to any gender includes a reference to all other genders.
4. Article. Unless otherwise provided, reference to any Article, Section or Exhibit means an Article, Section or Exhibit of this Agreement.
5. Include. The words "include" and "including" shall mean include or including without limiting the generality of the description preceding such term and are used in an illustrative sense and not a limiting sense.
6. Time Periods. References to "day," "month," "quarter" and "year" shall, unless otherwise stated or defined, mean a day, month, quarter and year of the Gregorian calendar, respectively. For the avoidance of doubt, a "day" shall commence at 24:00 midnight.
7. Currency. References to United States dollars shall be a reference to the lawful currency from time to time of the United States of America.

ARTICLE II TERM

- A. General. Subject to the terms and conditions of this Agreement, the term of this Agreement ("Term") shall consist of the Initial Term and, if applicable, any Extension Term.
- B. Initial Term. The initial term of this Agreement ("Initial Term") shall commence on the Effective Date and shall continue in full force and effect until the expiration of twenty-five (25) years after the Start Date, unless terminated earlier in accordance with this Agreement.
- C. Extension Term(s). This Agreement shall extend for a one (1) year period ("Extension Term") immediately following the expiration of the Initial Term and for additional one-year periods (also referred to as "Extension Term") immediately following the expiration of any prior Extension Term, provided that either Buyer or Seller may terminate this Agreement effective at the expiration of the then-current Term by providing written notice to the other Party at least ninety (90) days prior to the expiration of the then-current Term.
- D. Start Date. The "Start Date" shall be the day on which the latest all of the following items occur.

1. M&NE's Phase IV expansion project (as described, in material terms, in M&NE's certificate application filed in FERC Docket No. CP06-335) is constructed, tested, placed in service and available for firm transportation service.
2. The Brunswick Pipeline (as described, in material terms, in NEB Decision GH-1-2006) and the interconnection between the Brunswick Pipeline and M&NE are constructed, tested, placed in service and available for firm transportation service.
3. The Canaport™ LNG Terminal, located in New Brunswick, Canada, and the interconnection of the Canaport™ LNG Terminal to the Brunswick Pipeline are constructed, tested, placed in service and available to import and regasify LNG and transport such regasified LNG on a firm basis.
4. Any and all Government Approvals necessary to allow LNG to be imported into Canada and regasified at the Canaport™ LNG Terminal and regasified LNG to be transported on the Brunswick Pipeline, exported from Canada and imported into the United States and transported on M&NE are received.
5. Buyer receives written notice from Seller that the Start Date has occurred.

Buyer and Seller shall cooperate and communicate in order to provide both Parties timely notice of the date of (or anticipated date of) occurrence of the items listed in this Section II.D. Seller shall use reasonable commercial efforts to provide Buyer with at least sixty (60) days notice of the date that Seller anticipates the Start Date to occur.

ARTICLE III QUANTITY

A. Sale and Purchase Obligations Generally.

1. Seller's Obligation. Subject to the terms and conditions of this Agreement, Seller shall make available to Buyer, for purchase on a Firm basis at the Delivery Point on each Gas Day beginning with the Start Date, an aggregate volume of Gas equal to the Daily Contract Quantity.
2. Buyer's Obligation. Subject to the terms and conditions of this Agreement, Buyer shall purchase on a Firm basis from Seller at the Delivery Point on each Gas Day beginning with the Start Date an aggregate volume of Gas equal to the Daily Contract Quantity.

B. Determination of Daily Contract Quantity.

1. Commencing on the Start Date, the daily contracted quantity to be purchased and sold hereunder (the "Daily Contract Quantity" or "DCQ") shall be equal to the sum of the following:
 - a. an amount, as designated by Seller, up to a maximum of seven hundred fifty thousand (750,000) MMBtu per Gas Day; and

- b. an amount nominated by Buyer, and confirmed by Seller within 6 hours of receiving Buyer's nomination, up to an additional two hundred fifty thousand (250,000) MMBtu per Gas Day.
2. Seller shall notify Buyer of the amount it designates pursuant to Section III.B.1.a twenty-four (24) hours in advance of the start of the subject Gas Day, and Buyer shall nominate additional volumes to Seller pursuant to Section III.B.1.b at least twenty-four (24) hours in advance of the start of the subject Gas Day. Subject to the overall volumetric limitations set forth in Sections III.B.1.a and III.B.1.b, either Seller or Buyer may, in accordance with the process set forth above, designate or nominate volumes on a daily basis in addition to any agreed minimum contract quantity.

C. Damages for Failure to Deliver or Receive Gas.

1. The sole and exclusive remedy of Buyer in the event that Seller fails to deliver the DCQ to Buyer on one or more Gas Days during a delivery month, except to the extent excused by Force Majeure, shall be recovery of the following: (i) the positive difference, if any, between the purchase price paid by Buyer utilizing the Cover Standard and the Contract Price, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point, multiplied by the difference between the DCQ and the quantity actually delivered by Seller during such Gas Day; or (ii) in the event that Buyer has used commercially reasonable efforts to replace the Gas, and no such replacement Gas is available, any unfavorable difference between the Contract Price and the Spot Price, adjusted for such transportation to the applicable Delivery Point, multiplied by the difference between the DCQ and the quantity actually delivered by Seller and received by Buyer during such Gas Day. In such calculation, Buyer shall net out the losses and gains from such purchases of cover Gas. At the end of such delivery month, Buyer shall provide Seller with the results of such calculation. This amount, if positive, shall be the amount Seller shall pay to Buyer.
2. The sole and exclusive remedy of Seller in the event that Buyer fails to receive the DCQ from Seller on any one or more Gas Days during a delivery month, except to the extent excused by Force Majeure, shall be recovery of the following: (i) the positive difference, if any, between the Contract Price and the price received by Seller utilizing the Cover Standard for the resale of such Gas, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point, multiplied by the difference between the DCQ and the quantity actually taken by Buyer during such Gas Day; or (ii) in the event that Seller has used commercially reasonable efforts to sell the Gas to a third party, and no such sale is available, any difference between the Contract Price and the Spot Price, adjusted for such transportation to the applicable Delivery Point, multiplied by the difference between the DCQ and the quantity actually delivered by Seller and received by Buyer during such Gas Day. In such calculation, Seller shall net out the losses and gains from such resale of Gas. At the end of such delivery month, Seller shall provide Buyer with the results of such calculation.

This amount, if positive, shall be added to Buyer's monthly invoice and paid to Seller pursuant to Article IX.

3. For avoidance of doubt, neither Party shall have liability to the other for failure to deliver or receive Gas due to an event of Force Majeure.
 4. Imbalance Charges shall not be recovered under this Section III.C, but Seller and/or Buyer shall be responsible for Imbalance Charges, if any, as provided in Section VI.C.
- D. Any amount payable by a Party pursuant to Section III.C shall be treated as actual, direct damages and shall not be treated as consequential damages or as loss of income or profits under Section XIII.B.
- E. Any amount payable pursuant to Section III.C shall be credited as an offset, in the case of amounts payable by Seller, or itemized on an invoice separately, in the case of amounts payable by Buyer, pursuant to the provisions of Article IX.

ARTICLE IV PRICE

A. Price of Gas.

The Contract Price applicable each month on a US Dollars per MMBtu basis shall be determined per the following formula:

$$\text{Contract Price} = \quad * \text{Index Price} - \text{M\&NE Pipeline Costs}$$

Where all terms are expressed in USD \$/MMBtu; and

Index Price =)

M&NE Pipeline Costs = the unit charge incurred by Buyer to transport Natural Gas on the Sendout-Pipeline owned by Maritimes & Northeast Pipeline L.L.C. (the company "M&NE" and the pipeline "M&NE Pipeline") including all reservation charges, usage fees, surcharges and fuel

and in the Pipeline Tariff, assuming 730,000 MMBtu per day of firm combined capacity at the delivery points of Dracut and Beverly, Massachusetts is fully utilized.

B. Taxes.

1. The prices established pursuant to this Article IV are inclusive of all Taxes levied on Seller or for which Seller is responsible.
2. Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any governmental authority ("Taxes") on or with respect to the Gas prior to the Delivery Point. Buyer shall pay or cause to be paid all Taxes imposed by any governmental authority on Buyer on or with respect to the Gas at and after the Delivery Point. If a Party is required to remit or pay Taxes that are the other Party's responsibility hereunder, the Party shall provide the responsible Party with proper documentation of the assessed Taxes. Upon determination that the Taxes are proper and valid, the Party responsible for such Taxes shall reimburse the other Party for such Taxes within thirty (30) days. Any Party entitled to an exemption from any such Taxes or charges shall furnish the other Party any necessary documentation thereof on or before the date of delivery of the Gas.

**ARTICLE V
DELIVERY POINT**

The "Delivery Point" shall be at the border between the United States and Canada at the interconnection between the Brunswick Pipeline and the M&NE Pipeline.

**ARTICLE VI
TRANSPORTATION**

- A. Seller shall have sole responsibility for transporting the Gas to the Delivery Point. Buyer shall have sole responsibility for transporting the Gas from and after the Delivery Point.
- B. The Parties shall coordinate their nomination activities, giving sufficient time to meet the deadlines of the affected Transporter. Should either Party become aware that actual deliveries at the Delivery Point are greater or lesser than the nominated delivery quantity, such Party shall promptly notify the other Party.
- C. The Parties shall use commercially reasonable efforts to avoid imposition of any Imbalance Charges. If Buyer or Seller receives an invoice from a Transporter that includes Imbalance Charges, the Parties shall determine the validity as well as the cause of such Imbalance Charges. If the Imbalance Charges were incurred as a result of Buyer's receipt of quantities of Gas greater than or less than the Daily Contract Quantity,

then Buyer shall pay for such Imbalance Charges or reimburse Seller for such Imbalance Charges paid by Seller. If the Imbalance Charges were incurred as a result of Seller's delivery of quantities of Gas greater than or less than the Daily Contract Quantity, then Seller shall pay for such Imbalance Charges or reimburse Buyer for such Imbalance Charges paid by Buyer.

ARTICLE VII QUALITY AND MEASUREMENT

- A. Quality. Deliveries of Gas by Seller to Buyer at the Delivery Point pursuant to this Agreement shall meet the pressure, quality and heat content requirements of M&NE as established by M&NE's FERC Gas Tariff, as may be in effect from time to time ("Gas Quality Standard").
1. It is the obligation of Seller to notify Buyer if Gas to be delivered by Seller to Buyer will not meet the Gas Quality Standard or if Seller has reason to believe that the Gas will not meet the Gas Quality Standard.
 2. Buyer shall have no obligation to accept, purchase and pay for Gas that does not meet the Gas Quality Standard.
- B. Measurement. All measurements of Gas delivered and sold hereunder shall be in accordance with the established procedures, as they may be in effect from time to time, of M&NE at the Delivery Point.

ARTICLE VIII TERMINATION

- A. Buyer or Seller may terminate this Agreement, without incurring liability to the other Party, upon thirty (30) days written notice to the other Party in the event that:
1. the Start Date has not occurred by January 1, 2010;
 2. pursuant to the provisions of Article XI.F; or
 3. Buyer and Seller cease to be Affiliates.

ARTICLE IX BILLING, PAYMENT AND AUDIT

- A. Not later than the 5th Day of each month, Buyer shall transmit to Seller in writing (by email, facsimile or similar means) a statement (the "Price Notification") showing the Contract Price for Gas delivered in the preceding month, including sufficient detail to determine the calculation of the Contract Price in accordance with Section IV.A. Using the information in the Price Notification, Seller shall invoice Buyer for Gas delivered and received in the preceding month and for any other applicable charges, providing supporting documentation acceptable in industry practice to support the amount charged. If the actual quantity delivered is not known by the billing date, billing will be prepared

based on the estimated Daily Contract Quantity for each Day of such month. The invoiced quantity will then be adjusted to the actual quantity on the following month's billing or as soon thereafter as actual delivery information is available.

- B. Buyer shall remit the amount due under Section IX.A, by wire transfer in immediately available funds, on or before the Payment Date; provided that if the Payment Date is not a Business Day, payment is due on the next Business Day following that date. In the event any payments are due to Buyer hereunder, payment to Buyer shall be made in accordance with this Section IX.B.
- C. The invoiced Party shall pay the undisputed portion any disputed invoice amount. If the invoiced Party, in good faith, disputes the amount due, it must provide supporting documentation acceptable in industry practice to support the amount paid or disputed. The Parties will endeavor to resolve any dispute of an invoice within thirty (30) days after notice of the disputed invoice is given. In the event the Parties are unable to resolve such dispute within such period, either Party may pursue any remedy available at law or in equity to enforce its rights pursuant to this Article IX.
- D. If the invoiced Party fails to remit the full amount payable when due, interest on the unpaid portion shall accrue from the date due until the date of payment at a rate equal to the lower of (i) the then-effective prime rate of interest per annum published under "Money Rates" by The Wall Street Journal, plus two percentage points per annum; or (ii) the maximum applicable lawful interest rate.
- E. A Party shall have the right, at its own expense, upon reasonable notice and at reasonable times, to examine, audit and to obtain copies of the relevant portion of the books, records, and telephone recordings of the other Party only to the extent reasonably necessary to verify the accuracy of any statement, charge, payment, or computation made under this Agreement. This right to examine, audit, and to obtain copies and recordings shall not be available with respect to proprietary information not directly relevant to this Agreement. All invoices and billings shall be conclusively presumed final and accurate and all associated claims for under- or overpayments shall be deemed waived unless such invoices or billings are objected to in writing, with adequate explanation and/or documentation, within two years after the month of Gas delivery. All retroactive adjustments under Article IX shall be paid in full by the Party owing payment within thirty (30) days after receipt of notice and substantiation of such inaccuracy.
- F. The Parties shall net all undisputed amounts due and owing (including amounts owed from Seller to Buyer pursuant to Section III.C, and/or past due, arising under the Agreement such that the Party owing the greater amount shall make a single payment of the net amount to the other Party in accordance with Article IX. If the Parties have executed a separate netting agreement, the terms and conditions therein shall prevail to the extent inconsistent herewith.

ARTICLE X
TITLE, WARRANTY AND INDEMNITY

- A. Title to the Gas shall pass from Seller to Buyer at the Delivery Point. Seller shall have responsibility for and assume any liability with respect to the Gas prior to its delivery to Buyer at the Delivery Point. Buyer shall have responsibility for and shall assume any liability with respect to said Gas at and after its delivery to Buyer at and after the Delivery Point.
- B. Seller warrants that it will have the right to convey and will transfer good and merchantable title to all Gas sold hereunder and delivered by it to Buyer, free and clear of all liens, encumbrances, and claims. EXCEPT AS PROVIDED IN THIS SECTION X.B ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR ANY PARTICULAR PURPOSE, ARE DISCLAIMED.
- C. Seller agrees to indemnify Buyer and save it harmless from all losses, liabilities or claims including reasonable attorneys' fees and costs of court ("Claims"), from any and all Persons, arising from or out of claims of title, personal injury or property damage from said Gas or other charges thereon which attach before title passes to Buyer. Buyer agrees to indemnify Seller and save it harmless from all Claims, from any and all Persons, arising from or out of claims regarding payment, personal injury or property damage from said Gas or other charges thereon which attach after title passes to Buyer.
- D. Notwithstanding the other provisions of this Article X, as between Seller and Buyer, Seller will be liable for all Claims to the extent that such arise from the failure of Gas delivered by Seller to meet the Gas Quality Standard.

ARTICLE XI
FORCE MAJEURE

- A. Excuse Due to Force Majeure. Except with regard to a Party's obligation to make payments when due, neither Party shall be liable to the other for any delay or failure in performance hereunder if and to the extent (i) such delay or failure in performance is caused by Force Majeure, and (ii) the Party claiming Force Majeure satisfies its obligations under this Article XI. The Party so excused shall be called the "Excused Party."
- B. Events of Force Majeure. "Force Majeure" shall mean any act, event or circumstance, whether of the kind described herein or otherwise, that is not reasonably within the control of, does not result from the fault or negligence of, and would not have been avoided or overcome by the exercise of reasonable diligence by, the Party claiming Force Majeure. Force Majeure shall include, but not be limited to, the following:
- (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings, such as hurricanes, which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe;

- (ii) weather related events affecting an entire geographic region;
- (iii) interruption and/or curtailment of Firm transportation by Transporters;
- (iv) acts of others such as strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections or wars;
- (v) inability to obtain, or suspension, termination, adverse modification, interruption, or inability to renew, any Government Approvals, provided that the Party seeking such Government Approvals has used reasonable commercial efforts to obtain, maintain or renew such Governmental Approvals;
- (vi) an event of force majeure under any LNG-SPA that excuses the performance of Seller under that agreement;
- (vii) an event of force majeure at the Canaport™ LNG Terminal that prevents Seller from receiving Gas; and
- (viii) governmental actions such as necessity for compliance with any court order, law, statute, ordinance, regulation, or policy having the effect of law promulgated by a governmental authority having jurisdiction.

Seller and Buyer shall make reasonable efforts to avoid the adverse impacts of a Force Majeure and to resolve the event or occurrence once it has occurred in order to resume performance.

C. Events Not Constituting Force Majeure. Notwithstanding the other provisions of this Article XI, Force Majeure shall not include:

1. the non-availability or lack of funds or failure to pay money when due;
2. the curtailment of interruptible or secondary Firm transportation unless primary, in-path, Firm transportation is also curtailed;
3. the Party claiming excuse failed to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch;
4. economic hardship, including, without limitation, Seller's ability to sell Gas at a higher or more advantageous price than the price for Gas sold under this Agreement, or Buyer's ability to purchase Gas at a lower or more advantageous price than the price for Gas purchased under this Agreement;
5. the loss of Buyer's market(s) or Buyer's inability to use or resell Gas purchased hereunder, except, in either case, as provided in Section XI.B; or
6. the loss or failure of Seller's gas supply or depletion of reserves, except, in either case, as provided in Section XI.B.

D. Notice; Resumption of Normal Performance.

1. Immediately upon the occurrence of an event of Force Majeure that may delay or has delayed or prevented, or may or will delay or prevent, the performance by the Excused Party of any of its obligations hereunder, the Excused Party shall give notice thereof (promptly confirmed in writing if originally given orally, but in no event later than three (3) Business Days after the occurrence of such event) to the other Party describing such event and stating each of such Party's obligations hereunder which such Party may, has been or will be delayed or prevented from performing, and (either in the original or in supplemental notices) stating: (i) the full particulars of the event or occurrence, (ii) its good faith estimate of the likely duration of the Force Majeure event and of the period during which performance may be suspended or reduced, including to the extent known or ascertainable, the estimated extent of such reduction in performance; and (iii) the particulars of the program to be implemented and any corrective measures already undertaken to ensure full resumption of normal performance hereunder. The Excused Party shall provide, from time to time as warranted, updates to the notices provided in this Section XI.D.1.
2. In order to ensure resumption of normal performance of this Agreement within the shortest practicable time, the Excused Party shall take all measures to this end which are commercially reasonable in the circumstances, taking into account the consequences resulting from such event of Force Majeure. To the extent that the Excused Party fails to use commercially reasonable efforts to overcome or mitigate the effects of such events of Force Majeure, it shall not be excused for any delay or failure in performance that would have been avoided by using such commercially reasonable efforts. Prior to resumption of normal performance, the Parties shall continue to perform their obligations under this Agreement to the extent not excused or prevented by such event of Force Majeure.

E. Settlement of Industrial Disturbances. Notwithstanding anything to the contrary in this Agreement, settlement of strikes, lockouts or other industrial disturbances shall be entirely within the discretion of the Party experiencing such situations and nothing herein shall require such Party to settle industrial disputes by yielding to demands made on it when it considers such action inadvisable.

F. Extended Force Majeure. If a Force Majeure event affecting the total DCQ lasts for twenty-four (24) consecutive months, either Party shall thereafter have the right to terminate this Agreement by notice to the other Party. If a Force Majeure event affecting a portion of the DCQ lasts for twenty-four (24) consecutive months and the Parties do not foresee that the Force Majeure situation will be resolved in the foreseeable future, either Party shall have the right to reduce the DCQ by a corresponding amount by notice to the other Party.

**ARTICLE XII
DEFAULTS AND REMEDIES**

- A. In the event (each an "Event of Default") either Party (the "Defaulting Party") shall:
1. breach a material representation, warranty, covenant or duty under this Agreement if such breach is not remedied within fifteen (15) Business Days after written notice of such breach is given to the Defaulting Party;
 2. fail to make when due any payment required under this Agreement if such failure is not remedied within five (5) Business Days after written notice of such failure is given to the Defaulting Party;
 3. make an assignment or any general arrangement for the benefit of creditors;
 4. file a petition or otherwise commence, authorize, or acquiesce in the commencement of a proceeding or case under any bankruptcy or similar law for the protection of creditors, or have such petition filed or proceeding commenced against it that is not dismissed within sixty (60) days;
 5. otherwise become bankrupt or insolvent (however evidenced);
 6. be unable to pay its debts as they fall due;
 7. have a receiver, provisional liquidator, conservator, custodian, trustee or other similar official appointed with respect to it or substantially all of its assets that is not dismissed within sixty (60) days; or
 8. fail to give Adequate Assurance of Performance under Article XIV within 48 hours of a written request by the other Party,

then the other Party (the "Non-Defaulting Party") shall have the right, at its sole election, to immediately withhold and/or suspend deliveries or payments upon notice, in addition to any and all other remedies available hereunder.

- B. If an Event of Default has occurred and is continuing, the Non-Defaulting Party shall have the right, by written notice to the Defaulting Party, to designate a day, no earlier than the day such notice is given and no later than twenty (20) days after such notice is given, as an early termination date (the "Early Termination Date"), on which date, all of the rights and obligations of each Party pursuant to this Agreement shall terminate.
- C. As of the Early Termination Date, the Non-Defaulting Party shall determine, in good faith and in a commercially reasonable manner, the amount owed (whether or not then due) by each Party with respect to all Gas delivered and received between the Parties under this Agreement on and before the Early Termination Date and all other applicable charges relating to such deliveries and receipts (including without limitation any amounts owed under Section III.C), for which payment has not yet been made by the Party that owes such payment under this Agreement. The Non-Defaulting Party shall net or

aggregate, as appropriate, any and all amounts owing between the Parties under this Section XII.C so that all such amounts are netted or aggregated to a single liquidated amount payable by one Party to the other (the "Net Settlement Amount"). At its sole option and without prior Notice to the Defaulting Party, the Non-Defaulting Party may setoff (i) any Net Settlement Amount owed to the Non-Defaulting Party against any margin or other collateral held by it in connection with any Credit Support Obligation relating to the Agreement; or (ii) any Net Settlement Amount payable to the Defaulting Party against any amount(s) payable by the Defaulting Party to the Non-Defaulting Party under any other agreement or arrangement between the Parties.

- D. If any obligation that is to be included in any netting, aggregation or setoff pursuant to Section XII.C is unascertained, the Non-Defaulting Party may in good faith estimate that obligation and net, aggregate or setoff, as applicable, in respect of the estimate, subject to the Non-Defaulting Party accounting to the Defaulting Party when the obligation is ascertained. Any amount not then due which is included in any netting, aggregation or setoff pursuant to Section XII.C shall be discounted to net present value in a commercially reasonable manner determined by the Non-Defaulting Party.
- E. As soon as practicable after a liquidation, notice shall be given by the Non-Defaulting Party to the Defaulting Party of the Net Settlement Amount, and whether the Net Settlement Amount is due to or due from the Non-Defaulting Party. The notice shall include a written statement explaining in reasonable detail the calculation of such amount, provided that failure to give such notice shall not affect the validity or enforceability of the liquidation or give rise to any claim by the Defaulting Party against the Non-Defaulting Party. The Net Settlement Amount shall be paid by the close of business on the second Business Day following such notice, which date shall not be earlier than the Early Termination Date. Interest on any unpaid portion of the Net Settlement Amount shall accrue from the date due until the date of payment at a rate equal to the lower of (i) the then-effective prime rate of interest per annum published under "Money Rates" by The Wall Street Journal, plus two percentage points; or (ii) the maximum applicable lawful interest rate.
- F. The Non-Defaulting Party's remedies under this Article XII are the sole and exclusive remedies of the Non-Defaulting Party with respect to the occurrence of any Early Termination Date. Each Party reserves to itself all other rights, setoffs, counterclaims and other defenses that it is or may be entitled to arising from the Agreement.
- G. The expiry or termination of this Agreement shall not: (i) relieve either Party from any obligations to the other Party incurred or arising prior to the date of such expiry or termination; (ii) or extinguish any rights of either Party accrued in respect of periods prior to the expiry or termination of this Agreement or (iii) effect a Party's claim for damages against the other Party on account of the other Party's breach or default of this Agreement.

**ARTICLE XIII
LIMITATION OF LIABILITY**

- A. FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY. A PARTY'S LIABILITY HEREUNDER SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN, A PARTY'S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY. SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED.
- B. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE.
- C. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE. WHERE REMEDIES OR DAMAGES ARE SPECIFICALLY ESTABLISHED IN THIS AGREEMENT, SUCH REMEDIES OR DAMAGES SHALL CONSTITUTE THE SOLE AND EXCLUSIVE REMEDY FOR SUCH EVENT(S). TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OR OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE DAMAGES CALCULATED HEREUNDER CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

**ARTICLE XIV
CREDIT SUPPORT**

- A. Each Party shall deliver to the other Party credit support according to the terms of this Article XIV. If either party ("Party X") has reasonable grounds for insecurity regarding the performance of any obligation under this Agreement (whether or not then due) by the other party ("Party Y") (including, without limitation, the occurrence of a material change in the creditworthiness of Party Y), Party X may demand Adequate Assurance of Performance. "Adequate Assurance of Performance" shall mean sufficient security in the form, amount and for the term reasonably acceptable to Party X, including, but not limited to, a standby irrevocable letter of credit, a prepayment, a security interest in an asset or a performance bond or guaranty (including the issuer of any such security).

- B. This Section XIV.B shall be effective only if and when Buyer and Seller are no longer Affiliates. Within five (5) Business Days of this Section XIV.B becoming effective, each of Seller and Buyer shall provide to the other Party evidence of the providing Party's creditworthiness and financial ability to fulfill its obligations under this Agreement in the form of:
1. standby letter of credit issued by a bank and in a form and amount acceptable to the receiving Party;
 2. a guarantee, in the form and amount acceptable to the receiving Party;
 3. evidence that the providing Party has a Credit Rating of at least BBB- from S&P or Baa3 from Moody's; or
 4. such other financial security as is agreed by the Buyer and the Seller.

**ARTICLE XV
MISCELLANEOUS**

- A. The Parties agree that this Agreement constitutes a "forward contract" within the meaning of the United States Bankruptcy Code and that Buyer and Seller are each "forward contract merchants" within the meaning of the United States Bankruptcy Code.
- B. This Agreement shall be binding upon and inure to the benefit of the successors, assigns, personal representatives, and heirs of the respective Parties hereto, and the covenants, conditions, rights and obligations of this Agreement shall run for the Term.
- C. Either Party may assign this Agreement to a third party, including Buyer to a creditworthy third party, in whole or in part, provided that such Party obtained the prior written consent of the non-assigning Party, which consent will not be unreasonably withheld or delayed; provided, either Party may (i) transfer, sell, pledge, encumber, or assign this Agreement or the accounts, revenues, or proceeds hereof in connection with any financing or other financial arrangements, or (ii) transfer its interest to any parent company or Affiliate by assignment, merger or otherwise without the prior approval of the other Party. Upon any such assignment, transfer and assumption, the transferor shall remain principally liable for and shall not be relieved of or discharged from any obligations hereunder.
- D. If any provision in this Agreement is determined to be invalid, void or unenforceable by any court having jurisdiction, such determination shall not invalidate, void, or make unenforceable any other provision, agreement or covenant of this Agreement.
- E. No waiver of any breach of this Agreement shall be held to be a waiver of any other or subsequent breach.
- F. This Agreement sets forth all understandings between the Parties respecting the rights and obligations of the Parties pursuant to this Agreement, and any prior contracts, understandings and representations, whether oral or written, relating to the rights and

obligations pursuant to this Agreement are merged into and superseded by this Agreement. This Agreement may be amended only by a writing executed by both Parties.

- G. Notices. All notices and other communications to Buyer or Seller shall be in writing and shall be electronically communicated, hand delivered or sent by overnight courier to either Party hereto as provided below, or as specified by a Party in writing to the other Party from time to time.

All communications intended for Buyer shall be sent to:

Repsol Energy North America Corporation
2001 Timberloch Place, Suite 5000
The Woodlands, Texas 77380
Attn: Manager, Marketing & Trading
Phone: (281) 297-1045
Fax: (281) 297-1775

All communications intended for Seller shall be sent to:

Repsol Energy Canada Ltd.
225 McDougall
Outremont, Quebec
Canada H2V 3P3
Attn: VP, Marketing & Trading
Phone: (514) 495-9801

With a copy to:

Repsol Services Company
2001 Timberloch Place, Suite 3000
The Woodlands, Texas 77380
Attn: LNG Legal Counsel
Phone: (281) 297-1726
Fax: (281) 297-1771

For all purposes of this Agreement, notices shall be deemed given when received on a Business Day by the addressee. In the absence of proof of the actual receipt date, the following presumptions will apply. Notices sent by facsimile shall be deemed to have been received upon the sending party's receipt of its facsimile machine's confirmation of successful transmission. If the day on which such facsimile is received is not a Business Day or is after five p.m. on a Business Day, then such facsimile shall be deemed to have been received on the next following Business Day. Notice by overnight mail or courier shall be deemed to have been received on the next Business Day after it was sent or such earlier time as is confirmed by the receiving party. Notice by first class mail shall be deemed to have been received five Business Days after mailing.

- H. The interpretation and performance of this Agreement shall be governed by the laws of New York, excluding, however, any conflict of laws rule which would apply the law of another jurisdiction.
- I. The interpretation of this Agreement shall exclude any rights under legislative provisions conferring rights under a contract to Persons not a party to that contract. Nothing in this Agreement shall otherwise be construed to create any duty to, or standard of care with reference to, or any obligations or liability to, any Person other than a Party.
- J. Each Party to this Agreement represents and warrants that it has full and complete authority to enter into and perform this Agreement. Each Person who executes this Agreement on behalf of either Party represents and warrants that such Person has full and complete authority to do so and that such Party will be bound thereby.
- K. The headings and subheadings contained in this Agreement are used solely for convenience and do not constitute a part of this Agreement between the Parties and shall not be used to construe or interpret the provisions of this Agreement.
- L. This Agreement and all provisions herein will be subject to all applicable and valid statutes, rules, orders and regulations of any governmental authority having jurisdiction over the Parties, their facilities, or Gas supply, this Agreement or any provisions thereof.
- M. Confidentiality. Neither Party shall disclose directly or indirectly without the prior written consent of the other Party the terms of this Agreement to a third party (other than the employees, lenders, counsel, accountants and other agents of the Party, or prospective purchasers of all or substantially all of a Party's assets or of any rights under this Agreement, provided such Persons shall have agreed to keep such terms confidential) except (i) in order to comply with any applicable law, order, regulation, or exchange rule, (ii) to the extent necessary for the enforcement of this Agreement, or (iii) to the extent such information is delivered to such third party for the sole purpose of calculating a published index. Each Party shall notify the other Party of any proceeding of which it is aware which may result in disclosure of the terms of this Agreement (other than as permitted hereunder) and use reasonable efforts to prevent or limit the disclosure. The existence of this Agreement is not subject to this confidentiality obligation. The terms of this Agreement shall be kept confidential by the Parties hereto for one (1) year from the expiration of the Term. Each Party acknowledges that the other may be required, from

time to time, to make disclosures and press releases and applicable filings with the Securities and Exchange Commission in accordance with applicable securities laws that such Party believes in good faith are required by applicable law or the rules of any stock exchange. Each Party acknowledges that the other may be required from time to time to make filings in compliance with applicable securities laws, including a copy of this Agreement. Each Party agrees that such disclosures shall not be a breach of this Agreement.

In the event that disclosure is required by a governmental body or applicable law, the Party subject to such requirement may disclose the material terms of this Agreement to the extent so required, but shall promptly notify the other Party, prior to disclosure, and shall cooperate (consistent with the disclosing Party's legal obligations) with the other Party's efforts to obtain protective orders or similar restraints with respect to such disclosure at the expense of the other Party.

N. This Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original; but such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be duly executed and signed by its duly authorized officer as of the Effective Date.

Repsol Energy Canada Ltd.,
as Seller

By: Denis Marcoux *DM*
Name: DENIS MARCOUX
Title: U.P. GAS ORIGINATOR

Repsol Energy North America Corporation,
as Buyer

By: _____
Name:
Title:

time to time, to make disclosures and press releases and applicable filings with the Securities and Exchange Commission in accordance with applicable securities laws that such Party believes in good faith are required by applicable law or the rules of any stock exchange. Each Party acknowledges that the other may be required from time to time to make filings in compliance with applicable securities laws, including a copy of this Agreement. Each Party agrees that such disclosures shall not be a breach of this Agreement.

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Repsol Energy Canada Ltd.,
as Seller

By: _____

Name:

Title:

Repsol Energy North America Corporation,
as Buyer

By: Colin D. Botts KAP

Name: Colin D Botts

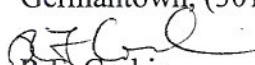
Title: Vice President Origination + Trading



Department of Energy
Washington, DC 20585

MAR 18 2008

TO: Carol Fuster
Accounting Division
Room C-228, NE-142.2
Germantown, (301)903-0534

FROM: 
R.F. Corbin
Manager
Natural Gas Regulation, FE-34
202 586-9460

RE: Filing Fee to Accompany Applications for Import/Export Authorizations

DATE: March 18, 2008

DKT. No. 08-26-NG

CO: Repsol Energy North America Corporation

CHECK #: 1026924
PRESENTED BY: Baker Botts L.L.P.
AMOUNT: \$50.00 DATED 3/14/08

Chase Bank of Texas, N.A.
Houston, Texas

BAKER BOTTS L.L.P.
ATTORNEYS AT LAW
Operating Account

CHECK # 1026924
DATE 03/14/2008

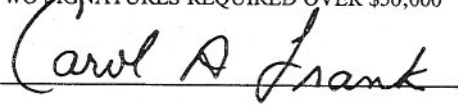
$\frac{32-115}{1110}$

\$ *****50.00

PAY FIFTY AND 00/100 Dollars

NOT NEGOTIABLE SIX MONTHS
FROM THE DATE OF ISSUE
TWO SIGNATURES REQUIRED OVER \$50,000

TO THE ORDER OF
TREASURER OF THE UNITED STATES



⑈ 1026924⑈ ⑆ 11000614⑈ ⑆ 00100002006⑈

08-26-NG



Howard, Beverly

From: PERALES M., XOCHITL [XPERALESM@repsolypf.com]
Sent: Tuesday, April 01, 2008 4:31 PM
To: Howard, Beverly
Subject: RE: Delivery Point Clarification

Attachments: image001.jpg; Baileyville.jpg



image001.jpg (6
KB)



Baileyville.jpg (1
MB)

Ms. Howard,

I just wanted to give you an update on the clarification you've requested. I attach a copy of a map that shows the town of Calais in the vicinity of the point of interconnect and Baileyville as the name of the compressor station that is nearest the interconnect point. I believe both ways of identifying the point are correct, but I am waiting for confirmation from the folks at Maritimes & Northeast Pipeline as to what the official or best way will be to identify the point. I will follow-up with more information as soon as I receive it. (The person that drafted this portion of the application for us is unavailable this week so I'm not able to ask him for a quick confirmation as to where the reference in the application comes from.) Thanks for your patience.

Xochitl M. Perales

Legal Counsel

Legal Services USA

2001 Timberloch Place, Suite 3000

The Woodlands, TX 77380

Direct: 281-297-1726

Fax: 281-297-1771

Mobile: 713-515-7614

From: Howard, Beverly [mailto:Beverly.Howard@HQ.DOE.GOV]
Sent: Monday, March 31, 2008 10:47 AM
To: PERALES M., XOCHITL
Subject: Delivery Point Clarification

Please confirm delivery point as Baileyville, ME or Calais, ME. Thank you.

Beverly Howard

Office of Natural Gas Regulatory Activities

Howard, Beverly

From: PERALES M., XOCHITL [XPERALESM@repsolypf.com]
Sent: Wednesday, April 02, 2008 2:30 PM
To: Howard, Beverly
Subject: Delivery Point Clarification - M&NE for Repsol Application

Ms. Howard,

Please see the email below for clarification as to the designation of this point. I believe the reference to Calais is the correct (or "more correct") one. Please let me know if you have any other questions or need anything else. Thanks.

Xochitl M. Perales

Legal Counsel

Repsol Services Company - Legal Services USA

2001 Timberloch Place, Suite 3000

The Woodlands, TX 77380

Direct: 281-297-1726

Fax: 281-297-1771

Mobile: 713-515-7614

From: Tom.Eastment@bakerbotts.com [mailto:Tom.Eastment@bakerbotts.com]
Sent: Tuesday, April 01, 2008 4:19 PM
To: PERALES M., XOCHITL
Subject: FW: DOE import license

Xochitl: Here is MNE's response as to the appropriate designation of the point of delivery into the US. It seems that Calais is correct and the Baileyville reference in the contract just reflects MNE's internal reference to its nearby compressor station. Tom

-----Original Message-----

From: Hellman, Steven E [mailto:SEHellman@spectraenergy.com]
Sent: Tuesday, April 01, 2008 4:30 PM
To: Eastment, Tom
Cc: McBride, Gregg E
Subject: DOE import license

Tom, below is some information from the Maritimes regulatory director that may assist in your DOE import license application. It looks like the Port of Calais, Maine location is used both for DOE reporting and customs reporting, so we think it would make sense for Repsol to use this too. I hope this helps. Please call me at 713-627-5215 if you have any questions or would like to discuss further. Regards, STEVE