

GasEDI

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NEW GasEDI BASE CONTRACT FOR SALE AND PURCHASE OF NATURAL GAS

Mission: Develop a New GasEDI Base Contract for Sale and Purchase of Natural Gas ("New GasEDI Base Contract") based on: the GasEDI Base Contract for Short-Term Sale and Purchase of Natural Gas as published by GasEDI on October 26, 2000, ("GasEDI 2000 Base Contract"); the North American Energy Standards Board ("NAESB") Base Contract for Sale and Purchase of Natural Gas as published by NAESB on April 19, 2002, and its addenda ("NAESB 2002 Base Contract"); the NAESB General Terms and Conditions for Day Trade Interruptible Contract as published by NAESB on April 16, 1998; and additional recommendations from committee participants.

OUTSTANDING ISSUES - JANUARY 27, 2005 Draft - January 25, 2005

Following is a list of the remaining known or suspected issues which must be resolved in order to complete developing a draft for broad review.

- Section 1.2.a: Should "parties to select either (i) or (ii) in the Base Contract" be left in or taken out?
- "Affiliate" definition to be determined once we have seen all provisions in which it will be used; exclude Regulated Affiliate.
- "Regulated Affiliate" definition to be determined once we have seen all provisions in which it will be used.
- Section 3.2(iii) is still under review.
 - ◆ The differences between the December 7, 2004, draft and the January 24, 2005, draft have not been agreed,
 - ◆ Could we delete "multiplied by the difference ..." language in its entirety and replace it with "multiplied by the difference between, as applicable (iii) the quantity of gas not taken or received; and (iv) the quantity of gas sold or purchased pursuant to (i) and (ii), above"?
- Section 3.3 (Proposed): Option to Terminate a Single Transaction: Mark McNevin, Talisman Energy Inc., and Niall Armstrong, Direct Energy Marketing Limited, are developing an option to terminate a Transaction. The language will be brief, and will track the overall Early Termination of the Contract concepts.
- Section 6.3: Language being reviewed by GST experts.
- Section 10.4: Sharon Huckell to develop revised language, and revisions to related defined terms.
- Section 10.5: Possible revisions - not yet defined.
- Section 13.1: Niall Armstrong to develop language. Concepts agreed: Where there is an express measure of damages, that is the only measure of damages. With respect to Section 3.2, the

remedies therein are the sole and exclusive remedies. There is no limit on the ability to recover or enforce money damages. There are no indirect damages except to the extent they are part of an express measure of damages. Subject to the foregoing, there is no limit on rights, remedies, etc.

- Section 14.1: Is the following highlighted language OK? “Either party may [(i) transfer, sell, pledge, encumber, or assign this Contract or the accounts, revenues, or proceeds hereof in connection with any financing or other financial arrangements, or (ii)]transfer its interest to any parent or affiliate by assignment, merger or otherwise without the prior approval of the other party”.

- Cover Page:
 - ◆ Page 1: Instead of Intermediary Bank, consider just leaving a few lines for "Other Instructions".
 - ◆ Page 1, Section 7.2: Check vs Cheque? The GISB 1996 Base Contract and the NAESB 2002 Base Contract both use check.
 - ◆ Page 1: Should we put (back) in the spaces for number of pages of Special Provisions and Credit Annex?
 - ◆ Top of Page 2: Is the following language OK? “This Base Contract incorporates by reference for all purposes the General Terms and Conditions of the GasEDI Base Contract for Sale and Purchase of Natural Gas as published by GasEDI on March 31, 2005. The parties agree to the following provisions offered in **said** General Terms and Conditions. In the event the parties fail to check a box, the specified default provision shall apply.” It has been suggested that “said General” should read “the General”.

- Transaction Confirmation:
 - ◆ Page 1: Should we use Dekatherm or MMBtu. Note that the GISB 1996 Base Contract and the NAESB 2002 Base Contract use MMBtu, whereas the NAESB Nomination and Invoicing Standards use Dekatherm.
 - ◆ Page 1: Why is “Firm (Variable Quantity)” subject to Section 4.2 at election of Buyer or Seller?

FURTHER INFORMATION

Please contact Ian Anderson (403-243-1079, ian@isanderson.com) or Niall Armstrong (403-290-6726, niall.armstrong@na.centrica.com), or visit GasEDI’s web site (<http://www.gasedi.ca>) .